Stock Code: 3707

Episil Technology Inc.
(Formerly Episil Holding Inc.)
2021Annual 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

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I. Spokesperson and Acting Spokesperson Contact Information

Vice President Spokesperson：FAN,GUI-RONG / Vice President
Acting Spokesperson：LIN,TING-YUAN / Director
Tel: (03)5779245 Email:episil_mail@episil.com

II. Episil Address and Telephone Number

1. Headquarters：Episil Technology Inc.
   Address：1F, No.18, Innovation Road I, Hsinchu Science Park, Hsinchu, Taiwan R.O.C.
   Tel：(03)5779245 Website：www.episil.com
2. Branch office：None
3. Factory：
   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.
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.

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

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One丶Letter to Shareholders

Dear Shareholders:

2021 is a year of successful transformation on EPISIL. With the efforts on the proactive promotion of maximizing the efficiency of capacity, focusing on process optimization and bringing in more high value-added products, and under full implementation by all employees, the company’ s product structure and gross profit margin have been greatly improved. At this moment, EPISIL is continually strengthening on this basis in 2022. In addition, to fulfill the rapid increasing demand in electronics market, we are going to expand fully the operating scale of GaN and SiC products to seize business opportunities in semiconductor green energy and automotive market. Under long term perspective, the Discrete market in 2021 reached to historical high with the growth of 18.3% to US$28.154 billion. And in 2025, the global compound semiconductor output value is expected to grow to US$ 178 billion. Under the company business plan, our management team will continue to improve the operational efficiency and lead to higher profit.

2021 Business Performance：

Implementation and Results of 2021 Business Plan:

Consolidated revenue amount to NT$7.269 billion in 2021. By referring to 2020, grew by more than 26.6% and increase of NT$5.741 billion. In profit and loss, the net profit after tax was NT$387 million, compared with the net loss NT$484 million in 2020, such that EPISIL became profitable annually in 2021.

Operating Performance in 2021

Consolidated financial results：

Unit；NT$ thousands (Except EPS: NT$)

Item	2021Y	2020Y
Operating Revenue	7,269,400	5,741,460
Gross Profit(Gross loss)	989,923	(8,450)
Profit after tax(Net loss)	387,479	(484,787)
Earnings Per Share (Deficit)	0.73	(1.64)

Research and Developments Status

1. Continue to have stable mass production, enhance the capacity and competitive process: Mainly to complete the development of FRED and FRMOS, while TVS and ATV have progressed into mass production. We will continue to develop new process and explore the application of the technology.
2. WBG components: As 4-inch SiC is in mass production stably, we are ongoing to expand the capacity on 6-inch as SiC. At the present, the development of new generation products are in mass production and will gradually replace the previous generation products, which could be shrunk the size of die into half. At the present time, 6-inch SiC production line has been ahead of schedule to be mass production and is in expanding the capacity and customer base.
3. To enhance the profitability under the optimization of product structure and continuous adjustments.

Future Outlooks:

According to the report “SEMI Power and Compound Fab outlook to 2024” published by SEMI, the expenses of FAB equipment in the global power and compound semiconductor, driven by the application of Wireless Communication, Green Energy and Automotive, had been expected to grow around 20% to US$7 billion in 2021 and reached to US$8.5 billion by 2022. For EPISIL, the demand of Automotive, Green Energy and Energy-Saving products are rising steadily, driven by the demand of WBG components. To address customers’ demand, production line of 6-inch SiC is in mass production now and is expanding the capacity continuously. As the first foundry in Taiwan to take the lead of expanding the capacity of SiC, EPISIL has a great competitive advantage in the development of global customers. Under this advantage, we are able to dedicate our efforts to provide valuable innovations to customers, shareholders and all employees.

Chairman: JH Shyu

President：Can-Wun Liou

Two、Company Profile

I. Date of incorporation: October 1, 2014

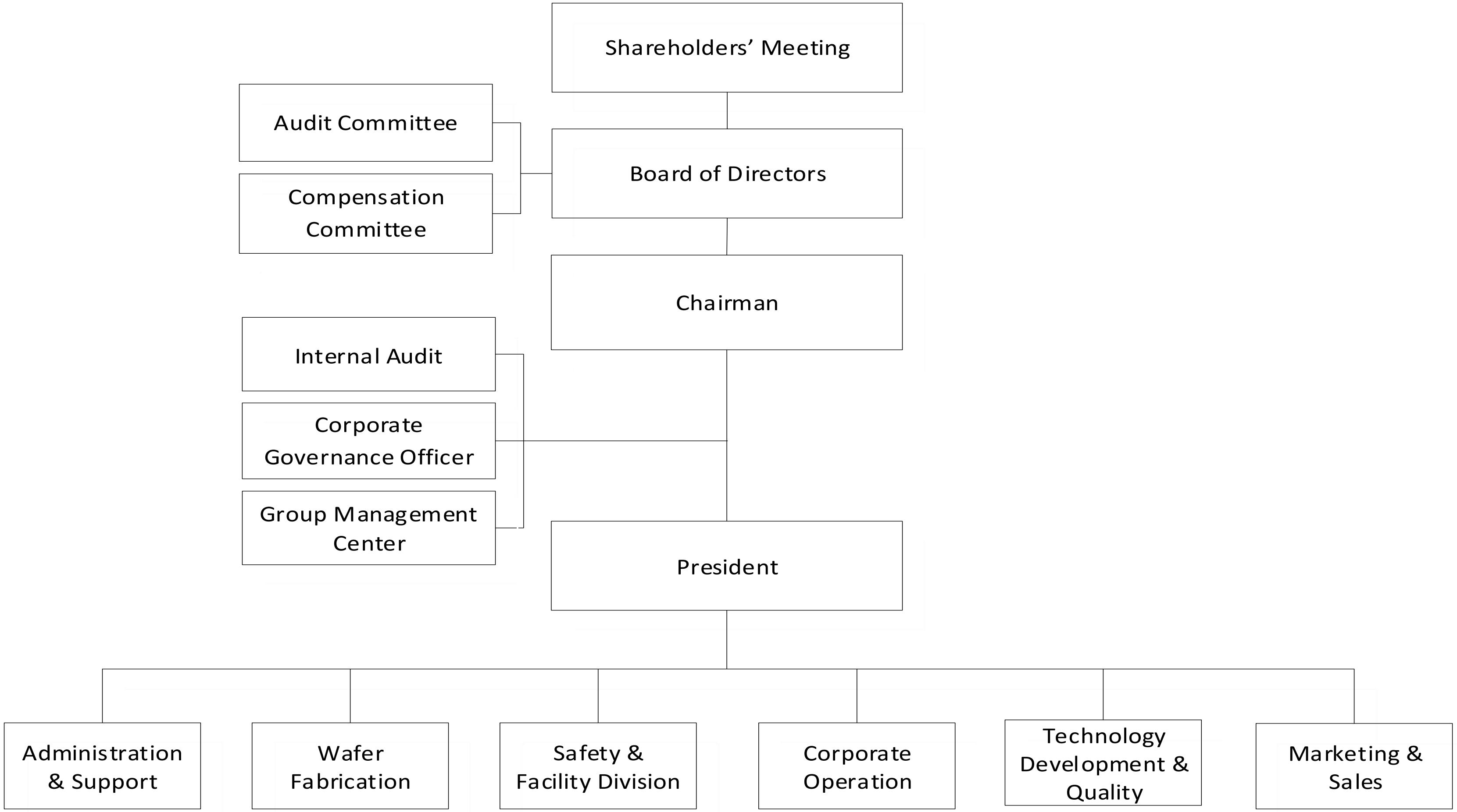
II. A brief history of the company:

2022	Issued the 4th domestic secured convertible corporate bond with a total nominal amount of NT$1,000 million & Cash capital increase by issuing 2,200,000 new shares at a premium of NT$95 per share.
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 September 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 JH Shyu 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

I. Organizational System

(1) Organizational Structure



(2) Department functions

Department	Main Functions
Internal Audit	‧Responsible for the planning and execution of internal audit operations and the tracking of improvement results
Corporate Governance Officer	‧ Handling matters related to board meetings and shareholders' meetings, preparing minutes of board and shareholders' meetings, assisting directors in their appointment and continuing education, providing information necessary for directors to perform their business, and assisting directors in complying with laws and regulations.
Group Management Center	‧ Effective use of capital management and rapid provision of correct financial and accounting information, business performance analysis and review, external environment and competition analysis. ‧ Provide strategic planning and subsidiary management, investment analysis, analysis of the company's operating processes and assistance in improvement for management decision-making. ‧ Counseling, support, provision and other legal matters related to legal affairs.
Administration & Support	‧ Strategic co-ordination and communication of human resources. ‧ Provision of measures for the administration of important human resources of the company. ‧ Human Resource Management and Talent Development. ‧ Management and co-ordination of public affairs within the enterprise. ‧ Promote the development and maintenance of computerized and information systems throughout the company.
Wafer Fabrication	‧ Responsible for factory operation management ‧ Responsible for product production planning, manufacturing, shipment management and development of manufacturing technology ‧ Continuous process capability optimization, yield improvement, and improvement of the company's competitiveness with customers ‧ Budget control and production cost optimization ‧ Establish factory discipline management system and supervision
Safety & Facility Division	‧ Lead iso 14001/45001 environmental safety management system continues to be effective. ‧ Occupational safety and health management, and environmental protection business management. ‧ Implementation of education and training on safety, health and environmental protection. ‧ Worker health checks, health management, emergency injury treatment and occupational disease prevention, etc. ‧ Manage the stability of the operation of the plant system and the rationality of

Department	Main Functions
	water and electricity consumption. • Establish a pre-issuance prevention mechanism for the factory system and an abnormal handling command.
Corporate Operation	• Do wafer production services for customers, supervise the performance of the production cycle and control the delivery of goods, meet customer needs, and achieve the company's performance and profit requirements as the main task. • Wafer production portfolio planning, and formulation of related chipping, output, and shipment plans. • Factory output capacity planning, complete the upgrading of various production capacity and expansion of output capacity. • Analyze production costs and promote cost rationalization to improve cost structure. • Purchase raw materials and machine parts in a timely and appropriate amount, and properly store them to achieve continuous and stable supply. • Provide customs clearance services required for import and export of raw materials, machinery and equipment. • Maintain good supplier relationships, handle raw materials, repairs, spare parts and machine purchase orders, and obtain the company's maximum interests through bargaining and strategic allocation, and reduce the impact of price increases.
Technology Development & Quality	• Development of new products • Stable mass production of existing products • Evaluation and development of new technologies • Management of the company's internal quality control system • Maintenance of various quality systems (including automotive)
Marketing & Sales	• Market information collection and expansion assessment. • Formulation of sales plans, achievement of operational objectives and performance. • Business promotion, including the development and maintenance of new and existing customers. • Process development for new market applications and feasibility analysis of new process development. • Handling of customer engineering problems and customer complaints. • Customer service and customer satisfaction improvement. • Order processing, shipping matters, account processing, sales statistics and other matters.

II. Directors and Management Team：

（I）Directors

April 19, 2022

Title	Nationality/ Place of Incorporation	Name	Gender Age	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	-	109.06.11	3	109.06.11	15,964,245	5.39	16,208,335	4.90	0	0	0	0	None	Corporate Chairman of SYNASPIRE CORP. Corporate Chairman of Heron Neutron Medical Corp. Corporate Chairman of Creaticon Biotechnology Inc. Corporate Chairman of Shinyu Light Co., Ltd. Corporate Chairman of NanoClean Materials Co., LTD. Director of GIGA SOLAR MATERIALS CORPORATION Director of ProMOS TECHNOLOGIES INC.	None			—
	R.O.C	Representative：JH Shyu	Male 63 years old	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 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	-	109.06.11	3	109.06.11	15,964,245	5.39	16,208,335	4.90	0	0	0	0	None	Corporate Chairman of SYNASPIRE CORP. Corporate Chairman of Heron Neutron Medical Corp. Corporate Chairman of Creaticon Biotechnology Inc. Corporate Chairman of Shinyu Light Co., Ltd. Corporate Chairman of NanoClean Materials Co., LTD. Director of GIGA SOLAR MATERIALS CORPORATION Director of ProMOS TECHNOLOGIES INC.	None			—
	R.O.C	Representative：Shu, Chin-Yung	Male 71 years old	109.06.11	3	103.06.06	0	0	0	0	5,393	0	0	0	MS in Optoelectronics from NCTU	Legal Representative Chairman of Huntertex Corp. Legal Representative Chairman of SHINYU LIGHT CO., LTD. Chairman of HonSean-JY Company Limited. Chairman of JadeYale-CY Company Limited. Chairman of GeoThings Inc. Director of Hermes-Epitek Corporation Director of Advanced Ion Beam Technology, Inc. Legal Representative Director of GIGA SOLAR MATERIALS CORPORATION Legal Representative Director of ProMOS Technologies Inc.	None			—
Director	R.O.C	Hermes-Epitek Corporation	-	109.06.11	3	103.06.06	17,792,745	6.01	18,064,793	5.46	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 Age	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：Chen,Hsi-Hsin	Male 65 years old	109.08.01	3	109.08.01	0	0	0	0	0	0	0	0	Ph.D., Solid State Physics, University of Texas at Austin	Legal Representative Director of EPISIL-PRECISION INC. Legal Representative Director of HIGH POWER OPTOELECTRONICS, INC. Director of ENERGIC TECHNOLOGIES CORPORATION Director of ADVANCED ION BEAM TECHNOLOGY, INC.	None			—
	R.O.C	Representative：Shen,Hsiao-Lien	Male 51 years old	109.08.01	3	109.08.01	0	0	0	0	0	0	0	0	National Chiao Tung University EMBA	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	1,439,311	0.43	0	0	0	0	None	Director of EXCELLENCE OPTOELECTRONICS INC. Director of EPILEDS TECHNOLOGIES, INC.	None			—
	R.O.C	Representative：Su,Chien-Chi	Male 50 years old	109.06.11	3	108.01.14	5,298	0	5,298	0	0	0	0	0	Department of Materials Science and Engineering, 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	1,485,761	0.45	0	0	0	0	None	Corporate Chairman of Advanced System Technology Co., Led.	None			—
	R.O.C	Representative：Fan,Gui Rong	Female 58 years old	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 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 54 years old	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 63 years old	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 60 years old	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. Director of Insignis Technology Corporation	None			—

Title	Nationality/ Place of Incorporation	Name	Gender Age	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 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.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 19, 2022

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%

Major shareholders of the Company' s major institutional shareholder：

April 19, 2022

Name of Institutional Shareholders	Major Shareholders
Green Cove Enterprises Inc.	Fortis Corp. 100%
HonSean-JY Company Limited	Shu, Chin-Yung 46.32% Lee, Kui-Hua 46.32% Hsu,Ching-Hsiang 7.36%
JadeYale-CY Company Limited	Shu, Chin-Yung 42.65% Lee, Kui-Hua 42.65% Hsu, Ching-Ling 14.71%
Yeh Tzu Charitable Trust Fund	Not Applicable
Herm Investment Co. Ltd.	Hermes-Epitek Corporation 100%

2. Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors：

condition name	Professional qualifications and experience	Independence situations	Concurrently serves as an independent director of other publicly issued companies
Hua Syu	He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Chairman of Episil-Precision 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, with diversified industry expertise, as well as business management capabilities. There is no one of the various paragraphs of Article 30 of the Companies Act.	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	2
Shu, Chin-Yung	He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Chairman of Huntertex Corp.、Legal Representative Chairman of SHINYU LIGHT CO., LTD.、Chairman of HonSean-JY Company Limited.、Chairman of JadeYale-CY Company Limited.、Chairman of GeoThings Inc.、Director of Hermes-Epitek Corporation、Director of Advanced Ion Beam Technology, Inc.、Legal Representative Director of GIGA SOLAR MATERIALS CORPORATION、Legal Representative Director of ProMOS Technologies Inc. , with diversified industries of professional, as well as enterprise management capabilities. There is no one of the various paragraphs of Article 30 of the Companies Act.	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	0
Chen,Hsi-Hsin	He has served as a number of directors in the electronics technology and semiconductor industries such as Legal Representative Director of EPISIL-PRECISION INC.、Legal Representative Director of HIGH POWER OPTOELECTRONICS, INC.、Director of ENERGIC TECHNOLOGIES CORPORATION、Director of ADVANCED ION BEAM TECHNOLOGY, INC. with diversified industry expertise, as well as enterprise management capabilities. There is no one of the various paragraphs of Article 30 of the Companies Act.	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	0
Shen,Hsiao-Lien	Director of the Semiconductor Industry, Director of ENERGIC TECHNOLOGIES CORPORATION, with expertise in diverse industries and business management capabilities. There is no one of the various paragraphs of	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or	0

	Article 30 of the Companies Act.	others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	
Su,Chien-Chi	As the Manager of Hermes-Epitek Corporation in the semiconductor industry, he has diversified industry expertise and business management capabilities. There is no one of the various paragraphs of Article 30 of the Companies Act.	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	0
Fan,Gui Rong	Serves as a director of the semiconductor industry such as the legal representative director of Galvan Electronics The legal representative of High-tech Semiconductor (Changshu) is the chairman of the board, with the expertise of diversified industries and the ability of enterprise operation and management. There is no one of the various paragraphs of Article 30 of the Companies Act.	A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act.	0
Jhih-Da Yan	He is currently an associate professor of the Department of Finance and Taxation of Taichung University of Science and Technology, and an independent director of Dazhong Integrated Circuit, an independent director of Jingtuo Technology, and an independent director of The Electronic Technology Industry of Futian Technology, and has professional ability in financial accounting. There is no one of the various paragraphs of Article 30 of the Companies Act.	Not an employee, director or supervisor of the company or its affiliates. A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act. No article 27 of the Companies Act provides for the election of a government, a legal person or its representative.	3
Zong-Si Ke	As a director of Electronic Technology, he has the expertise of diversified industries and the ability of enterprise operation and management. There is no one of the various paragraphs of Article 30 of the Companies Act.	Not an employee, director or supervisor of the company or its affiliates. A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case	0

		under article 26-3, subparagraphs 3 and 4 of the Securities exchange act. No article 27 of the Companies Act provides for the election of a government, a legal person or its representative.	
Mao-Song Deng	Served as a number of directors of the electronic technology and semiconductor industries such as Director and General Manager of E-Tech, Chairman of the Legal Representative of E-Group Technology, Chairman of the Legal Representative of E-Li Microelectronics, Director of Great Team Backend Foundry, Inc., Director of Etron Technology America, Inc., Director of eCapture Technologies, Director of Inc., Director of eCapture Ltd. Co., Director of eCapture Co., Limited, Director of S Square System Limited, Director of Insignis Technology, Inc., Director of Insignis Technology Corporation, Director of Anzon Technology, Inc., Director of eEver Technology Limited eYs3D Microelectronics, Director of Inc., with the professional ability of diversified industries and business management. There is no one of the various paragraphs of Article 30 of the Companies Act.	Not an employee, director or supervisor of the company or its affiliates. A natural person shareholder who does not hold more than 1% of the total number of issued shares of the company or the top 10 shareholders in the name of himself or her spouse, minor children or others. There is no relationship between a spouse or a second-class relative with other directors, and there is no case under article 26-3, subparagraphs 3 and 4 of the Securities exchange act. No article 27 of the Companies Act provides for the election of a government, a legal person or its representative.	0

3. Diversity and independence of the Board

（1）Board Diversity:

The composition of the Board of Directors of the Company is based on the Corporate Governance Code and the Election Of Directors to consider the diversity of the Board of Directors from various aspects. The Company has a total of 9 directors, including 3 independent directors, one of which is a female director; the professional background of the board members covers electronics, semiconductor, finance and management industry experience, with the company's need for industrial knowledge, operational judgment ability, international market concept, leadership ability and decision-making ability, etc., can give professional advice from different angles, can improve the company's operating performance and management efficiency.

（2）Board Board Independence:

The Company attaches importance to the independence of the members of the Board of Directors and the policy objective of diversification management is that directors who are also the managers of the Company should not exceed one-third of the number of directors. We will achieve our management targets in FY2021.

（3）More diversity of board members is as follows:

Diversified core items eye Names of directors	Basic conditions and values							Industry experience							Professional competence
	nationality	gender	Concurrently serve as an employee of the	age			The term of office of the independent directors is senior	Electronics industry	Semiconductor industry	Operational and decision management capabilities	Marketing and business development	Crisis management and industry knowledge	financial management	Accounting and financial analysis skills	Semiconductor process techology
				41 to 50years old	51 to 60years old	61 to 70years old	5 years								
JH Shyu	R.O.C	Male				V		V	V	V	V	V	V	V	V
Shu,Chin-Yung		Male				V		V	V	V	V	V	V	V	V
Chen,Hsi-Hsin		Male				V		V	V	V	V	V	V	V	V
Shen,Hsiao-Lien		Male			V			V	V	V	V	V	V	V	
Su,Chien-Chi		Male		V				V	V	V	V	V	V	V	V
Fan,Gui Rong		Female	V		V			V	V	V	V	V	V	V	
Jhih-Da Yan		Male			V		V					V	V	V	
Zong-Si Ke		Male				V	V	V	V	V	V	V	V	V	V
Mao-Song Deng		Male			V		V	V	V	V	V	V	V	V	V

（II）Management Team：

April 19, 2022

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	Tw　Liu	Male	110.03	81,000	0.02	0	0	0	0	Bachelor's degree in Electrical Engineering department,National Central University	None	None		
Vice President	R.O.C	Fan,Gui Rong	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 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	16,000	0	0	0	0	0	Master's degree in Department of Business Administration, National Taiwan University	None	None		
Vice Presiden	R.O.C	Zhang,Zai-Liang	Male	110.09	41,000	0.01	0	0	0	0	Master of Electrical Engineering and Master of Business Administration, Virginia Institute of Technology, USA Itetech Director	None	None		
Vice Presiden	R.O.C	Chen,Yan-Zhang	Male	110.09	54,076	0.02	0	0	0	0	Master of Electronics, Jiaotong University Senior Manager of Applied Materials, Taiwan	None	None		
Vice Presiden	R.O.C	Zhou,Zheng-Yi	Male	110.11	0	0	0	0	0	0	Master of Chemistry, National Taiwan University Senior Manager, UMC	None	None		
Head of Finance and Accounting	R.O.C	Zhong,Jia-Qi	Female	109.10	600	0	0	0	0	0	Department of Economics, private Tunghai University Director of EPISIL	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	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	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Sincere Holding Company	0	0	0	0	1,509	1,509	280	334	0.77%	0.79%	2,759	2,759	108	108	0	0	0	0	2.01%	2.03%	18
	Representative：Jian-JH Shyu																					
Director	Hermes-Epitek Corporation																					
	Representative：Chen,Hsi-Hsin																					
	Representative：Shen,Hsiao-Lien																					
Director	Sincere Holding Company																					
	Representative：Shu, Chin-Yung																					
Director	Vision Holdings Ltd.																					
	Representative：Su,Chien-Chi																					
Director	Honder Holdings Ltd.																					
	Representative：Fan,Gui Rong																					
Independent Director	Jhih-Da Yan	0	0	0	0	754	754	780	780	0.66%	0.66%	0	0	0	0	0	0	0	0	0.66%	0.66%	0
Independent Director	Zong-Si Ke																					
Independent Director	Mao-Song Deng																					

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 independent directors of the Company is based on the degree of participation in the operation of the Company (including the attendance of directors, the frequency of communication, the advice provided... etc.), the Remuneration Committee shall then make recommendations to the Board of Directors after considering the degree of participation and contribution value of each director in the operation of the Company and the performance of the Company's operations.

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 (Parent company/all companies in the financial report/reinvestment business, etc.)：0

3.Note1:On February 15, 2022, the Board of Directors of the Company resolved to pay the remuneration of directors for the year 2021, which is an estimate in the above table and has not yet been reported to the ordinary meeting of shareholders.

Range of Remuneration

Range of Remuneration	Name of Director	
	The total amount of the first four remunerations (A+B+C+D)	The total amount of the first seven items of remuneration (A+B+C+D+E+F+G)
Less than NT$ 2,000,000	Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd, Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng, Fan,Gui Rong	Sincere Holding Company, Hermes-Epitek, Vision Holdings Ltd, Honder Holdings Ltd, Jian-JH Shyu, Shu, Chin-Yung, Chen,Hsi-Hsin, Shen,Hsiao-Lien, Su,Chien-Chi, Jhih-Da Yan, Zong-Si Ke, Mao-Song Deng
NT$2,000,000～NT$4,999,999		Fan,Gui Rong
NT$5,000,000～NT$9,999,999		
NT$10,000,000～NT$14,999,999		
NT$15,000,000～NT$29,999,999		
NT$30,000,000～NT$49,999,999		
NT$50,000,000～NT$99,999,999		
Greater than or equal to NT$100,000,000		
Total	13	13

2、Y2021 Remuneration of Presidents and Vice Presidents 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	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			
President	Tw Liu	13,368	13,368	108	108	1,993	1,993	0	0	0	0	6.67%	6.67%	6
Vice President	Fan,Gui Rong													
Vice President	Yuan-Bei Gu													
Vice Presiden	Zhang,Zai-Liang													
Vice Presiden	Chen,Yan-Zhang													
Vice Presiden	Zhou,Zheng-Yi													
Vice Presiden	HONG,ZONG-YUAN													

Note1：On February 15, 2022, the Board of Directors of the Company resolved to pay employees for the year 2021, which is an estimate in the above table and has not yet been reported to the Ordinary Meeting of Shareholders.

Note2：President Tw Liu was hired in March 2021.

Note3：Vice Presiden Zhang,Zai-Liang & Chen,Yan-Zhang was hired in September 2021.

Note4：Vice Presiden Zhou,Zheng-Yi was hired in November 2021.

Note5：Vice Presiden HONG-ZONG YUAN was dismissed in October 2021.

Range of Remuneration

Range of Remuneration	Name of Executive Officers	
	The company	All companies in the financial report
Less than NT$ 2,000,000	Zhou,Zheng-Yi	Zhou,Zheng-Yi
NT$2,000,000～NT$4,999,999	Tw Liu、Fan,Gui Rong、Yuan-Bei Gu、Zhang,Zai-Liang、Chen,Yan-Zhang、HONG,ZONG-YUAN	Tw Liu、Fan,Gui Rong、Yuan-Bei Gu、Zhang,Zai-Liang、Chen,Yan-Zhang、HONG,ZONG-YUAN
NT$5,000,000～NT$9,999,999		
NT$10,000,000～NT$14,999,999		
NT$15,000,000～NT$29,999,999		
NT$30,000,000～NT$49,999,999		
NT$50,000,000～NT$99,999,999		
Greater than or equal to NT$100,000,000		
Total	7	7

3、Names of managers and distribution of compensation to employees in 2021：

Unit: NT$ thousands

Title		Name	The amount of the stock	Cash amount (Note 1)	Total (Note 1)	Total as a percentage of net profit after tax (%)
Managers	President	Tw Liu	0	0	0	0%
	Vice President	Fan,Gui Rong				
	Vice President	Yuan-Bei Gu				
	Vice Presiden	Zhang,Zai-Liang				
	Vice Presiden	Chen,Yan-Zhang				
	Vice Presiden	Zhou,Zheng-Yi				
	Head of Finance and Accounting	Zhong,Jia-Qi				
	Corporate Governance Officer	WU,SHU-RONG				

Note 1: On February 15, 2022, the board of directors of the company decided to distribute employee remuneration for 2021. The above table is a tentative estimate and has not yet been reported to the general meeting of shareholders.

（IV） Analysis of the ratio of the total remuneration paid by the Company and all companies in the consolidated statements to the Company in the most recent two years to the net profit after tax, and explain the policy, standard and combination of remuneration, the procedures for setting remuneration and the correlation between business performance and future risks:

1.Analysis of the proportion of the total remuneration paid to directors, general managers and deputy general managers in the last two years to the net profit after tax

Unit: NT$ thousands

Year / Identity	Y2020				Y2021			
	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	3,566	Note 2	3,626	Note 2	6,190	2.67%	6,244	2.69%
president and vice Presidents	3,864		3,864		15,469	6.67%	15,469	6.67%

Note 1: On February 15, 2022, the Board of Directors of the Company resolved to pay employees for the year 110, which is an estimate in the above table and has not yet been reported to the ordinary meeting of shareholders.

Note 2: Operating loss, therefore not applicable.

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 remuneration of the directors of the Company includes two major items: directors’ remuneration and service expense; these are handled pursuant to the Company’ s Articles of Incorporation and relevant regulations. The president and vice president’ s remuneration includes of salary, bonus and employee remuneration, which are determined based on the company's Articles of Incorporation and approval authority.

(2)The procedures for determining remuneration

In accordance with the Articles of Incorporation of the Company, “The Company shall pay its employees not less than one-tenth of the profit position of the current year and shall pay directors not more than two percent” The determination of directors' remuneration is based on the degree of participation and contribution of the directors to the Company's operations, and taking into account the results of their directors' performance appraisal, pursuant to the Company's Articles of Incorporation . The remuneration received by the president and vice president is determined based on the Articles of Incorporation and the operational performance limit set forth in the annual budget approved by the Board of Directors each year, while taking into account their positions, responsibilities assumed and contributions to the Company, as well as the industry standards It is agreed. The remunerations are handled pursuant to the procedures of "Management Measures for Managers' Compensation" and " Manager incentive and performance bonus method "

The Company established the Remuneration Committee on 2014 year. The Committee is engaged in reviewing the assessment on performance of directors and managerial officers, as well as the policies, standards, and packages by which the remuneration is paid, and reviewing the content and amount of directors and managerial officers’ remunerations periodically, to report to the Board of Directors.

(3)The correlation with business performance and future risks

The performance appraisal and remuneration of the directors and managerial officers of the Company refer to their positions, participation in the Company’ s operations, personal performance contributions (including financial indicators such as revenue and profit achievement rate, and non-financial indicators such as laws and internal control compliance, or special achievement) and taking into account the usual standards of the peers, while comprehensively considering the amount of remuneration, payment methods, and future risks faced by the Company. It is are highly related to the Company's operating responsibilities and overall performance.

III. Implementation of Corporate Governance

（I）Board of Directors

A total of 5 meetings of the Board of Directors were held in 20210. The attendance of director were as follows: ：

Title	Name		Attendance in Person (註 1)	By Proxy	Attendance Rate (%)	Remarks
Chairman	Sincere Holding Company	Representative：JH Shyu	5	0	100	
Director	Sincere Holding Company	Representative：Shu, Chin-Yung	5	0	100	
Director	Hermes-Epitek Corporation	Representative：Chen,Hsi-Hsin	4	1	80	
		Representative：Shen,Hsiao-Lien	5	0	100	
Director	Vision Holdings Ltd.	Representative：Su,Chien-Chi	4	1	800	
Director	Honder Holding Ltd.	Representative：Fan,Gui Rong	5	0	100	
Independent Director	Jhih-Da Yan		5	0	100	
Independent Director	Zong-Si Ke		5	0	100	
Independent Director	Mao-Song Deng		5	0	100	

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 47~48.

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

board of directors Term/ Date	Period	Contents of the motion	Opinions of all independent directors	The Company's handling of the opinions of independent directors
2021.03.09	3rd Term 5th Session	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital. 2.Issuance of common stock through private placement. 3.Adoption of the merger. 4.Lifting the non-compete restriction on directors	agree	NA
2021.04.21	3rd Term 6th Session	1.Handle the cash capital increase and issuance of new shares through the Company. 2.Issuance of the third domestic secured conversion of corporate bonds through the Company.	agree	NA
2021.05.11	3rd Term 7th Session	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital	agree	NA
2021.08.03	3rd Term 8th Session	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital 2.Engaging in derivatives trading through the Company	agree	NA
2021.11.09	3rd Term 9th Session	1.Issuance of new shares through the Company's second/third secured conversion of corporate bonds into capital increases 2.Additions/amendments through the Company's internal control system	agree	NA
2022.01.04	3rd Term 10th Session	1.Issuance of new shares through the Company's second/third secured conversion of corporate bonds into capital increases 2.Passed the Company's 110 annual employee remuneration and directors' remuneration expenses 3.Execution fees through the general director business of the Company 4.Execution fee through the business of the independent directors of the Company	agree	NA

(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
3rd Term 5th Session 2021.03.09	Shu, Chin-Yung Chen,Hsi-Hsin Shen,Hsiao-Lien Su,Chien-Chi	Removal of the restriction on competition of directors	Director himself	The rest of the directors present approved the case
	Fan,Gui Rong	Manager incentive and performance bonus	Director herself	The rest of the directors present approved the case
	JH Shyu Fan,Gui Rong	Proposal on executive compensation	Director himself	The rest of the directors present approved the case

3rd Term 10th 2022.01.04	JH Shyu Fan,Gui Rong Shu, Chin-Yung Chen,Hsi-Hsin Shen,Hsiao-Lien Su,Chien-Chi	Discuss the Company's general directors' carriage and horse fees	Director himself	The rest of the directors present approved the case
	Jhih-Da Yan Zong-Si Ke Mao-Song Deng	Discuss the cost of carriage and horseback for the independent directors of the Company	Director himself	The rest of the directors present approved the case
3rd Term 11th 2022.02.15	Fan,Gui Rong	Manager incentive and performance bonus	Director herself	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：

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content	Evaluate the results of implementation
Annually	2021/1/1~ 2021/12/31	Individual board members	Self-assessment by directors	Six aspects: (1) Mastery of the company's goals and tasks. (2) Awareness of the duties of directors. (3) The degree of participation in the company's operations. (4) Internal relationship management and communication. (5) Professional and continuous training of directors. (6) Internal control	"Beyond the standard". In the future, the Company will continue to implement corporate governance and enhance the functions of the Board of Directors to promote the objectivity and operational effectiveness of the Board's assessment
Annually	2021/1/1~ 2021/12/31	Individual board members	Self-assessment by directors	Five aspects: (1) The degree of participation in the company's operations. (2) Improve the quality of decision-making of the board of directors. (3) Composition and structure of the board of directors. (4) Selection and continuous training of directors. (5) Internal control.	"Beyond the standard". In the future, the Company will continue to implement corporate governance and enhance the functions of the Board of Directors to promote the objectivity and operational effectiveness of the Board's assessment
Annually	2021/1/1~ 2021/12/31	Individual board members	Self-assessment by directors	Five aspects: (1) The degree of participation in the company's operations. (2) Functional Committee Responsibilities Cognition. (3) The quality of functional committee decision-making. (4) Composition and selection of members of the functional committee. (5) Internal control.	"Beyond the standard". In the future, the Company will continue to implement corporate governance and enhance the functions of the Board of Directors to promote the objectivity and operational

					effectiveness of the Board's assessment

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 2021. 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 the operation of the audit committee falls under any of the following circumstances, the date, period, content of the proposals, the independent directors' objections, reservations or major recommendations, the results of the audit committee's resolutions, and the company's handling of the audit committee's opinions shall be stated. :.

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

Board meeting	Contents of the motion	Outcome of the audit committee's resolutions	The Company's handling of the Audit Committee's opinion
3rd Term 5th 2021.03.09	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital. 2.Passed the 109 annual business report and financial report. 3.Issuance of common stock through private placement. 4.Adoption of the merger. 5.Lift the non-compete restriction on directors. 6.Self-audit report and internal control system statement through the 109 annual internal control system.	agree	Passed as proposed
3rd Term 6th 2021.04.21	1.Handle the cash capital increase and issuance of new shares through the Company. 2.Issuance of the third domestic secured conversion of corporate bonds through the Company.	agree	Passed as proposed
3rd Term 7th 2021.05.11	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital 2.Financial report for the first quarter of 2021.	agree	Passed as proposed
3rd Term 8th 2021.08.03	1.Issuance of new shares through the Company's second domestic secured conversion of corporate bonds into capital 2.Financial report for the second quarter of 2010 3.Engaging in derivatives trading through the Company	agree	Passed as proposed
3rd Term 9th 2021.11.09	1.Issuance of new shares through the Company's second/third secured conversion of corporate bonds into capital increases 2.Adoption of financial reports for the third quarter of 2021 3.Additions/amendments through the Company's internal control system 4.Adopted the internal audit plan for 2022	agree	Passed as proposed

	5.Through the acquisition of shares in Vino Investment Co., Ltd 6.Pass the Company's 2022 Annual Visa Accountant and its independence assessment.		
3rd Term 10th 2022.01.04	1.Issuance of new shares through the Company's second/third secured conversion of corporate bonds into capital increases 2.Approve the 2022 annual business plan and related manpower, equipment and expenses budget	agree	Passed as proposed
3rd Term 11th 2022.02.15	1.Approved the 2021 annual business report and financial report. 2.Distribution of surplus through the Company in 2021. 3.Issuance of common shares by not continuing to process private placements. 4.Issuance of common stock through private placement 5.Handle the cash capital increase and issuance of new shares through the Company 6.Issued the fourth domestic secured conversion company debt through the company 7.Self-audit report and internal control system statement for 2021	agree	Passed as proposed

(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 10nd Session 2022.01.04	Discuss the cost of carriage and horseback for the independent directors of the Company	Discussed the Company's independent directors' carriage and horse fees, avoided interests, and did 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
2021.03.09	1.Performance Report on Internal Audit Operations for the Fourth Quarter of 2020 2.2020 internal control system self-audit report and internal control system statement	1.Audit of the 2020 annual financial report 2.Communicate with major governance units 3.The accountant explains the questions raised by the audit committee
2021.05.11	1.Internal audit operations execution report for the first quarter of 2021	1.Financial report audit for the first quarter of 2021 2.Communicate with major governance units 3.The accountant explains the questions raised by the audit committee

2021.08.03	1.Internal audit operations execution report for the second quarter of 2021	1.Audit of financial reports for the second quarter of 2021 2.Communicate with major governance units 3.The accountant explains the questions raised by the audit committee
2021.11.09	1.Internal audit operations execution report for the third quarter of 2021 2.2022 Annual Internal Audit Plan Report (including subsidiaries)	1.Financial report audit for the third quarter of 2021 2.Communicate with major governance units 3.The accountant explains the questions raised by the audit committee
2022.02.15	1.Performance Report on Internal Audit Operations for the Fourth Quarter of 2021 2.2021 Internal Control System Effectiveness Assessment and Internal Control System Statement	1.Audit of financial reports for the fourth quarter of 2021 2.Communicate with major governance units 3.The accountant explains the questions raised by the audit committee

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

(一) Work Priorities in 2021：

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.

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.	None
(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 internal control monitoring on subsidiaries for risk management.	None
(IV)Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	V		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 board of directors formulate diversity policies, specific management objectives and implement them?	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,	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			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 30 for more information on board diversity.	
(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.	None
(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 February 15, 2022, the 2021 evaluation results were submitted to the 10th 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.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			(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. 3. According to the results of the Ninth Board Of Directors of the Third Session of the Company on November 9, 2021, the Company's visa accountants did not violate the provisions of the Company's Professional Ethics Bulletin No. 10, the two accountants did not hold the position of director, manager or significant influence of the Company, nor did they have other financial interests or business relationships, and the accountant's family members did not violate the independence requirements and met the conditions of independence and appropriateness.	
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 and promote the board of directors to play its due functions to safeguard the rights and interests of investors, the company has designated Wu Shurong, the financial director, as the head of corporate governance, to be responsible for corporate governance related matters, and Manager Wu Shurong has more than three years of experience in the position of financial supervisor of the public offering company, and the main business implementation situation is 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. 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	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Illustration	
			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 set up an Investor Relations Unit to provide relevant information and communication channels including shareholders, customers, suppliers and investors, and the Company's website also sets up a special area for stakeholders and contact information of each special person to respond to the concerns of stakeholders.	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 information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		The Company regularly updates the Internet-based reporting system for public information, appoints personnel responsible for 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.	None
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	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	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Illustration	
of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?			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 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 2022, the insured amount is US$5 million, which has been submitted to the 11th meeting of the 3rd term board of directors, and reported on the MOPS in accordance with regulations.	
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.				

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：

condition name	Professional qualifications and experience	Independence situations	Concurrently serves as an independent director of other publicly issued companies
Jhih-Da Yan	He is currently an associate professor of the Department of Finance and Taxation of Taichung University of Science and Technology, and an independent director of Dazhong Integrated Circuit, an independent director of Jingtuo Technology, and an independent director of The Electronic Technology Industry of Futian Technology, and has professional ability in financial accounting. There is no one of the various paragraphs of Article 30 of the Companies Act.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	3
Zong-Si Ke	As a director of Electronic Technology, he has the expertise of diversified industries and the ability of enterprise operation and management. There is no one of the various paragraphs of Article 30 of the Companies Act.	(1)(2)(3)(4)(5) (6)(7)(8)(9)(10)	0
Mao-Song Deng	Served as a number of directors of the electronic technology and semiconductor industries such as Director and General Manager of E-Tech, Chairman of the Legal Representative of E-Group Technology, Chairman of the Legal Representative of E-Li Microelectronics, Director of Great Team Backend Foundry, Inc., Director of Etron Technology America, Inc., Director of eCapture Technologies, Director of Inc., Director of eCapture Ltd. Co., Director of eCapture Co., Limited, Director of S Square System Limited, Director of Insignis Technology, Inc., Director of Insignis Technology Corporation, Director of Anzon Technology, Inc., Director of eEver Technology Limited eYs3D Microelectronics, Director of Inc., with the professional ability of diversified industries and business management. There is no one of the various paragraphs of Article 30 of the Companies Act.	(1)(2)(3)(4)(5)(6) (7)(8)(9)(10)	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
2021.03.09 3nd Term 2th Session	1.Incentive and performance bonus for managers.	The independent directors have expressed no objection or reservatior to the following motions, and the motions have been approved by all members of the Compensation Committee and all directors.
2021.09.09 3rd Term 3st Session	1.The executive compensation proposal.	
2021.11.09 3rd Term 4st Session	1. The company’ s executive appointment and compensation proposal.	
2022.01.04 3rd Term 5st Session	2. The company's general director's travel expenses 3. The company’ s independent director travel expenses	
2022.02.15 3rd Term 6st Session	1. Discuss the company's 2021 compensation of employee and director distribution plan. 2. The Company's 2022 compensation of employee and director appraisal proposal 3. Approval of incentive and performance bonus for managers. 4. Approval of the executive compensation proposal.	

(V) Performance of Social Responsibilities:

Evaluation Item	Implementation Status			Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies
	Y	N	Abstract Illustration	
I. Has the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?	V		Following the vision and mission of the company's ESG policy, the "ESG Committee" was established in 2021, which is the highest-level sustainable development decision-making center within the company. Deputy General Manager Gu Yuanbei serves as the chairman and inspects the company together with many senior executives in different fields. The core operating capabilities of the company have established a medium- and long-term sustainable development plan. The "ESG Committee" serves as a cross-departmental communication platform integrating top and bottom and horizontally connecting. Through meetings and task groups based on issues, identify sustainable issues related to company operations and stakeholders, formulate corresponding strategies and work guidelines, compile budgets related to sustainable development of each organization, plan and implement annual plans, At the same time, track the implementation results to ensure that the sustainable development strategy is fully implemented in the company's daily operations. The "ESG Committee" plans to regularly report the implementation results of sustainable development and future work plans to the Board of Directors.	None
II. 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	None

Evaluation Item	Implementation Status			Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies
	Y	N	Abstract Illustration	
			measures into the daily operations of each department.	
III. Environmental Issues				
(I)Has the Company developed an proper environmental management system, given its distinctive characteristics?	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.	None
(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		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 more than 28% of the original amount of waste in 2021, 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.	None
(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 2021, 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 the GHG emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management. (For more information on the	None

Evaluation Item	Implementation Status			Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies
	Y	N	Abstract Illustration	
			above, please refer to the environmental protection information) The company monitors the working environment every six months to ensure that the working environment does not affect the health of employees, and actively provides protective equipment for employees to use in high-noise areas. In addition, the physical examination of new employees is carried out according to the law to confirm that the physique of new employees can adapt to the new work, and the frequency and items of health examinations for incumbent employees are better than the requirements of laws and regulations. After more than ten years of health examination results, it was found that there is no relationship between the health of any employee and the working environment. In the implementation of safety and health education, work safety seminars and health promotion seminars are held every year to enhance employees' attention and related knowledge on safety and health. In view of the increasing number of chemical splashing cases in the society, we plan to provide education and training for colleagues, chemical hazards and emergency use of medicines, so that colleagues can understand the possible hazards of using chemicals and understand the appropriate handling methods when dealing with abnormalities. (For more information on the above, please refer to the environmental protection information)	
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 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.	None

Evaluation Item	Implementation Status			Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies
	Y	N	Abstract Illustration	
(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.	None
(III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues?	V		The company establishes an occupational safety and health management system in accordance with Article 1-1 of the Occupational Safety and Health Management Regulations, implements occupational safety and health policies, plans and implements a safe and healthy working environment; in addition, according to the occupational safety and health education and training regulations, implements safety and health on-the-job education. Training, and according to the nature of the work, compare the corresponding different training hours to implement the training.	None
(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.	None

Evaluation Item	Implementation Status			Differences and reasons with the Code of Practice for Sustainable Development of Listed OTC Companies
	Y	N	Abstract Illustration	
(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.	None
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?		V	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.	The company has not yet prepared a Corporate Sustainability Report
VI. If the company has its own sustainable development code in accordance with the "Code of Practice for Sustainable Development of Listed Counters", please describe its operation and the differences: There were no deviations with the Company's implementation status.				
VII. Other important information to help understand the implementation of promoting sustainable development: All factories of the company have obtained the international standard certification of environmental management system (ISO 14001: 2015) and occupational safety and health management system (OHSAS 18001: 2007). Chemical Substances Operation Management Regulations and Environmental Prohibited Substances Management Procedures strictly control all products and materials as standards for the management of prohibited/restricted chemical substances to suppliers, in order to comply with international conventions, environmental protection laws and customer specifications; By the implementation of ISO14001 environmental management system, the optimization of electric energy saving is carried out, and the water and electric energy consumption is managed from the source, so as to reduce the impact on the environment and save costs. The company conducts conflict mineral source investigations on suppliers semi-annually and irregularly, and requires suppliers not to purchase or use mines from conflict areas controlled by non-governmental military groups or illegal military factions in the Democratic Republic of Congo, including: gold (Au) , tantalum (Ta), tungsten (W) and tin (Sn) and other metals are also publicly promoted through the company's website, declaring the policy of not using conflict minerals; supplier management is in accordance with IATF 16949:2016 and RoHS and related laws and regulations According to the requirements of the provisions, confirm whether its quality system meets the ISO9001 or IATF16949 third-party certification, and the supplier needs to provide direct or indirect raw materials that meet the requirements of RoHS and environmental protection related laws and regulations. Direct or indirect proof is directly related to production quality New suppliers or new raw material evaluations for raw materials (including Wafer, Mask, Chemical, Gas, Quartz, Target).				

（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?	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.	None
(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?	V		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.	None
(III) Does the company establish relevant policies which are duly enforced to prevent unethical conduct, provide and implement 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?	V		The Company has formulated the "Ethical Corporate Management Best Practice Principles" 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.	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	
			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.	
(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.	None
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		The Company has formulated the "Ethical 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	None
(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		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.	None
(V) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		Through departmental meetings, the Company’s advocates and ensures that employees understand the concept and standards of integrity management.	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	
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 violation of the Company's ethical standards will be punished. There were no punishments and violations of the Company's ethical standards in 2021.	None
(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.	None
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 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."

(1) Situation of further training for directors：

Job title	Name	Training date	Host	Course Title	Hours
president of the board	JH Shyu	110/02/08	Securities and Futures Institute	Corporate Governance and Securities Regulations	3 hours
		110/08/26		How should directors and supervisors supervise enterprise risk management and crisis management	3 hours
director	Fan,Gui Rong	110/11/03	Securities and Futures Institute	2021 Annual Prevention of Insider Trading Promotion Conference	3 hours
director	Shu, Chin-Yung	110/12/01	Accounting Research and Developmen Foundation	Corporate Inheritance and Corporate Governance Professional Study Course	3 hours
		110/12/08	Accounting Research and Developmen Foundation	How to properly exercise the powers of independent directors from the perspective of the responsibility of securities exchange law	3 hours
director	Shen,Hsiao-Lien	110/11/17	Accounting Research and Developmen Foundation	Probe into Corporate Governance Professional Training Courses from the Practical Cases of Competing for Operational Rights	3 hours
		110/12/01		Corporate Inheritance and Corporate Governance Professional Study Course	3 hours
director	Su,Chien-Chi	110/11/17	Accounting Research and Developmen Foundation	Probe into Corporate Governance Professional Training Courses from the Practical Cases of Competing for Operational Rights	3 hours
		110/12/01		Corporate Inheritance and Corporate Governance Professional Study Course	3 hours
independent director	Yan ,Jhih-Da	110/08/27	Accounting Research and Developmen Foundation	Advanced Seminar on the Practice of Directors and Supervisors (Including Independence)	3 hours

Job title	Name	Training date	Host	Course Title	Hours
		110/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3 hours
independent director	Zong-Si Ke	110/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	6 hours

(2) Corporate Governance Supervisors：

Job title	Name	Training date	Host	Course Title	Hours
Head of Corporate Governance	SHU-RONG WU	110/7/23	IIA	Practical evolution of materiality benchmarks for untruthful financial statements and determination of directors' and supervisors' responsibilities	3 hours
		110/7/23	IIA	Legal Responsibilities of Enterprise Fraud and Practical Procedures of Investigation and Judgment	3 hours
		110/9/24	IIA	Business activities and case analysis of dishonest behavior risk	6 hours
		110/10/18	Taipei Exchange (TPEx)	Insider Equity Promotion and Briefing Session of OTC Emerging Companies	3 hours
		110/11/12	Securities and Futures Institute	2021 Annual Prevention of Insider Trading Promotion Conference	3 hours

(IX) Status of Implementation of Internal Control System

1. Statement of internal control system：

EPISIL TECHNOLOGIES INC
(Formerly EPISIL HOLDING INC.)
Statement of Internal Controls

Date: February 15, 2022

The following statement has been made based on a self-assessment of the Company’ s internal control system in 2021:

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, 2021. This system (including the supervision and management of subsidiaries) has provided assurance concerning the Company's business results, target accomplishts, 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 February 15, 2022 by all 9 attending Directors.

EPISIL TECHNOLOGIES INC

Chairman: JH Shyu

President：Can-Wun Liou

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
August 20, 2021	Rectification 1. Rectification of the 2020 Business Report and Financial Statements. 2. Rectification of 2020 loss make-up proposal. Approval 1. Approved the amendment of the “Articles of Incorporation.” 2. Approved the private placement of common equity. Other proposals 1. Approved the lifting of non-competition restrictions on the directors.	Rectification 1. Resolution passed. 2. Resolution passed. Approval 1. Operations in compliance with board resolutions. 2. Operations in compliance with board resolutions. 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 9, 2021 3- 5	1. Discuss the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Discuss the 2020 business report and financial statements. 3. Discuss the 2020 loss make-up proposal. 4. Discuss not continuing the private placement of common equity. 5. Discuss the private placement of common equity. 6. Discuss the merger. 7. Discuss the amendment of the "Articles of Incorporation." 8. Discuss the lifting of non-competition restrictions on the appointed directors. 9. Set the date, place and reasons for convening the 2021 annual general meeting of shareholders of the Company. 10. Discuss the Self-Audit Reports and Statement on Internal Control System for 2020. 11. Discuss the lifting of non-compete restrictions on managers. 12. Discuss the manager appointment case 13. Discuss manager incentives and performance bonuses. 14. Discuss the 2021 compensation proposal for managers	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.	
April 21, 2021 3- 6	1. The Company intends to handle the case of issuing new shares for capital increase in cash. 2. The Company plans to issue the third domestic secured conversion of corporate bonds. 3. Discuss the relocation case.	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 11, 2021 3-7	1. Discuss the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Discuss the financial report for the first quarter of 2021. 3. Discuss and amend the Company's " Regulations Governing Procedure for Board of Directors Meetings ", "Organization Rules of the Audit Committee" and "Organization Rules of the Remuneration Committee". 4. The company changed its name to a comprehensive ticket exchange plan.	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 3, 2021 3-8	1.Discuss the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2.Discuss the Second Quarter 2021 Financial Results. 3. Change the date and place of the 2021 annual general meeting of shareholders of the company	None

	4. Discuss the loan case of financial institutions 5. The company engaged in derivative financial product transactions. 6. Appointment and remuneration proposal of the managers.	
	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 9, 2021 3-9	1. Discuss the capital increase from the issuance of new shares by converting the Company's 2^{nd} and 3rd domestic secured convertible bonds. 2. Discuss the financial report of the third quarter, 2021. 3. Discuss the loan renewal case of financial institutions. 4. Discuss the addition/revision of the company's internal control system. 5. Discuss and formulate the 2022 annual internal audit plan. 6. Discuss the case of acquiring shares of WEI NUO INVESTMENT LTD. 7. Discuss the independence of external auditors in 2021. 8. Manager appointment and remuneration proposal.	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.	
January 4, 2022 3-10	1. Discuss the issue of the company's second and third domestic secured conversion of corporate bonds to increase capital and issue new shares. 2. Approved the 2022 annual operation plan and the budget of related manpower, equipment and expenses. 3. Discuss the company's 2022 employee compensation and director compensation expenses 4. Discuss the general director's travel expenses 5. Discuss independent directors' travel expenses	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.	
February 15, 2022 3-11	I. The 2021 Annual Staff Remuneration and Directors' Remuneration Distribution Project 2. The 2022 Annual Employee Compensation and Director Compensation Appraisal Proposal 3. Approved the 2021 Business Report and Financial Statements 4. Approved the Proposal for Distribution of 2021 Profits 5. Approved not continuing the private placement of common equity. 6. Approved the 2021 annual internal control system self-examination report and internal control system statement. 7. Handling private placement of ordinary shares 8. Issuance of new shares restricting employee rights 9. Date and venue of the 2022 Annual General Meeting of Shareholders 10. The Company intends to handle the case of cash capital increase and issuance of new shares 11. Issuance of the fourth domestic secured convertible corporate bond case 12. The 2022 manager compensation case 13. Discuss manager incentives and performance bonuses	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 9, 2021 3- 5	1. Discuss the capital increase from the issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Discuss the 2020 business report and financial statements. 3. Discuss the 2020 loss make-up proposal. 4. Discuss not continuing the private placement of common equity. 5. Discuss the private placement of common equity. 6. Discuss the merger. 7. Discuss the amendment of the "Articles of Incorporation." 8. Discuss 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.		
April 21, 2021 3- 6	1. The Company intends to handle the case of issuing new shares for capital increase in cash. 2. The Company plans to issue the third domestic secured conversion of corporate bonds.	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 11, 2021 3-7	1. Discuss the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2. Discuss the financial report for the first quarter of 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.		
August 3, 2021 3-8	1.Discuss the capital increase from issuance of new shares by converting the Company's 2nd domestic secured convertible bonds. 2.Discuss the Second Quarter 2021 Financial Results. 3. The company engaged in derivative financial product transactions.	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 9, 2021 3-9	1. Discuss the capital increase from the issuance of new shares by converting the Company's 2nd and 3rd domestic secured	V	None

	convertible bonds. 2. Discuss the financial report of the third quarter, 2021. 3. Discuss the addition/revision of the company's internal control system. 4. Discuss and formulate the 2022 annual internal audit plan. 5. Discuss the case of acquiring shares of WEI NUO INVESTMENT LTD. 6. Discuss the independence of external auditors in 2021.		
	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.		
January 4, 2022 3-10	1. Discuss the issue of the company's second and third domestic secured conversion of corporate bonds to increase capital and issue new shares. 2. Approved the 2022 annual operation plan and the budget of related manpower, equipment and expenses. 3. Discuss the company's 2022 employee compensation and director compensation expenses	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.		
February 15, 2022 3-11	1. The 2021 Annual Staff Remuneration and Directors' Remuneration Distribution Project 2. The 2022 Annual Employee Compensation and Director Compensation Appraisal Proposal 3. Approved the 2021 Business Report and Financial Statements 4. Approved the Proposal for Distribution of 2021 Profits 5. Approved not continuing the private placement of common equity. 6. Approved the 2021 annual internal control system self-examination report and internal control system statement. 7. Handling private placement of ordinary shares 8. The Company intends to handle the case of cash capital increase and issuance of new shares 9. Issuance of the fourth domestic secured convertible corporate bond case	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 : None.

IV. Certified Public Accountant Fees：

Unit: NT$ thousand

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-Audit fees	Total	Remarks
PricewaterhouseCoopers Taiwan	Hsieh, Chih-Cheng Lin, Yu-Kuan	2021/01/01~ 2021/12/31	3,250	1,410	4,660	-

(I) 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: The 2021 audit fee decreased by 18.75%, which was due to the reduction of the number of companies audited due to the consolidation and adjustment of the group organization.

(II) The total amount of non-audit public expenses in 2021 is NT$1,410,000; the main contents are industrial and commercial registration, the company's merger services in accordance with the Enterprise Mergers and Acquisitions Law, and non-executive salary review and other expenses

V. Alternation of CPA

None

VI. 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.

VII. 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	2021		As of document is printed	
		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)	244,090	0	0	0
	Representative：JH Shyu	17,000	0	(17,000)	0
	Representative：Shu, Chin-Yung	0	0	0	0
Director	Hermes-Epitek Corporation	272,048	0	0	0
	Representative：Chen,Hsi-Hsin	0	0	0	0
	Representative：Shen,Hsiao-Lien	0	0	0	0
Director	Vision Holdings Ltd.	21,675	0	0	0
	Representative：Su,Chien-Chi	0	0	0	0
Director and Vice President	Honder Holdings Ltd.	22,374	0	0	0
	Representative：Fan,Gui Rong	0	0	0	0
	Representative：Shu, Chin-Yung	0	0	0	0
Independent Director	Jhih-Da Yan	0	0	0	0
Independent Director	Zong-Si Ke	0	0	0	0

Title	Name	2021		As of document is printed	
		Net increase (decrease) in shares held	Net increase (decrease) in shares pledged	Net increase (decrease) in shares held	Net increase (decrease) in shares pledged
Independent Director	Mao-Song Deng	0	0	0	0
President	Can-Wun Liou(Note1)	0	0	0	0
Vice President	Yuan-Bei Gu	16,000	0	0	0
Vice President	ZAI-LIANG ZHANG(Note2)	0	0	0	0
Vice President	YAN-ZHANG CHEN(Note2)	0	0	0	0
Vice President	ZHENG-YI ZHOU (Note3)	0	0	0	0
Finance and accounting director	JIA-QI ZHONG	100	0	0	0
Head of Corporate Governance	SHU-RONG WU	0	0	0	0

Note：

i、 Presidents Can-Wun Liou appointed on March 9, 2021

ii、 Vice Presidents ZAI-LIANG ZHANG and YAN-ZHANG CHEN appointed on September, 2021

iii、 Vice Presidents ZHENG-YI ZHOU appointed on November, 2021

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 19 2022

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		emarks
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Numbe	Percentage of Shareholding	Name	Relationshi	
HAN SHIN CORP.	21,501,551	6.85	NA	NA	NA	NA	None	None	
Representative:,Fong-Hua,Bie	0	0.00	0	0	0	0	None	None	
HAN SHIN HOLDINGS LTD	20,616,796	6.42	NA	NA	NA	NA	None	None	
Representative:,Mei-Jhih,Huang	0	0.00	0	0	0	0	None	None	
HERMES-EPITEK CORPORATION	18,064,793	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	16,208,335	5.09	NA	NA	NA	NA	None	None	
Representative:Li-Guei,Chen	1,675,684	0.53	6,616	0	0	0	None	None	
Fubon Life Insurance Co., Ltd.	11,877,000	1.63	NA	NA	NA	NA	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	4,332,149	1.36	NA	NA	NA	NA	None	None	
Chase trusteeship into the starlight advanced total international stock index	3,827,875	1.04	NA	NA	NA	NA	None	None	
Capital Marathon Fund investment account	3,700,000	1.03	NA	NA	NA	NA	None	None	
Standard Chartered Custody of New Generation Unicom Asia Income Investment Trust	3,357,000	0.97	NA	NA	NA	NA	None	None	

（III）Combined Shareholding Ratio：

December 31, 2021

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Episil-Precision Inc.	166,200,000	58.44	150,000	0.05	166,350,000	58.49
Wellknown Holdings Ltd.	15,000,000	100.00	0	0.00	15,000,000	100.00
Taiwan Hi-Tech Corp	17,093,398	37.49	1,656,690	3.63	18,750,088	41.12
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
Weiyun Investment Management Consulting Co., Ltd.	0	0.00	150,000	30.00	150,000	30.00
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 19, 2022

Share categories	Authorized capital			Note
	Outstanding shares (public listed)	Unissued shares	Total	
Registered Common Shares	330,919,121	169,080,879	500,000,000	Stocks listed in OTC

(II)Sources of Capital

April 19, 2022

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
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
2021.05	10	500,000,000	5,000,000,000	313,782,855	3,137,828,550	Corporate bonds into shares	None	Approval number of 11001091820
2021.08	10	500,000,000	5,000,000,000	319,934,073	3,199,340,730	Capital increase from cash and corporate bonds into shares	None	Approval number of 1100024852

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
2021.11	10	500,000,000	5,000,000,000	323,406,734	3,234,067,340	Corporate bonds into shares	None	Approval number of 1100034546
2022.01	10	500,000,000	5,000,000,000	330,666,411	3,306,664,110	Corporate bonds into shares	None	Approval number of 1110001781
2022.04	10	500,000,000	5,000,000,000	330,919,121	3,309,191,210	Corporate bonds into shares	None	The change registration is not processed

II. Status of Shareholders

April 19, 2022

Shareholder Structure / Quantity	Government agencies	Financial institutions	Others institutional investors	Individuals	Foreign institutions & individuals	Total
Number of Shareholders	0	14	307	70,133	163	70,617
Shareholding	0	16,468,000	113,490,612	175,347,721	25,612,788	330,919,121
Percentage of Shareholding (%)	0	4.98	34.30	52.99	7.74	100

III. Shareholding Distribution Status

April 19, 2022

Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage%
1-999	25,595	3,039,931	0.92
1,000-5,000	39,546	68,890,022	20.82
5,001-10,000	3,164	23,768,472	7.18
10,001-15,000	852	10,631,373	3.21
15,001-20,000	432	7,909,033	2.39
20,001-30,000	384	9,616,826	2.91
30,001-50,000	269	10,754,059	3.25
50,001-100,000	186	13,065,758	3.95
100,001-200,000	99	14,064,853	4.25
200,001-400,000	36	10,475,971	3.17
400,001-600,000	12	5,610,659	1.70
600,001-800,000	5	3,308,405	1.00
800,001-1,000,000	5	4,077,494	1.23
1,000,001 and above	32	145,706,265	44.03
Total	70,617	330,919,121	100.00

IV. List of major shareholders

April 19, 2022

Shares Name of major shareholders	Shares Held (Shares)	Holding Percentage (%)
HAN SHIN CORP.	21,502	6.50
HAN SHIN HOLDINGS LTD.	20,617	6.23
HERMES-EPITEK CORPORATION	18,065	5.46
SINCERE HOLDING COMPANY	16,208	4.09
Fubon Life Insurance Co., Ltd.	11,877	3.59
Min-Ci Huang	5,085	1.54
Chase Custodian Van Garde Group emerging markets fund investment account	4,332	1.31
Chase trusteeship into the starlight advanced total international stock index	3,828	1.16
Capital Marathon Fund investment account	3,700	1.12
Standard Chartered Custody of New Generation Unicom Asia Income Investment Trust	3,357	1.01

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

Year Items			2020	2021	As of April 19, 2022
Market price per share share	Highest		NT$43.20	NT$173.50	NT$148.50
	Lowest		NT$22.10	NT$38.40	NT$99.00
	Average		NT$30.64	NT$91.68	NT$122.97
Equity per share	Before distribution		NT$10.03	NT$13.53	-
	After distribution		NT$10.03	NT$13.53	-
Earnings per share	Weighted-average shares (thousand shares)		300,538	318,051	-
	Earnings per share (NTD)		NT$ (1.64)	NT$0.73	-
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: On February 15, 2022, the board of directors of the company decided to allocate a cash dividend of NT$0.35 per share for the 2021 annual shareholder dividend, totaling NT$115,733,244.

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 basis of the remuneration of employees, directors and supervisors estimated in the current period, the calculation basis of the number of shares for the employee compensation distributed by stock, and the accounting treatment if the actual distribution amount is different from the estimated amount:

(1) Basis for estimating the remuneration amount of employees, directors and supervisors: the basis for estimating is based on the distribution ratio stated in the company's articles of association and with reference to the distribution situation in the previous year.

(2) Calculated based on the number of shares for employee compensation distributed by shares: It is planned to distribute cash to employees in the current period, so it is not applicable.

(3) Accounting treatment if the actual distribution amount is different from the estimated amount: According to the accounting treatment of employee dividends and directors and supervisors' remuneration in Letter No. 052 of the Accounting Research and Development Foundation of the Republic of China (96) Ji Mi Zi No. 052 It is stipulated that if there is a discrepancy between the actual distribution amount and the estimated amount as resolved by the shareholders' meeting, it shall be listed as the profit or loss for the year as the shareholders' meeting has resolved.

(III) The Board of Directors approves the distribution of remuneration:

(1) Remuneration of employees and directors and supervisors distributed in cash or stock. If there is a

discrepancy with the estimated amount in the year of recognition of expenses, the discrepancies, reasons and handling shall be disclosed:

i. Distribution of employee remuneration and directors' remuneration

ii. The 2021 annual employee remuneration and director and supervisor remuneration were approved by the board of directors on February 15, 2022. The distribution of employee remuneration NT$20,000,000 and director compensation NT$2,263,000 were all paid in cash.

iii. If there is a discrepancy with the estimated amount in the year of recognition of expenses, the number of discrepancies, reasons and handling shall be disclosed:

Unit: NTD thousand

Assign items	Actual distribution amount	Estimated number of lines on the account	Difference amount	Reason and handling situation
Employee cash compensation	20,000	20,000	0	No difference。
Director's Remuneration	2,263	2,263	0	

(2) The ratio of the amount of employee remuneration distributed in stock to the net profit after tax and total employee remuneration for the current period: The company does not distribute employee remuneration in stock, so it is not applicable.

(IV) Shareholders' meeting reports on the situation and results of distribution of remuneration: it has not been convened, so it is not applicable.

(V)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 2021, as the Company suffered a loss in 2020.

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.Information on issued and outstanding corporate bonds

(1) 3rd Domestic Secured Convertible Corporate Bond

April 19, 2022

Corporate bond type		3rd Domestic Secured Convertible Corporate Bond
Date issued		June 22, 2021
Face value		NT$100,000
Place of issuance and exchange		TPEx
Issue price		101% issuance by denomination
Total		Total face value of NT$600million
Interest rate		0%
Duration		3 years; maturity date: June 22, 2024
Guaranteeing institution		First Commercial Bank Co., Ltd.
Trustee		KGI Commercial Bank Co., Ltd.
Underwriting institution		KGI Securities Co.,Ltd.
Board Certified Attorney		Lawyer Yi-Cheng Peng of Handsome Attorneys-at-Law
CPA		CPAs Yu-Kuan Lin and Zhi-zheng Xie of PwC Taiwan
Repayment method		Unless the bondholders convert the convertible corporate bonds to the Company’ s common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value.
Outstanding principal balance		NT$ 96,200,000
Terms for redemption or early repayment		Please refer to Attachment 1: Regulations Governing the Issuance and Conversion of 3rd Domestic Secured Convertible Corporate Bond of the Prospectus for the 3rd 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 in dollar amounts.	As of April 19, 2022, 5,038 corporate bonds with total face value of NT$503,800,000 have been converted to 6,845,029 common shares.
	Issuance and conversion (traded or subscribed) regulations	Please refer to Annex 1 of the Company's Public Prospectus for the Third Domestic Convertible Corporate Bonds with Guaranteed Issue and Conversion Measures for the Third Domestic Secured Convertible Corporate Bonds.
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 P.54~P.55 of the Company's Third Domestic Secured Convertible Corporate Bond Public Prospectus.
Name of the commissioned custodial institution for objects exchanged		None

(2) 4rd Secured Convertible Corporate Bond

Corporate bond type		4th Domestic Secured Convertible Corporate Bond
Date issued		April 7, 2022
Face value		NT$100,000
Place of issuance and exchange		TPEx
Issue price		101% issuance by denomination
Total		Total face value of NT$1000million
Interest rate		0%
Duration		3 years; maturity date: April 7, 2025
Guaranteeing institution		First Commercial Bank Co., Ltd.
Trustee		KGI Commercial Bank Co., Ltd.
Underwriting institution		KGI Securities Co.,Ltd.
Board Certified Attorney		Lawyer Yi-Cheng Peng of Handsome Attorneys-at-Law
CPA		CPAs Yu-Kuan Lin and Zhi-zheng Xie of PwC Taiwan
Repayment method		Unless the bondholders convert the convertible corporate bonds to the Company’s common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value.
Outstanding principal balance		NT$ 1,000,000,000
Terms for redemption or early repayment		Please refer to Annex 1 of the Company's Fourth Domestic Secured Convertible Corporate Bonds Public Prospectus - Measures for Issuance and Conversion of the Fourth Domestic Secured Convertible Corporate Bonds.
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 in dollar amounts.	As of April 19, 2022, 0 corporate bonds with total face value of NT$0 have been converted to 0 common shares.
	Issuance and conversion (traded or subscribed) regulations	Please refer to Annex 1 of the Company's Fourth Domestic Secured Convertible Corporate Bonds Public Prospectus - Measures for Issuance and Conversion of the Fourth Domestic Secured Convertible Corporate Bonds.
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 P.54~P.55 of the Company's Fourth Domestic Secured Convertible Corporate Bond Prospectus.
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		3rd Secured Convertible Corporate Bond	
Item / Year		Y2021	As of Apil 19, 2022
Market price of the convertible bond	Highest	232.00	196.00
	Lowest	111.10	159.00
	Average	149.25	175.55
Convertible Price		20.5	73.6
Issue date and conversion price at issuance		Issue Date：June 26, 2021 Conversion price at issuance：NT$73.8 Since August 17, 2021, the conversion price has been adjusted from NT$73.80 to NT$73.60	
Conversion methods		Issuing of new stocks	

Corporate bond type		4rd Secured Convertible Corporate Bond
Item / Year		As of Apil 19, 2022
Market price of the convertible bond	Highest	129.00
	Lowest	124.10
	Average	127.38
Convertible Price		118.8
Issue date and conversion price at issuance		Issue Date：April 7, 2022 Conversion price at issuance：NT$118.8
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：

In order to improve operational efficiency, the company adopts the method of absorption and merger and adopts the simple merger method in accordance with Article 19 of the Enterprise Mergers and Acquisitions Law, and merges with Hanlei Technology Co., Ltd. (hereinafter referred to as Hanlei Technology), and considers Hanlei Technology to reduce capital to make up for losses. After the paid-in capital, the merger consideration is NT$16.48 in cash for each Hanlei Technology share. In addition to the company, a total of NT$2,837,411 should be distributed to other minority shareholders of Episil Technology. After the merger on September 1, 2021, the company was a surviving company, and Episil Technology was a eliminated company; at the same time, the company name was changed to Episil Technology Co., Ltd. The above merger and acquisition plan is an organizational merger within the Episil Group.

XI. Financing Plans and Execution Status：

(1)In order to purchase machinery and equipment and related installation projects, the company handled the issuance of new shares by cash capital increase and the fourth domestic secured conversion of corporate bonds. NT$ 209,000,000 plus the total amount raised by converting corporate bonds to NT$ 1,248,524,000 .

(2) An overview of the plan for the use of funds and the expected potential benefits:

Unit: NT$ thousand

Project	Scheduled completion date	total funds required	Scheduled fund utilization progress	
			2022Q2	2023Q4
Purchase of machinery and equipment and related installation works	2023Q4	1,211,601	-	1,211,601
Replenish working capital	2022Q2	245,923	245,923	-
Total		1,457,524	245,923	1,211,601
OVERVIEW OF EXPECTED POSSIBLE BENEFITS	(1) Purchase of machinery and equipment and related installation works The company intends to use the raised amount to purchase machinery and equipment and related installation works. The purchased machinery and equipment is mainly used to expand the production capacity of 6-inch silicon carbide products, which is an expansion of the existing production line. The supply and demand situation of related equipment, considering the time of delivery, installation and acceptance of machinery and equipment, is expected to be put into production in the second quarter of 2023. It is estimated that the output will increase by 17,100 pieces in 2023. The output is 45,900 pieces; in terms of sales value, it is reasonable to estimate that the new sales value in 2023~2024 will be NT$1,266,408 thousand and NT$3,348,530 thousand respectively; in terms of operating profit, it is reasonable to estimate that the newly added operating profit in 2023~2024 will be respectively NT$ 1,266,408 thousand and NT$3,348,530 thousand. It is NT$343,618 thousand and NT$ 856,281 thousand; in terms of operating profit, it is reasonable to estimate that the newly increased operating profit in 2023~2024 is NT$267,580 thousand and NT$704,577 thousand respectively. (2) Enrich working capital In this fundraising plan, it is estimated that NT$245,923 will be used to enrich working capital to meet the working capital required for operational growth, which will contribute to long-term capital stability, strengthen the flexibility of capital utilization, save interest expenses, and improve the company's Overall operational competitiveness.			

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	2020		2021	
	Total Sales	%	Total Sales	%
Epitaxial Silicon Wafer	3,744,809	65.22	4,544,225	62.50
IC wafer	1,962,424	34.18	2,674,693	36.80
Other	34,227	0.60	50,482	0.70
Total	5,741,460	100.00	7,269,400	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. Gen 2 High Grade SiC-on-SiC epitaxy technologies
B. RF GaN (GaN-on-SiC) epitaxy technologies
C. C. Second-generation 650V GaN on Si epitaxial mass production technology
D. D. 6" SiC G3 Platform Development
E.GaN power semiconductor components combined with IC process
F. SiC Schottky Diode 3300V process
G. SiC MOSFET 3300V manufacturing process
H. Low Capacitor, Low Clamp New Generation Trench TVS

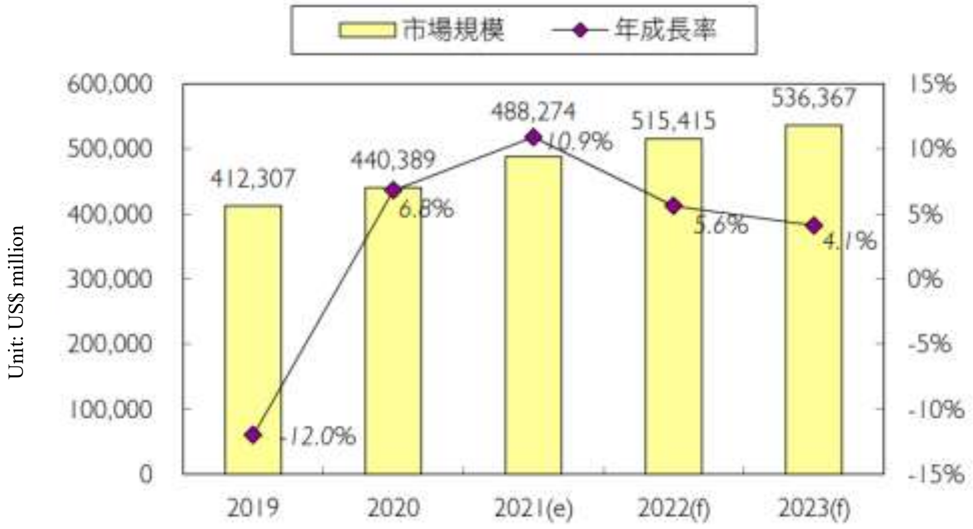
(II) Industry Overview

1. Industry status and development

A. Current Situation and Development of Global Semiconductor Industry

In 2020, although the global market was affected by COVID-19, it benefited from the increased demand for cloud computing and remote work and online learning equipment, and the memory market also recovered, causing the global semiconductor market to grow by 6.8%. In 2021, the global economy is on the road to recovery in the post-epidemic period, and semiconductors play a key role in industrial recovery, with an estimated annual growth rate of 10.9%. The "2021 Semiconductor Industry Yearbook" issued by IEK of the Industrial Technology Research Institute stated that the economic recovery after the epidemic in 2022 will drive the global semiconductor market, and the development of emerging applications will also drive the long-term demand for semiconductor components. The annual growth in 2022 is estimated to be 5.6%. The annual growth rate of the global semiconductor market will continue to increase by 4.1%.

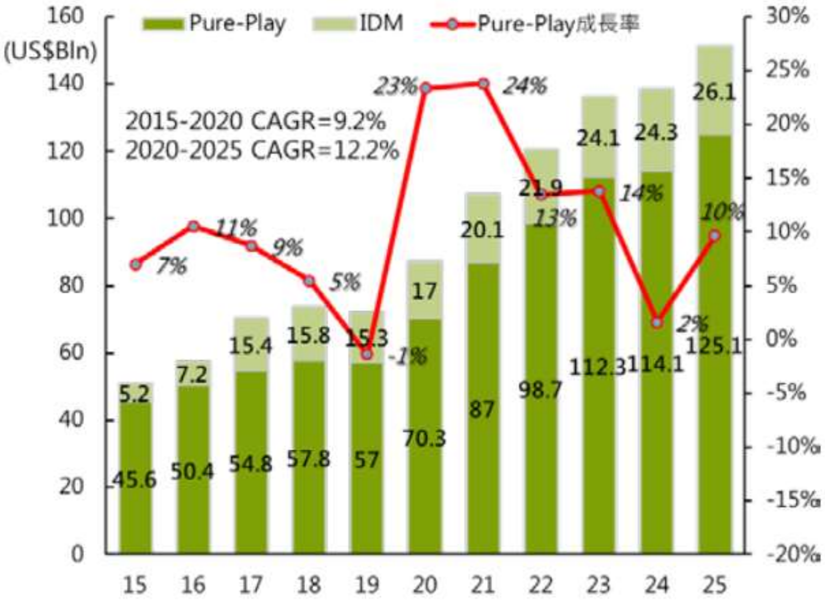
Global semiconductor market trends from 2019 to 2023



Source: Industrial Technology Research Institute IEK (2021/07)

(A) IC manufacturing industry

The semiconductor industry is divided into IC design, IC manufacturing, IC packaging and IC testing according to the industry. Among them, IC manufacturing is mainly foundry and memory manufacturing. The output value of the global IC manufacturing industry includes global integrated component manufacturers (IDM) (ie. Industry revenue of manufacturers with their own fabs and brands) and professional wafer manufacturers (Foundry). In 2020, the COVID-19 epidemic has prompted the birth of a new "non-contact" type of life, accelerating the introduction of IoT innovative application products into daily life, and accelerating the pace of automation in the circulation industry. The automation of the circulation industry will move towards the development of smart logistics. Therefore, corresponding The number of IoT devices in China will also increase, with the global IC manufacturing output value reaching US$315,200 million in 2020, an increase of 7% over 2019. According to the statistics of the research institute IEK, the largest 5G-related semiconductor market in 2020 is the development of baseband, core processors of application products, and transceivers in RF chips. From the perspective of application, 5G semiconductors will be the most important after 2020. Smartphones, especially high-end flagship models, are the most widely used products. After 2023, it is estimated that the demand for 5G semiconductors for industrial and automotive products will continue to increase. In response to the accelerated penetration of IoT products brought about by the epidemic, it is estimated that the future growth rate of IoT semiconductor application products will be in the automotive and industrial fields. The functions of AI and edge computing will be integrated with IoT products to assist devices in making decisions. The research institute IEK predicts that the global IC manufacturing output value will grow to US$348,254 million in 2021, an increase of 10.5% over 2020, and will continue to grow by 5.1% in 2022. IC Insights, a research institute, predicts that the global foundry sales will reach US$107.1 billion in 2021, with an annual growth of 23%, mainly due to the rapid replenishment of inventory due to the plateau demand of NB and the reversal of the mobile phone and automotive markets. Coupled with the transfer order effect of the US-China trade friction; in 2022, due to the shortage of materials in the chip market, foundries have increased prices and signed long-term contracts to respond. It is estimated that sales in 2022 will increase by another 13% to US$120.6 billion , and foundry sales will follow strong terminal demand all the way to 2025.



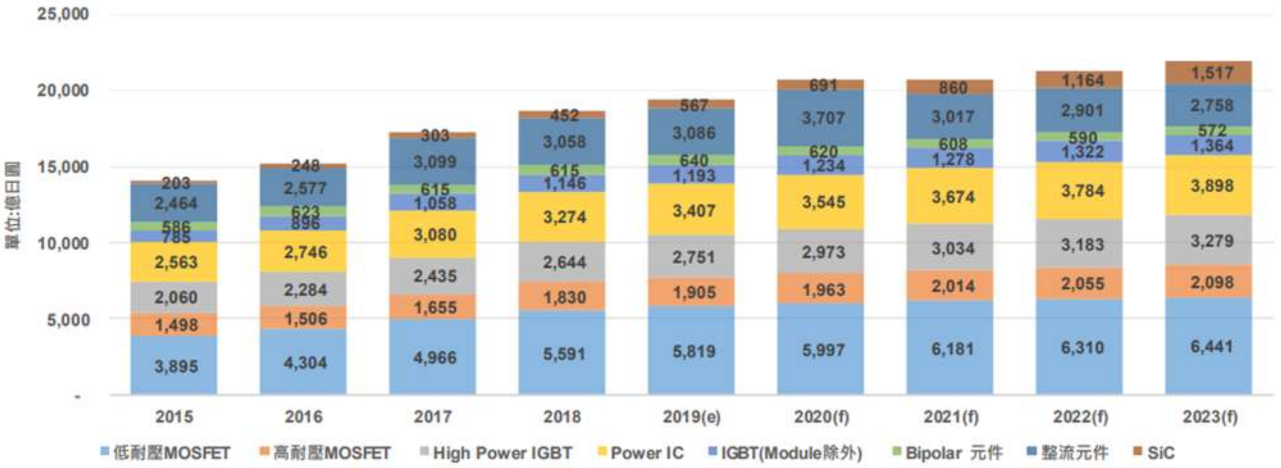
2015~2025 Foundry Sales Forecast

(B) Analog IC Market

Semiconductors are divided into discrete components, integrated circuits (ICs), optoelectronic components and sensing components according to product categories. Among them, integrated circuits (ICs) can be divided into analog (Analog) ICs, logic (Logic) ICs, and memory according to market categories. (Memory) IC and microcomponents (microcomponents) IC and other four categories, power management ICs account for about 80-90% of analog ICs. Power management analog ICs can help devices adjust power usage, maintain device operating temperature, and ultimately help Used to extend the battery life of cell phones and other mobile/battery powered systems. With the continuous increase in demand for consumer electronics, communications, industrial control, and automotive terminals, as well as product changes driven by industrial transformation, the use of power management chips in the global market has increased significantly. Consumer electronics products are the largest field of power management chips. , Under the recovery of the auto market, electric vehicles, automotive electronics, and ADAS have grown rapidly, and the technical requirements for power control, management and charging have increased. IC Insights, a research institute, expects that the analog IC market will reach US$71.2 billion in 2021, with an increase of 25% due to tight market supply and demand and an increase in average selling prices. Among them, the automotive special application analog IC market has the strongest growth momentum. Shipments will increase by 30% compared to last year, and the market size will increase by 31%.

(C) Analog IC Market

Power semiconductor products can be roughly divided into two categories: power discrete components (Power Discrete) and power integrated circuits (Power IC). The discrete components are diodes, transistors, and thyristors. Power Transistor products include Metal Oxide Semiconductor Field Effect Transistors (Power MOSFET (Metal Oxide Semiconductor Field Effect Transistors)), Bipolar Power Transistor and Insulated Gate Bipolar Power Field Effect transistor (IGBT; Insulated Gate Bipolar Transistors) and so on. Power transistors are most often used in power electronic components in power conversion systems. With the increasing demand for energy saving and carbon reduction, the application field of power semiconductors has gradually shifted from traditional industrial control and consumer electronics to alternative energy, high-speed Railway, smart grid, frequency conversion white goods and other applications. At present, the mainstream of the power semiconductor market is Si-base. However, with the gradual maturity of the new wide-bandgap material process, the power semiconductors made of wide-bandgap materials (SiC and GaN) can improve power efficiency and reduce power consumption. , Under the 5G/B5G communication system, it can provide high-bandwidth, fast and low-latency services, and it also promotes the intercommunication of various machines and equipment from static to meet the application requirements of the Internet of Everything (IoT), combined with analytical computing technology (such as AI) , to enhance the performance of the communication network, and to achieve the instantaneous dynamic response of the car's actions. Compound semiconductors will be widely used in 5G, power supplies, railway transportation, and automotive electronic systems. 5G has entered the stage of large-scale commercial use, which is expected to drive the rapid development and technological innovation of chips and electronic components for 5G mobile phones, wireless base stations and communication network systems, as well as related fundamental frequency digital signal processing components, RF components, power amplifier components and power management components As demand grows, IEK estimates that the global power semiconductor market will grow to 2.19 trillion yen in 2023.



Power semiconductor market size estimate

(D) Silicon Wafer Market

Silicon wafer is an important substrate material for semiconductor components and IC manufacturing. According to the Silicon Manufacturers Group (SMG) silicon wafer industry analysis report of SEMI (International Semiconductor Industry Association), silicon wafer is the basic component for building semiconductors, and it is very important for computers, All electronic products such as communications and consumer electronics are important components. The epidemic has accelerated the digital transformation of global corporate information communications and services. More semiconductor products will be introduced in medical, automotive, education and other fields. Driven by the end market, semiconductors appear. The strong long-term growth demand has led to a significant increase in silicon wafer shipments. In 2021, global silicon wafer shipments will increase by 13.9% compared with last year, and this growth trend will continue to strengthen. It is expected that in 2022, silicon wafer shipments will reach 14.896 billion square inches.

Estimated global silicon wafer shipments

project	The actual data		Estimated amount			
	2019	2020	2021	2022	2023	2024
million square inches	11677	12290	13998	14896	15587	16037
annual growth rate	(6.9)%	5.3%	13.9%	6.4%	4.6%	2.9%

Source: SEMI (2021/10)

Note 1: Total electronic grade silicon wafers (excluding non-polished wafers).

Note 2: Shipment data only includes semiconductor industry applications (excluding solar energy applications).

B.Status and development of Taiwan's semiconductor industry

Taiwan's IC industry has gradually developed into an industrial structure with vertical division of labor between upstream and downstream. From upstream wafer materials to IC design, manufacturing, packaging, and testing, the industrial value chain has a very fine division of labor and a complete structure. According to IEK research data, Taiwan's IC design output value in 2020 ranks second in the world, second only to the United States; wafer foundry output value and IC packaging and testing output value both rank first in the world, which shows that Taiwan's IC industry plays an important role in the world. Due to the vertical division of labor and industrial clustering of upstream and downstream, Taiwan's IC industry is developing towards a sound IoT application industry chain with the competitive advantages of flexibility, speed, and low cost.

According to IEK's research data, the output value of Taiwan's IC manufacturing industry in 2020 will be NT$1,820.3 billion, a substantial increase of 23.7% over 2019. The main global demand comes from the growth in the demand for related devices brought about by long-distance work and school, including PC, The increase in NB orders has also indirectly led to a large increase in the demand for servers. The demand for high-performance computing in communication-related 5G and data centers has also increased. In addition, in response to the increase in demand for IoT devices, power management ICs, radio frequency components for communication modules, and panels. The demand for products such as driver ICs, image sensors (CIS), and microcontrollers (MCU) has driven the production capacity of special processes to be overwhelmed. In 2021, the penetration rate of 5G mobile phones will accelerate, high-performance computing, and the demand for IoT and automotive imaging chips will grow significantly, while remote work and teaching will increase the demand for panel driver ICs, and mobile phone photography and automotive ADAS systems will demand for image sensors. The increase in demand for IoT, automotive electronics, and medical MCUs has also gradually increased. It is estimated that the output value of Taiwan's IC manufacturing industry in 2021 will be NT$2,089.8 billion, an increase of 14.8% over 2020.

2019~2023 Taiwan IC Industry Output Value Growth Forecast

Unit: NT$100 million

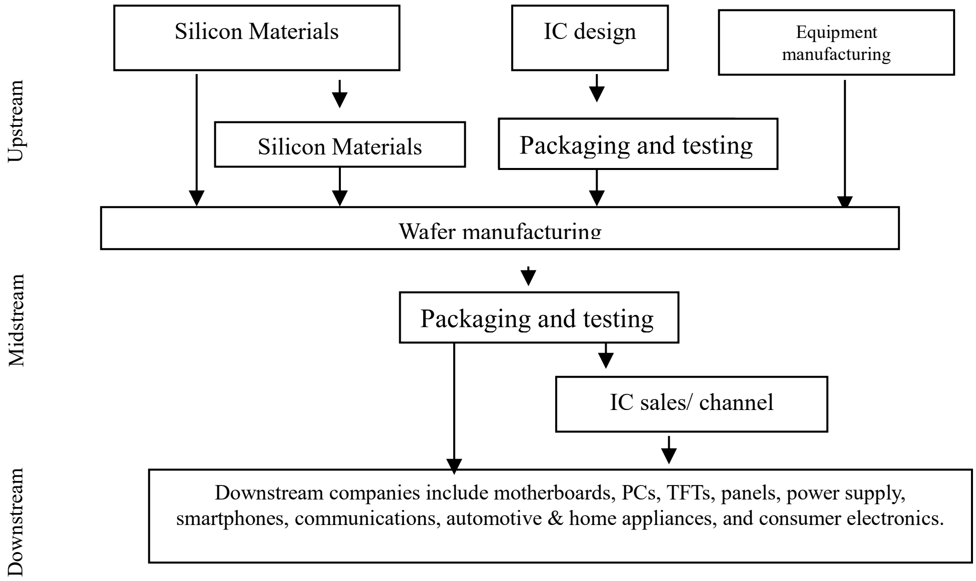
Year industry	2019	2020	2021(e)	2022(f)	2023(f)
IC industry output value	26,656	32,222	38,050	41,476	45,012
IC design industry	6,928	8,529	11,133	11,865	12,950
IC manufacturing	14,721	18,203	20,898	23,212	25,279
foundry	13,125	16,297	18,369	20,512	22,465
memory manufacturing	1,596	1,906	2,529	2,700	2,814
IC packaging and testing industry	5,007	5,490	6,019	6,399	6,783

Source: Industrial Technology Research Institute IEK (2021/05)

2. Relevance of upstream, mid-stream and downstream industries

The correlation diagram of the upstream, middle and downstream of the semiconductor industry is shown in the figure below. With the evolution of the vertical division of labor and integration of semiconductors, according to the manufacturing process, it can be divided into upstream IC design companies and silicon wafer manufacturing companies. IC design companies design according to customer needs. The circuit diagram is produced, and the silicon wafer manufacturing company uses polysilicon as raw material to manufacture silicon wafers; the IC wafer manufacturing plant in the middle reaches prints the basic circuit pattern on the wafer according to the circuit diagram designed by the IC design company. The circuit and the components on the circuit are fabricated on the wafer by oxidation, diffusion, CVD, etching, ion implantation and other methods; and the completed wafer is sent to the downstream IC packaging and testing factory for processing. After cutting, the die is covered with plastic, ceramic or metal to protect the die from contamination and easy to assemble, and achieve the electrical connection and heat dissipation effect between the chip and the electronic system, and finally perform IC functions, electrical performance and heat dissipation tests. Among them, the epitaxy and compound semiconductor business of the company belongs to the upstream industry, and the component and integrated circuit business business belongs to the midstream wafer manufacturing.

3. Various development trends of produc



A. Epitaxy and compound semiconductor business

Looking into the future, emerging application technologies such as the Internet of Things, wireless charging, and autonomous driving will lead to higher and higher semiconductor content in end products, which is expected to increase the future output value of the semiconductor industry. Due to the excellent electrical properties of the epitaxial process, it can be widely used in various discrete components or integrated circuits, such as power management components, driving components, optoelectronics and protection components. These power components are in response to the trend of energy saving generated by environmental awareness At present, the mainstream is to use 6- and 8-inch silicon epitaxy wafers as raw materials, but large IDM factories have begun to produce power components in 12-inch factories. In addition, in some application fields, the characteristics of silicon materials have reached their physical limits, and product performance cannot be improved. Therefore, more and more companies are seeking breakthroughs in the next generation of wide-bandgap semiconductor devices. The company is also actively developing SiC and GaN devices. /Si epitaxy development.

B. Components and integrated circuit business

The semiconductor vertical division of labor formed by wafer foundries in China reduces production costs by mass-producing products for different customers. For IC designers or IDM companies, it can provide more efficient market supply flexibility and its future demand. Growth is an inevitable trend. In the analog power electronics market, it can be roughly divided into two categories: discrete power components and power ICs. In terms of separating power components, Hanlei entered the market from traditional silicon-based MOSFETs, expanded to IGBT and FRED components, and actively introduced VDA6.3 into the layout of automotive products. With the blossoming of mobile devices, electric vehicles, and 5G applications, the supply chain of compound semiconductors such as GaAs, InP, GaN, and SiC is expected to emerge and become another bright group besides traditional silicon semiconductors. At present, Hanlei's next-generation SiC and GaN materials are developing It has entered the mass production stage and is expected to bring new growth momentum to Hanlei. In the power IC part, Hanlei has expanded to high-power and high-voltage CMOS processes to provide diversified services. Combining the advantages of Bipolar, CMOS and DMOS components in high voltage and high current, it has launched a BCD process suitable for power ICs, which is conducive to power conversion management, LED lighting, power amplifiers and automotive electronics markets.

4. Competition situation

A. Epitaxy and compound semiconductor business

Foreign competitors are mainly silicon wafer manufacturing plants in Japan, Germany and the United States. These competitors all have consistent processes of crystal growth, slicing, grinding, polishing, cleaning and epitaxy. Most of the epitaxial silicon wafers they produce are used to supply 8 "/12" standard CMOS process. In addition, there are some competitors in the small and medium-sized silicon wafer business in China.

The company is proficient in epitaxy technology, and the production process capability and yield rate of various products have been affirmed by customers of major international manufacturers. Due to its professional standards, we continue to develop new processes to provide customers with diversified, flexible and fast product services and strive to improve quality. And reduce costs, form a considerable economic scale, and have enough energy to face the challenges of the above competitors in the market.

B. Components and integrated circuit business

Hanlei has been established for more than 30 years. The process capabilities and yields of various products have been affirmed by international manufacturers. Due to their professional standards, they continue to develop new processes to provide customers with fast and complete foundry services with diversified processes. In recent years, it has invested in the development of next-generation 6” SiC and GaN compound semiconductors, which has made Hanlei Technology the only company with mass production scale in Asia. Factory. Under the integration of resources in the future, it will be able to contribute to the competitive advantage and have enough energy to face the competition and challenges of the market.

In addition to Episil, companies with small and medium-sized wafer foundries in China include TSMC, UMC, Macronix, Maosi, Dunnan and Yuanlong, each of which has its own specialized business. The supply side is stable, and the volume and price are acceptable. maintain a rough balance. In foreign countries, due to the rise of the construction of wafer fabs in mainland China after 2000, small and medium-sized wafer fabs are relatively easy to obtain due to the low investment amount, technology sources are relatively easy to obtain, and are heavily supported by various local governments, such as Shanghai Jita, China Resources Shanghua, etc. and Hanlei belong to the same type of competitive industry in the foundry market. However, due to their different products and market segments, each is actively developing in its field.

(III) Technology and R&D Overview

1. The technical level and research development of the business

A. Epitaxy and compound semiconductor business

Key epitaxial technologies such as gas supply stability monitoring technology, improved machine process parameter stability technology, and decompression growth technology have been developed and completed. At present, the process technology has developed to 6- and 8-inch epitaxial silicon wafers and 6- and 8-inch buried layers. Epitaxy, the technical level has reached the international level, and has been certified and adopted by domestic and foreign semiconductor manufacturers. In addition to providing various epitaxial silicon wafers of different specifications required for epitaxial silicon wafers for buried layer epitaxial and discrete components in accordance with customer needs, in order to meet the needs of the development of the semiconductor power electronics industry, the existing epitaxial process is improved. Technology and epitaxy equipment, develop super junction epitaxy technology, so that the adjustment of the uniformity of doping concentration in the epitaxial process can be carried out independently, which can reduce the adjustment time, increase the production yield and improve the process stability. In addition, the company's epitaxy technology can be applied to energy-saving and carbon-reducing power components, so it will actively develop related energy-saving products with customers. In addition to traditional silicon materials, we have developed and mass-produced new epitaxial materials GaN gallium nitride and SiC silicon carbide, providing customers with more advanced and advantageous epitaxial material choices, becoming a pioneer in the power electronics industry with energy saving and carbon reduction .

B. Components and Integrated Circuits Business

A number of process technologies for high-voltage integrated circuits have been developed and completed, mainly providing 6-inch wafer components and integrated circuit foundry business. The company has key high-voltage integrated circuits, such as dual-carrier integrated circuits, 5V CMOS logic component process technology, 40V high-voltage process technology, 700V high-voltage process technology, etc., which are the mainstream high-voltage process technologies in the market, and are used in Power adapter, lighting, Portable power controller and many other aspects. The company also has key high-voltage discrete components process technology, including Power Mosfet, IGBT, FRD diode, Schottky diode, etc. In the next five years, high-voltage integrated circuits and high-voltage discrete components will still be the mainstream of the market. Among them, high-end 600V and 1200V high-speed high-voltage components will move to wide bandgap, especially GaN and SiC materials. At present, the company is one of the few companies in the world that produces GaN HEMTs and SiC MOSFETs, and will continue to develop high-voltage integrated circuits and high-voltage discrete components in depth and breadth.

2. Research and development staff and their learning experience

Unit: person; year

Year Item		2019	2020	2021	January 31.2022
Educational distribution	PhD	2	2	2	2
	master	26	25	31	32
	University/College	22	15	10	11
	High school (below)	0	0	0	0
Average seniority (years)		6.62	8.25	7.25	7.40

3. R&D expenses invested in the last five years

Unit：NT$ thousand；%

Year Item	2017	2018	2019	2020	2021
R&D expenses net operating income Ratio to Net Revenue	166,240	176,509	133,272	127,446	124,353
R&D expenses net operating income Ratio to Net Revenue	5,273,623	6,436,456	5,419,225	5,741,460	7,269,400
R&D expenses net operating income Ratio to Net Revenue	3.15	2.74	2.46	2.22	1.71

4. Technologies or products successfully developed in the last five years

Annual	R & D achievements
2017	6" GaN/Si 400V eHEMTs 6" SiC/SiC 1200V epi wafer 4" SiC/SiC 1200V MOS SiC Schottky Diode 1700V process SiC MOSFET 1200V/1700V/3300V Process
2018	6" 650V GaN on Silicon epiwafer mass production technology 4" SiC/SiC 1200V/1700V Epitaxy Mass Production Technology <100um thickness IGBT epitaxy technology New generation 600V and 1200V high power FRED Diode discrete component process Next Generation Fast FR POWER MOSFET Process
2019	Super junction device epitaxial technology The first generation of High Grade SiC/SiC epitaxy mass production technology IGBT epitaxial technology with epitaxial thickness >100um
2020	The second generation super junction device epitaxial technology
2021	4" SiC G2 650V/1200V/1700V SBD mass production technology 4" SiC G2 650V/1200V/1700V MOS mass production technology 6" SiC G2 650V/1200V/1700V SBD mass production technology 6" SiC G2 650V/1200V/1700V MOS mass production technology 4” SiC Trench 800V MOS Mass Production Technology RF Gallium Nitride (GaN on SiC) Epitaxy Mass Production Technology Ultra-high resistance silicon epitaxy mass production technology

(IV) Long- and short-term business development plans

1. Short-term business development plan

A. Epitaxy and compound semiconductor business

The short-term business plan is to continue to maintain good customer relationships, deeply cultivate niche markets, differentiate the market with high quality, avoid price-cutting competition, improve the company's profitability, and maintain competitive advantages.

B. Components and Integrated Circuits Business

In terms of business development, we will carry out a series of simplification and quality improvement projects for existing mature processes, provide customers with various analog and power product process services, continue to expand sales markets such as Europe, America and mainland China, increase the proportion of export sales, and move towards high The expansion and application of gross profit products has successfully entered the market trend of emerging electronic products, and actively promoted the progress of 6” SiC customer product verification, while strengthening R&D process capabilities to increase product value and enhance market competitiveness.

2. Long-term business development plan.

A. Epitaxy and compound semiconductor business

Due to its long-term efforts in business internationalization, service and quality refinement, the business has been recognized by customers. In recent years, in response to the steady growth of the needs of Asian customers and the rapid rise of the semiconductor market in mainland China, the company's management team will continue to expand its customer base and actively develop mainland and emerging markets, and produce other types of epitaxy such as SOS, SiC and GaN/Si , It is expected that the epitaxy business will expand and develop and grow stronger day by day.

B． Components and Integrated Circuits Business

Maintain the development of high-margin niche products, develop high-voltage, high-frequency or high-power products, such as BiCMOS, BCD, through cooperation or alliances with international integrated device manufacturers (IDMs) or design companies, combined with the advantages of epitaxial processes , HV-COMS, TVS, FRED, FR MOS, SiC and GaN power components, etc., to accumulate leading technologies to avoid falling into the rut of price competition. At present, there are quite a lot of analog and high-frequency and high-voltage component 6-inch factories in Europe and the United States. The planned closure of factories or the transfer of production bases to the Asia-Pacific region, coupled with the high growth of emerging markets such as mainland China, India and Latin America, is helpful for analogy and The demand for high-voltage processes continues to grow, and a 1-3 year expansion plan is planned for 6" SiC to meet the strong market demand in the future. Therefore, the expansion of the 6" SiC production line will be the goal of Hanlei's future development.

II. Market and Sales Overview

(I) Market analysis

1. Sales areas of the main product

Unit：NT$ thousands

Year Area		2020		2021	
		Amount	%	Amount	%
Taiwan		2,677,211	46.63	3,098,791	42.63
Export	Asia	1,987,434	34.62	2,698,080	37.11
	Americas	631,275	11.00	1,125,964	15.49
	Other	445,540	7.76	346,565	4.77
Total		5,741,460	100.00	7,269,400	100.00

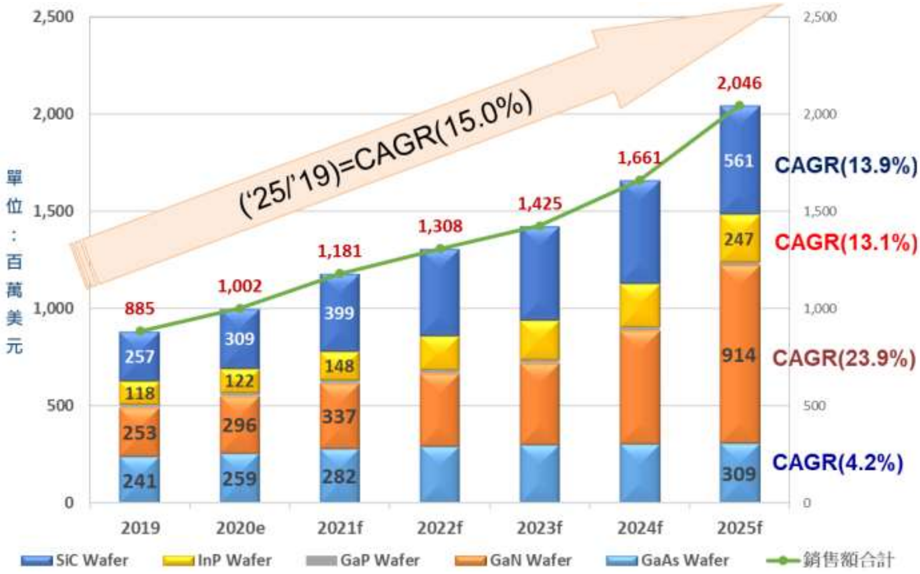
2、Market share, market supply and demand situation and future growth

A.Epitaxial wafer and compound semiconductor business：

At this stage, the company mainly supplies epitaxial silicon wafers required by semiconductor manufacturing plants of discrete components, MEMS, Bipolar and Sensor, as well as buried layer epitaxial wafers (HV, BiCMOS and BCD) required by domestic semiconductor manufacturing plants. Due to the electrical characteristics of the epitaxial process, it can be widely used in integrated circuits and discrete components, such as power management components, driving components, optoelectronics and protection components. These components are in demand under the trend of energy saving in response to environmental awareness. It should not be underestimated, and the company uses a special process to produce epitaxial silicon wafers that meet the requirements of high component density, high conversion degree and high power load. However, large-scale IDM factories have begun to produce power components in 12-inch factories. In addition, in some application fields, the characteristics of silicon materials have reached their physical limits, and product performance cannot be improved. Therefore, more and more companies are seeking breakthroughs in next-generation wide-bandgap semiconductor devices. Development of new technologies and new materials for the generation of SiC (silicon carbide) and GaN (gallium nitride) power semiconductors. Compound semiconductor materials have wide energy gap, high electron mobility, high power density, and large penetration voltage or breakdown voltage. , high thermal conductivity, high cut-off frequency and high melting point and other physical properties, can withstand higher voltage and higher operating environment temperature, and has lower on-resistance and higher switching speed, driving passive components (capacitors, inductors) small The characteristics of compound semiconductor materials can be used in many fields such as power control, wireless communication, infrared, solar energy and optical communication. With the expansion of 5G and IoT functions, self-driving cars With the surge in demand for power supply for electric vehicles and the future trend of green energy, the demand for high-power components for power supply has increased significantly. According to the research institute IEK, the application of compound semiconductors in the overall market will grow by 6.5% in 2025. The compound growth rate has grown to US$41.99 billion, of which the application of high-frequency components is expected to grow from US$23.9 billion in 2019 to US$32.63 billion in 2025 at a compound annual growth rate of 5%.

In terms of supply, according to the Silicon Manufacturers Group (SMG) silicon wafer industry analysis report of SEMI (International Semiconductor Industry Association), the total silicon wafer shipments in 2021 will reach 13,998 million square inches, and in 2022 Reaching 14,896 million square inches, the main driving force is derived from the growing demand for connected devices in applications such as mobile devices, automobiles, artificial intelligence, and high-performance computing. Mainland China announced the "Made in China 2025" plan to support the development of the semiconductor industry to supply the domestic market. Mainland China is actively expanding fabs to increase the market's demand for silicon wafers. Currently, silicon wafers in the market are 8-inch and 12-inch. In the mainstream, as the demand for wireless communications, the Internet of Things and consumer electronics applications increases, in order to reduce costs and respond to market trends, the shortage of silicon wafers extends to 6-inch wafers. Compound semiconductor suppliers have more advanced industrial technologies in Europe, America and Japan. Since the market scale of compound semiconductor products is not as large as that of silicon-based semiconductors, they are widely used in photoelectric sensing elements for optical communication or IoT, power modules for electric vehicles, RF components or modules for high-frequency communication are indispensable materials and components. According to IEK statistics, in 2019, gallium arsenide (GaAs), gallium nitride (GaN), indium phosphide (InP) and silicon carbide were used. The market size of four compound semiconductor wafers dominated by (SiC) totaled US$885 million. It is expected that the global compound semiconductor wafer market will grow at a CAGR of 15.0% to US$2.046 billion in the future to 2025.

Global Compound Semiconductor Wafer Market



Source: International Institute of Obstetrics and Gynecology, ITRI (2021/05)

B.Components and integrated circuit business：

With the development of environmental protection and energy saving issues, energy saving technology is one of the important development topics at present, and the power management IC in the analog IC is playing an indispensable key role. Control and maintain proper current and voltage supply in the system at any time, and power components are responsible for power conversion processing. Power management ICs and power components are widely used, such as consumer electronics, 5G network communications, mobile Internet, cloud servers, and industrial applications are currently the most important markets. Energy, high efficiency of energy conversion, application of new materials and the development needs of national infrastructure will drive the growth of related markets. In 2011, China and the United States entered the post-COVID-19 era. Markets including communications, automotive, industrial, and consumer electronics continued to grow, with strong demand for analog chips. Automotive (electric vehicles, Smart Car autonomous driving), 5G, AloT (The rapid rise of new demand for chips such as small processors) has caused structural changes in the global semiconductor industry. At present, the market demand for chips with mature processes has exploded. According to WSTS estimates, the overall scale of the analog IC market will grow to 67.95 billion US dollars, an annual increase 22.1%.

In terms of supply, in addition to the 8-inch production line of power MOSFETs built by international IDM factories, most of the power MOSFET components Fabless in Taiwan and China are put into production in the Foundry 8-inch line, which makes the global 8-inch wafer production capacity tight. In recent years, due to the consideration of saving capital expenditure and reducing costs, most of the international IDM manufacturers have given priority to new products with higher gross profit margins, and even developed SiC and GaN solutions to high-current, small-volume high-end products. The end product line was changed to outsourcing orders, increasing the proportion of outsourcing, resulting in the shortage of mature power components in recent years, and some orders were turned to 6-inch foundry production lines, 6-inch foundry Supply is also tight.

3、Competitive niche

A. Possess excellent epitaxy production technology and independent research and development capabilities

With the trend of end consumer electronic products toward light, thin and short, manufacturers continue to introduce products with features such as more power saving, low power and fast data transmission, and semiconductor material manufacturers must also provide silicon substrates that meet future trends to assist component manufacturers. To achieve the best performance, and epitaxial silicon wafer is an indispensable key material for the trend of energy saving, the company's epitaxial technology can be applied to energy-saving and carbon-reducing power components, and actively develop related energy-saving products. In addition to traditional silicon materials, we have developed and mass-produced new epitaxial materials GaN gallium nitride and SiC silicon carbide, providing customers with more advanced and advantageous epitaxial material choices, becoming a pioneer in the power electronics industry with energy saving and carbon reductionB.Key technologies through strategic alliances

B. Highly flexible product line and market reputation

Episil has excellent epitaxy production technology, research and development capabilities and market reputation. It is an important supplier of silicon epitaxy materials in the world. It can provide complete services in response to the needs of different customers. All of them are customized products, so they have highly flexible, fast and closely coordinated technical service capabilities and machine configuration, and the product quality is well recognized by customers and has become quite famous in the international market.

C.Introduce key technologies through strategic alliances

In addition to engaging in industry-academia research projects, the company also cooperates with customers and internationally renowned manufacturers of alliance companies to develop process technology, and cooperate with its own technical capabilities to upgrade the transferred technology, strive to reduce production costs, improve product yield, and increase industrial competitiveness. Over the years, a long-term cooperative relationship has been established with it. In addition, employees are rewarded to apply for domestic and foreign patents with their research results, so that the company can obtain intellectual property rights.

D. Continue to develop more advanced and competitive processes advanced and competitive manufacturing processes

The company's process and R&D capabilities in linear dual-carrier integrated circuits and high-power field effect transistors are already above the industry level due to accumulated long-term experience. In order to expand new product areas and meet the diverse needs of the market, Actively develop separate high-power IGBT, diode, BiCMOS and BCD processes for special purposes to meet the needs of foundry and strengthen competitiveness. At the same time, combining existing technologies and introducing 40V and 700V power driver IC technology, a single chip has a complete driver Mobile phones, driving motors, driving solid-state light source functions, and then establishing the process OEM capability of linear Power ICs to expand future profit sources and growth space.

E. A solid link in Taiwan's vertically integrated IC industry 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 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.

(c) The continued growth in demand in the global semiconductor market will stimulate the growth of the silicon wafer material market. Due to the impact of the demand for handheld devices such as terminal smartphones and tablet computers, related IC components such as memory, processors and communication chips will continue to be in short supply. , and indirectly make semiconductor materials continue to grow.

(d) Episil and its subsidiaries have a fairly complete foundry process for small and medium-sized wafers, and the process stability and production capacity have been gradually improved, and diversified process technologies are available to provide customers with fast and complete foundry services, dispersing the risks of a single process industry and increasing The output value of integrated circuits.

(e) For the development of compound semiconductors, 6" SiC and GaN have made the company the only foundry with mass production scale in Asia. With the integration of resources in the future, it will be able to have a good competitive advantage.

B. Unfavorable factors

(a) Domestic and foreign peers are gradually planning to enter the ranks of silicon epitaxy and analog foundry. In addition, mainland China is actively supporting its domestic semiconductor industry, and the market competition is becoming more and more fierce.

(b) With the expansion of industrial competition, the speed of product replacement is accelerated, and the pressure on sales prices is increasing.

(c) Some products have the risk of higher concentration of sales.

(d) Silicon wafers and wafer foundry are a part of the semiconductor industry. Affected by the semiconductor business cycle, the business cycle is getting shorter and shorter, which is especially detrimental to the operation of the semiconductor industry.

C. Countermeasures

(a)

In close cooperation with customers, we will jointly develop and improve process technology, improve product breadth and process precision, in order to reduce R&D labor costs, maintain competitiveness and strengthen management team efficiency.

Research and develop next-generation power semiconductor materials GaN, SiC epitaxy and component manufacturing technology, establish economical-scale production lines, and increase the added value of products to avoid price competition.

(b) Continue to promote various operational strategies to maintain product market competitiveness, enhance customer market competitiveness and adjust product mix to increase product added value.

(c) Actively expand business, develop domestic and European customers with a long-term strategy, to reduce the operational risk of excessive business concentration, and to strengthen the understanding of the mainland market demand, with epitaxy combined with high pressure and other advantageous processes, to selectively develop potential mainland customers, through product other Expansion and capacity enhancement to improve overall operational efficiency.

(d) By prudently evaluating investment plans and planning of personnel, machines, capital and technology, we can flexibly respond to the impact of a large number of orders brought about by prosperity and the reduction of orders during recession, and keep abreast of downstream application industries or terminal application products. , so that the production capacity can be fully and stably utilized to reduce the risk of business cycle.

(II) Main products’ important functions and production process

1. Main products’ important functions

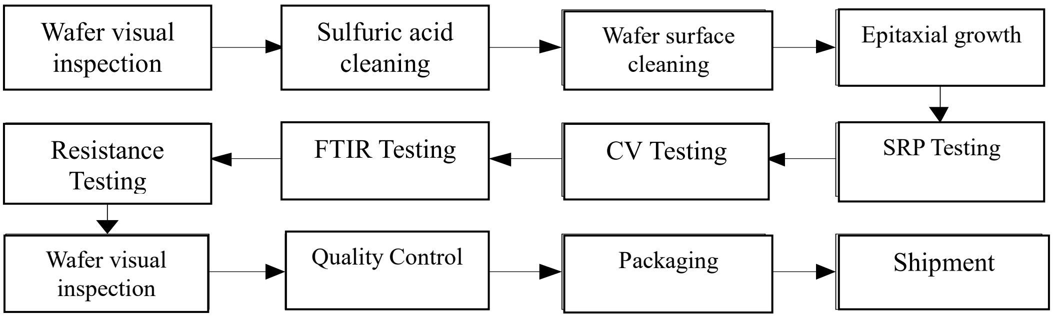
The Company's main businesses and its subsidiaries include the manufacturing and consultation of silicon epitaxial wafer, buried layer epitaxial wafer, bipolar IC service, high power MOSFET, hybrid integrated circuits (logic components), high-voltage CMOS, and high-voltage BCD products. Among them, silicon 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:

Product		Function	Purpose
Silicon epitaxial wafer (Buried layer epitaxial wafer)		It can increase the breakdown voltage and maintain the fast response time of the transistor	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
Multilayer epitaxial wafer		Achieve ultra-low MOSFET on-resistance	For ultra-low resistance power FET manufacturing.
Silicon epitaxy on SOI (Silicon on Insulator)		High speed devices	For RF IC manufacturing
GaN epitaxy wafer		It can increase the breakdown voltage and 10 times better than silicon wafer, and increase the operating frequency	Suitable for applications on communication, military, aerospace, high-speed/high-voltage/high-current power
SiC epitaxy wafer		It can increase the breakdown voltage and better than GaN wafer, and reduce on-resistance	Suitable for applications on high-speed/high-voltage/ultra-high-current power, such as 1200V applications
Dual in-line (DIP) integrated circuit	Standard Linear Bipolar Process Technology	Manufacturing high-voltage analog circuits with the function of withstanding voltage	Operational amplifier, instrument converter, comparator, dual PWM controller, and IC voltage regulator
	Bipolar double-diffusion MOS transistor process technology (BIDMOS)	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.	Switch Mode Power Supply, general consumer electronics
	Bipolar Complementary Metal Oxide Semiconductor (BICMOS)	For high-speed and high-precision analog circuit manufacturing	Control circuits of high-definition television (HDTV), precision motors, and high-density hard disk drives
Metal Oxide Semiconductor Field Effect Transistor (MOSFET)		Possess the advantages of low power consumption and low heat dissipation	Applications in NBs, mobile devices, TVs and other backlight supplies, Power supply and battery chargers
GaN HEMT		Ultra-low power consumption, ultra-high frequency	Applications in 5G communication base stations, UPS workstations, and industrial/ aerospace amplifiers
High power GaN Schottky diodes		Ultra-low conduction voltage, ultra-low power consumption	Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies
High power SiC Schottky diodes		High breakdown voltage, low on-resistance	Applications in DC-DC and DC-AC for power conversion of 600V to 1200V. Especially suitable for power conversion of solar and hydroelectric companies
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	Used with IGBT for AC110V, 230V induction cooker, and AC380V

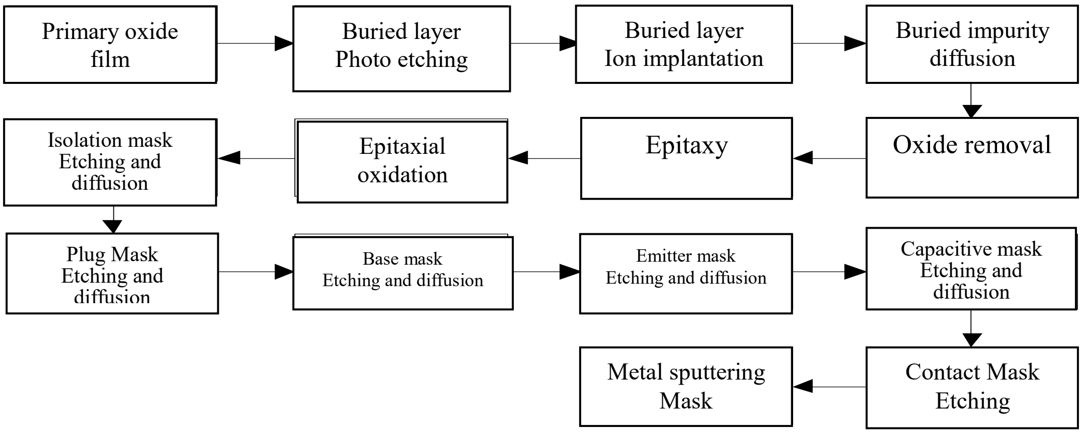
Product		Function	Purpose
		IGBT to reduce power loss.	industrial motor control system
TVS protection components		Overvoltage and overcurrent protection components	Application in ESD (electrostatic discharge) protection of communication interface
Insulated Gate Bipolar Transistor (IGBT)		High power switching 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

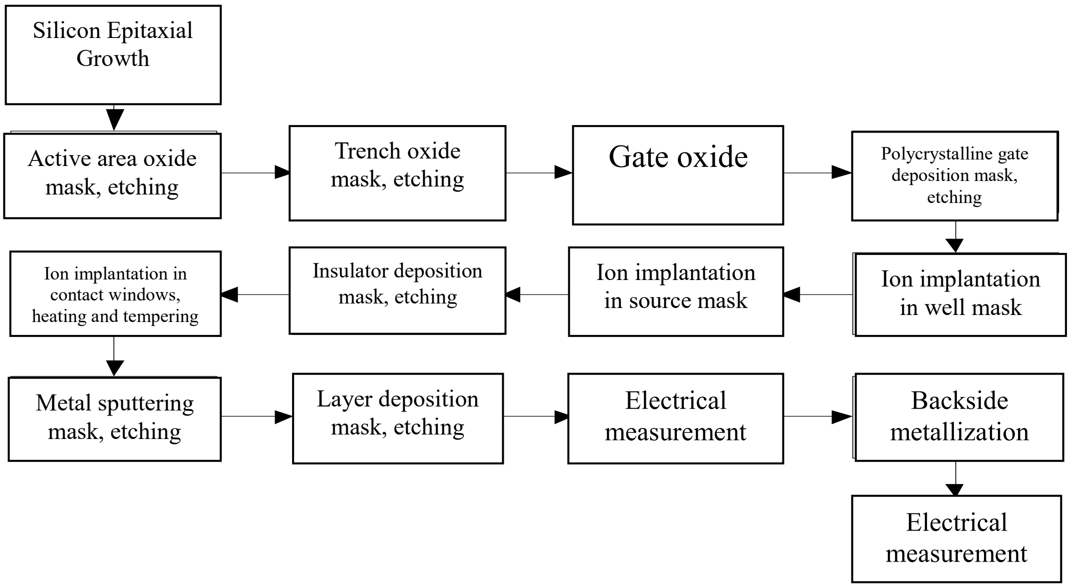
A.General epitaxy process



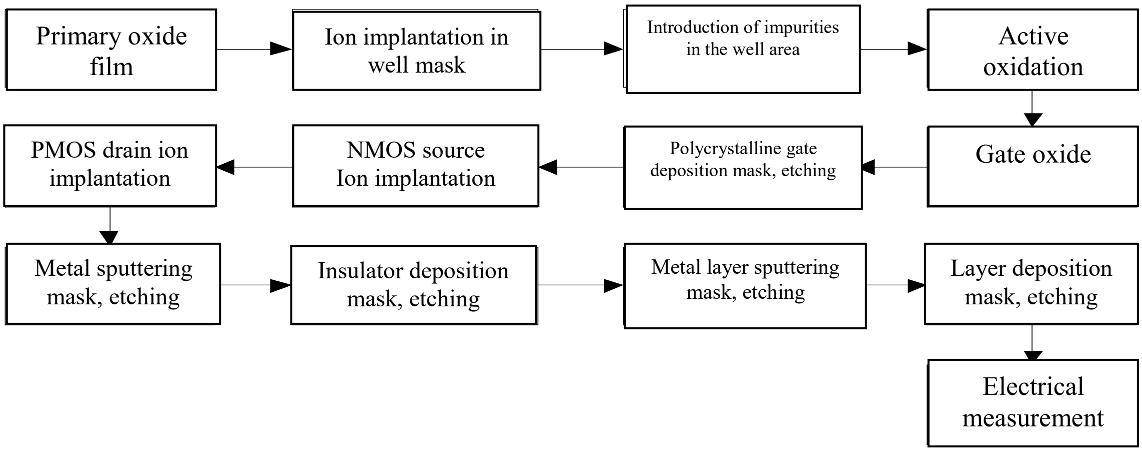
B.Dual in-line (DIP) integrated circuit



C.Metal Oxide Semiconductor Field Effect Transistor (Power MOSFET)



D.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

Item	2020				2021			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Supplier A	555,778	20.43	NA	Supplier A	570,350	17.15	NA
2	Supplier B	545,842	20.06	NA	Supplier B	724,870	21.80	NA
	Others	1,619,292	59.51	—	Others	2,030,364	61.05	—
	Net Total Supplies	2,720,911	100.00	—	Net Total Supplies	3,325,584	100.00	—

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

Unit:NT$ thousands

Item	2020				2021			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	—	—	—	—	—	—	—	—
	Others	5,741,460	100.00	—	Others	7,269,400	100.00	—
	Net Sales	5,741,460	100.00	—	Net Sales	7,269,400	100.00	—

(V) Production in the Last Two Years：

Unit: Layer/Piece;NT$ thousands

Year Output Major Products (or by department)	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Epitaxial Silicon Wafer	4,976,000	4,129,821	4,022,450	4,976,000	4,887,977	4,578,872
IC wafer	814,800	551,153	1,861,727	796,800	689,004	2,644,090
Total	5,790,800	4,680,974	5,884,177	5,772,800	5,576,981	7,222,962

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 & Sales Major Products (or by departments)	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Epitaxial Silicon Wafer	2,350,757	2,048,971	1,433,043	1,695,838	2,657,679	2,297,448	1,751,011	2,246,777
IC wafer	163,579	612,973	418,796	1,349,451	187,282	783,331	524,774	1,891,362
Others	0	15,267	0	18,960	0	18,012	0	32,470
Total	2,514,336	2,677,211	1,851,839	3,064,249	2,844,961	3,098,791	2,275,785	4,170,609

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

Year		2020(Note)	2021(Note)	As of 2022 4/19(Note)
Numbers Of Employees	Operators	591	576	600
	Indirect	954	905	927
	Total	1,545	1,481	1,527
Average Age		38.86	38.86	39.83
Average Years of Employment		10.2	10.03	9.38
Level of Education(%)	Ph.D.	0.39	0.41	0.46
	Master’s Degree	15.79	16.14	15.06
	Bachelor’s & Associate’s Degree	66.34	64.69	66.47
	Senior High School	16.76	17.96	17.35
	Other	0.71	0.81	0.66

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 2021).

(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.

A. 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.

B. 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.

C. 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 547 tons in 2021. For waste output in 2021, the recycled and reused waste, general industrial waste, hazardous industrial waste were 154 tons, 144 tons and 249 tons, 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.

D. 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.

E. 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 C3F8 instead of C2F6, reducing PFC emission by more than 40% in 2010. In the fourth quarter of 2013, the DF1 plant completed chamber cleaning by C2F6 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 Episil Technology Inc. in 2020 is as follows(Inspection will be completed in August 2021 in accordance with the law in 2020):

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, 2020 to December 31, 2020.

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	3,122.8663	8,413.7339	11,536.600
Creation Site	O1701115	13,960.0546	8,863.6323	22,823.687
R&D Site	J6300299	8,836.7160	24,380.2856	33,217.002

F. Energy resource saving and management:

Through the implementation of the ISO14001 environmental management system, the Company has carried out improvement programs in energy conservation and waste reduction. Power conservation is carried out in an optimized way, starting from office electricity (lighting, air conditioning), in 2021 in the case of continuous growth in production capacity, the factory is still trying to carry out tap water saving and power saving measures, the water-saving part is reduced by a total of 796.2 CMD years compared with the year, the electricity consumption is reduced by 754537, and the energy resources (gases, chemicals and water, etc.) are still continuously improved (Continuous Improvement Program, CIP) mode of implementation.

Greenhouse gas emissions, water consumption and total waste weight over the past two years, and the formulation of policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management, as follows:

project	2020	2021
Greenhouse gas emissions	67,577.289 tons of CO2 equivalent	External inspections are expected in May 2022
Water	784354 tons	778590 tons
Total waste weight	528 tons	547 tons

G. Formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management

The quantitative policies for energy saving, carbon reduction, reduced GHG emission and water consumption, or other waste management policies	Measures	Quantitative achievements
R&D Site's 2021 power savings	Factory lighting energy saving, replace the factory 434 traditional T8 fluorescent tubes replaced with energy-saving LED lamps, in addition to the increase in service life and power saving	Approximately 79,716 kWh of electricity will be reduced in 2021
R&D Site Water Conservation Measures 2021	The secondary water discharged from the cooling tower of the plant is supplied to the toilet of the plant area	Approximately 109.2 CMD decrease in 2021
R&D Site's 2021 waste sludge output reduction measures	The plant area is updated with sludge presses to reduce sludge moisture	In 2021, about 13.974 tons of waste sludge

The quantitative policies for energy saving, carbon reduction, reduced GHG emission and water consumption, or other waste management policies	Measures	Quantitative achievements
	content	generation will be reduced
Creation Site 2021 power savings	Factory lighting energy saving, replace the factory area about 620 traditional T8 fluorescent tubes replaced by energy-saving LED lamps, in addition to the increase in service life and power saving	Approximately 113,880 kWh of electricity will be reduced in 2021
Innovation Site 2021 Tap Water Conservation Measures	1. Add recycled water/condensate for cooling water towers 2. Increase Scrubber's use of process wastewater / Reduce the use of concentrated water and tap water 3. Condensate recovery	Approximately 687 CMD reduction in 2021
Innovation Site's 2021 power savings	1. Fluidized bed circulation pipeline update 2. Lighting energy saving (LED lamps) 3. Ice water host replacement update 4. Cooling water tower fin update	In 2021, it will decrease by about 560,941 degrees

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:

A. 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.

B. 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 2021, 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.

3. Persons who should apply for a pollution facility installation permit or a pollution discharge permit, or should pay pollution prevention and control fees, or should set up a special environmental protection unit as stipulated by laws and regulations, the application, payment or establishment conditions:

A. Application for a Pollutant Installation Permit or Pollution Discharge Permit

Type of license	Permit number
Fixed pollution source operation license	EPISIL TECHNOLOGY INC: HSIP Huankong Operation Zhengzi No. JS129-08 HSIP Huankong Operation Certificate No. OS117-09 HSIP Huankong Operation Zhengzi No. JS034-12 EPISIL-PRECISION INC: HSIP Huankong Operation Zhengzi No. JS276-05 HSIP Huankong Operation Zhengzi No. OS277-05 HSIP Huankong Operation Certificate No. OS173-10 HSIP Huankong Operation Zhengzi No. OS165-11
Toxic Chemical License	EPISIL TECHNOLOGY INC: Hsinchu County Duhezi No. 000153 Hsinchu City Duhezi No. 000017 Hsinchu County Duhezi No. 000154 EPISIL-PRECISION INC: Hsinchu County Duhezi No. 000167 Hsinchu City Duhezi No. 000079 Bamboo City Duhezi No. 000078 Bamboo City Duhezi No. 000077
Water Pollution Prevention and Control Permit	EPISIL TECHNOLOGY INC: HSIP Huan Shui Xu Zi No. JS005-19 HSIP Huan Shui Xu Zi No. OS031-15 HSIP Huan Shui Xu Zi No. JS007-13 EPISIL-PRECISION INC: HSIP Huan Shui Xu Zi No. JS005-19 HSIP Huan Shui Xu Zi No. OS134-06 HSIP Huan Shui Xu Zi No. OS062-18 HSIP Huan Shui Xu Zi No. OS046-10
Approval of waste disposal plan	EPISIL TECHNOLOGY INC: Bamboo Ring Word No. 1100031086 Bamboo Ring Word No. 1100029934 Bamboo Ring No. 1100034284 EPISIL-PRECISION INC: Bamboo Ring No. 1090028182 Bamboo Ring No. 1090027762 Bamboo Ring Word No. 1100039105 Bamboo Ring Word No. 1110000712
Grade A Wastewater Treatment Specialist	EPISIL TECHNOLOGY INC: Fu Shuan Shui Zi No. 1108656159 EPISIL-PRECISION INC: Fu Shuan Shui Zi No. 1088662502 Fu Shuan Shui Zi No. 1050133441 Fu Shuan Shui Zi No. 1050130124 Fu Shuan Shui Zi No. 1050135153
Class B wastewater treatment personnel	EPISIL TECHNOLOGY INC: Fu Shuan Shui Zi No. 1070131623 Fu Shuan Shui Zi No. 1088662503 EPISIL-PRECISION INC: Fu Shuan Shui Zi No. 1088662502 Fu Shuan Shui Zi No. 1050133441 Fu Shuan Shui Zi No. 1050130124

Type of license	Permit number
	Fu Shuan Shui Zi No. 1050135153
Class B Toxicants Specialist	EPISIL TECHNOLOGY INC: Each factory does not need a dedicated poisoning person if the control amount is not reached EPISIL-PRECISION INC: Each factory does not need a dedicated poisoning person if the control amount is not reached
Grade A Air Pollution Officer	EPISIL TECHNOLOGY INC: Fuzhou Huankong Zi No. 1088659511 Fuzhou Huankong Zi No. 1100116808 Fuzhou Huankong Zi No. 0960100474 EPISIL-PRECISION INC: Fu Huan Kong Zi No. 1050112214 Fuzhou Huankong Zi No. 1100139732 Fu Shuan Erzi No. 0970201656 Fu Shuan Erzi No. 0970202341
Waste Specialist	EPISIL TECHNOLOGY INC: Fuhuan Waste Word No. 108865 Fuhuan Waste Word No. 1100157566 Fu Shuan Ye Zi No. 1108655039 EPISIL-PRECISION INC: Fuhuanye Zi No. 1088651094 Fuhuan Waste Word No. 1080144762 Fuhuan Waste Word No. 1080164447 Fuhuan Liuzi No. 0970202826

B. Payment situation for those who should pay pollution prevention and control fees

Unit: NT$ thousand

Company/factory name	Type	Y2020	Y2021
EPISIL-PRECISION INC	Business waste disposal fee	1,194	1,530
	Sewage treatment fee	3,699	3,898
EPISIL TECHNOLOGY INC:	Business waste disposal fee	7,047	7,193
	Sewage treatment fee	3,929	6,215
	air pollution control fee	612	664

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) Employee benefits

In order to clearly grasp the competitiveness and advantages of the company and its subsidiaries in terms of employee welfare, and to maximize the utilization of welfare resources, the current welfare content of the company is explained as follows:

1. Welfare restaurant: Each factory has a staff restaurant to provide buffet-style delicious meals, and Chinese food is provided free of charge.

2. Staff dormitory: The company has staff dormitory for the staff who live far away. The dormitory provides household equipment such as TV, washing machine, refrigerator, air conditioner and water dispenser, and pays special attention to the protection of staff safety.

3. Transportation vehicles: The company provides transportation vehicles from the dormitory to the company, Zhudong, Beipu, Miaoli, Toufen and the distant Xionglin, Xinfeng, Hukou, Hengshan, Nanliao and Xiangshan, etc., and cooperates with shift colleagues to go to and from get off work Time for free rides.

4. Employee health care: In order to ensure the physical and mental health of employees, in addition to regularly providing employees with a full set of health checks and health consultations, we also hold lectures and courses on physical and mental health from time to time according to employees' needs.

5. Employee insurance: labor insurance and national health insurance provide basic protection for employees as a social insurance. In order to make up for the shortage of labor and health insurance and provide employees with better insurance protection, the company also plans company employee group insurance. The premium for employee group insurance is determined by The company pays in full, and its insurance coverage includes life insurance, accident insurance, accident medical insurance, hospital medical insurance, cancer medical insurance and critical illness insurance.

6. Welfare activities: Colleagues from various departments elect representatives to organize welfare committees, which are responsible for promoting various welfare activities, such as: club activities, various competitions, travel, lectures, dances and year-end parties, etc., to fully connect employees' emotions and promote employees' centripetal force, This in turn boosts employee morale.

(II) Further studies and training

In order to implement the development of human resources, the company and its subsidiaries have planned a complete education and training management system, which is based on ISO9000 and ISO/TS 16949 international standard quality management system, ISO14000 environmental management system, OHSAS18000 occupational safety and health management system and other requirements. For the expectations of human development, there is an education and training operation procedure book, so that the company's education and training work can be based and followed. The scope of coverage includes the provisions of the company's selection of personnel to participate in various domestic, foreign or internal self-organized courses, lectures, seminars, lectures and other training activities. It includes a complete education and training system: core function training, professional function training, stratum management training, general function training, and self-enlightenment education, as well as implementation guidelines for related operations. Under the implementation of practice and the company's internal and external audit suggestions, irregular reviews and improvements are carried out to be closer to the improvement of human resources development operations. The company and its subsidiaries handled on-the-job training in 2021 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.

(III) Implementation of the retirement system

In order to stabilize the life of our colleagues after retirement and to reward our colleagues for their professional services, the company and its subsidiaries have cooperated with laws and regulations to provide new employees and existing employees who choose to apply the new pension regulations on a monthly basis since July 1, 2005. Pay 6% of the monthly salary to the personal pension account of the Labor Insurance Bureau, and continue to retain the old system for the old employees who choose to apply the old pension method and those who choose to apply the new pension method. Retirement according to the old employee retirement method The payment standard is calculated to allocate an appropriate amount of retirement reserves to a special bank account in Taiwan. For colleagues who are assigned by the organization and transferred to related companies, their seniority will be renewed to provide more protection for colleagues, so as to achieve the purpose of talent circulation in the group.

(IV) Labor-management agreement and various employee rights protection measures

1. Agreement between labor and management: In order to create a communication environment, in addition to the regular monthly department meetings, new employee symposiums and labor-management meetings, a special telephone line and e-mail for employees' opinions are also established, and an internal employee life website is opened for employees to openly express and discuss various issues. In addition, the Human Resources Department also assigns special personnel to promote employee relations-related business, and organizes employee communication symposiums according to the topic and timing. as a basis for future improvement.
2. Circumstances of various employee rights protection measures: Maintain and implement labor insurance, health insurance-related insurance business and labor pension provision, public injury compensation and special leave in accordance with relevant laws and regulations.

In the last two years and as of the publication date of the annual report, the company has suffered losses due to labor disputes, and disclosed the estimated amount and countermeasures that may occur at present and in the future: no such situation.

VI. Information security management:

(I) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

1. Datacom safety risk management framework:

   A. The Information Office of the company is responsible for information security policy management and planning, and an information security team is responsible for handling and reporting information security-related incidents.

   B. Regularly report to the general manager for information security anti-virus, disaster prevention, hacking, leakage prevention and other mechanisms.

2. Datacom security policy:

   Formulate information security management specifications to ensure the confidentiality and security of the company's information assets and legal compliance, and formulate procedures for handling hazards to minimize the impact.

3. Specific management plan:

   A. Endpoint device protection and control: install anti-virus software, keep operating system updated, import DLP mechanism, and file encryption security scheme.

   B. Central external control: establish a next-generation firewall (Firewall), mail proxy server (Mail Gateway), proxy gateway (Proxy Gateway) ... and other security protection platforms.

   C. Data protection: Important data are stored in different places and heterogeneous platforms through the backup system.

   D. The company regularly conducts information security publicity for colleagues, strengthens information security awareness, and strengthens information security protection.

4. Datacom safety management resources:

   Tens of millions have been invested in the introduction of existing information security solutions, millions of dollars have been invested in continuous maintenance and operation every year, and the annual information security budget has been continuously invested in accordance with protection needs.

(II) List the losses, possible impacts and countermeasures suffered from major information security incidents in the last two years and up to the date of publication of the annual report. If it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated shall be stated.

In recent years, there have been frequent information security incidents, but under the protection of information security policies, the company has not suffered losses due to information security incidents in the last two years and as of the date of publication of the annual report.

VII. Important Contract

April 19, 2022

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales contracts	A	2020~2022	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	B	2019~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	C	2019~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	D	2018~2024	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	E	2015~2025	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	F	2019~2029	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	G	2020~2030	To define the terms and rights and obligations relating to the sale between the parties	None
Sales contracts	H	2018~2023	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
Sales contracts	K	2020~2023	Set out the conditions and rights and obligations of both parties	None

Agreement	Counterparty	Period	Major Contents	Restrictions
Sales contracts	L	2017~2022	Set out the conditions and rights and obligations of both parties	None
Sales contracts	M	2020~2022	Set out the conditions and rights and obligations of both parties	None
Research and development cooperation contract	N	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 Item		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		3,973,841	5,105,124	4,423,499	4,400,032	6,036,375
Property, Plant and Equipment		2,521,889	3,438,335	3,407,212	2,977,434	2,690,844
Intangible assets		74,248	68,459	52,119	42,015	46,917
Other assets		473,393	809,744	1,236,299	1,153,543	1,106,575
Total assets		7,043,371	9,421,662	9,119,129	8,573,024	9,880,711
Current liabilities	Before distribution	1,671,634	2,667,237	2,028,572	2,310,615	2,458,516
	After distribution	1,671,634	2,817,655	2,028,572	2,310,615	Note
Non-current liabilities		1,262,318	1,602,185	2,454,333	1,504,548	1,052,831
Total liabilities	Before distribution	2,933,952	4,269,422	4,482,905	3,815,163	3,511,347
	After distribution	2,933,952	4,419,840	4,482,905	3,815,163	Note
Equity attributable to shareholders of the parent		2,807,303	3,570,485	3,145,839	3,132,613	4,473,517
Capital stock		2,303,222	2,812,153	2,937,244	3,121,877	3,306,664
Capital surplus		639,765	723,660	849,467	550,158	955,567
Retained earnings	Before distribution	(134,928)	78,620	(562,651)	(465,024)	238,426
	After distribution	(134,928)	51,067	(562,651)	(465,024)	Note
Other equity interest		(756)	(43,948)	(78,221)	(74,398)	(72,140)
Treasury stock		0	0	0	0	0
Non-controlling interest		1,302,116	1,581,755	1,490,385	1,625,248	1,895,847
Total equity	Before distribution	4,109,419	5,152,240	4,636,224	4,757,861	6,369,364
	After distribution	4,109,419	5,001,822	4,636,224	4,757,861	Note

Source: Consolidated financial reports verified by accountants for visas.

Note: The 2021 annual surplus distribution case was approved by the Board of Directors on February 15, 2022.

(II) Individual Condensed balance sheet － Based on IFRS

Unit: NT$ thousands

Year Item		Financial Summary for The Last Five Years				
		2017	2018	2019	2020 (Audited after Restated)	2021
Current assets		32,738	535,858	268,938	1,085,935	1,804,245
Property, Plant and Equipment		7,007	4,187	4,229	896,126	870,512
Intangible assets		18,026	12,122	7,127	5,591	12,344
Other assets		3,682,078	4,123,572	3,652,125	3,150,402	3,485,891
Total assets		3,739,849	4,675,739	3,932,419	5,138,054	6,172,992
Current liabilities	Before distribution	17,763	26,634	22,231	1,265,649	1,043,172
	After distribution	17,763	68,856	22,231	1,265,649	Note
Non-current liabilities		914,783	1,078,620	764,349	736,857	656,303
Total liabilities	Before distribution	932,546	1,105,254	786,580	2,002,506	1,699,475
	After distribution	932,546	1,147,476	786,580	2,002,506	Note
Equity attributable to shareholders of the parent		2,807,303	3,570,485	3,145,839	3,132,613	4,473,517
Capital stock		2,303,222	2,812,153	2,937,244	3,121,877	3,306,664
Capital surplus		639,765	723,660	849,467	550,158	955,567
Retained earnings	Before distribution	(134,928)	78,620	(562,651)	(465,024)	283,426
	After distribution	(134,928)	51,067	(562,651)	(465,024)	Note
Other equity interest		(756)	(43,948)	(78,221)	(74,398)	(72,140)
Treasury stock		0	0	0	0	0
Equity attributable to predecessors' interests under common control		0	0	0	2,932	0
Total equity	Before distribution	2,807,303	3,570,485	3,145,839	3,135,545	4,473,517
	After distribution	2,807,303	3,528,263	3,145,839	3,135,545	Note

Source: Individual financial reports verified by accountants for visas.

Note 1: The Company's merger with the old Hanlei Technology of Atomic Company on September 1, 2021 in the Republic of China is an organizational reorganization within the Group, so the accounting treatment adopts the book value method and is regarded as a consolidation from the beginning, and the previous financial statements should be rewritten retrospectively.

Note 2: The 2121 annual surplus distribution case was approved by the Board of Directors on February 15, 2022.

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 Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	5,273,623	6,436,456	5,419,225	5,741,460	7,269,400
Gross profit	563,096	874,013	(91,965)	(8,450)	989,923
Income from operations	35,729	305,900	(582,628)	(475,407)	485,670
Non-operating income & expenses	(48,007)	34,139	(19,612)	(14,601)	2,327
Income before tax	(12,278)	340,039	(602,240)	(490,008)	487,997
Net income (Loss)	(45,348)	239,251	(602,775)	(484,787)	387,479
Net income (Loss) from discontinued opeartions	(45,348)	239,251	(602,775)	(484,787)	387,479
Other comprehensive income (income after tax)	(23,388)	(14,016)	(41,873)	(23,394)	1,286
Total comprehensive income	(68,736)	225,235	(644,648)	(508,181)	388,765
Net income attributable to shareholders of the parent	(115,234)	71,203	(606,678)	(493,831)	232,035
Net income attributable to non-controlling interest	69,886	168,048	3,903	9,044	155,444
Comprehensive income attributable to Shareholders of the parent	(135,927)	59,391	(647,991)	(512,267)	234,619
Comprehensive income attributable to non-controlling interest	67,191	165,844	3,343	4,086	155,146
Earnings per share	(0.59)	0.26	(2.13)	(1.64)	0.73

Source: Consolidated financial reports verified by accountants for visas.

(II) Consolidated Condensed Statement of Comprehensive Income － Based on IFRS

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020 (Audited after Restated)	2021
Operating revenue	26,502	224,770	(460,888)	1,951,300	2,697,074
Gross profit	26,502	224,770	(460,888)	(251,595)	258,325
Income from operations	(102,253)	79,487	(596,777)	(480,172)	19,416
Non-operating income & expenses	(12,981)	(8,284)	(9,901)	(14,057)	212,619
Income before tax	(115,234)	71,203	(606,678)	(494,229)	232,035
Net income (Loss) from discontinued opeartions	(115,234)	71,203	(606,678)	(494,229)	232,035
Net income (Loss)	(115,234)	71,203	(606,678)	(494,229)	232,035
Other comprehensive income (income after tax)	(20,693)	(11,812)	(41,313)	(18,480)	2,584
Total comprehensive income	(135,927)	59,391	(647,991)	(512,709)	234,619
Total comprehensive income(loss), for the year attributable to :equity holders of the Company	-	-	-	(493,831)	232,035
Total comprehensive income(loss), for the year attributable to :predecessors' interests under common control	-	-	-	(398)	0
Comprehensive income attributable to :equity holders of the Company	-	-	-	(512,267)	234,619
Comprehensive income attributable to: predecessors' interests under common control	-	-	-	(442)	0
Earnings per share-basic :equity holders of the Company	(0.59)	0.26	(2.13)	(1.64)	0.73
Earnings per share -basic :predecessors' interests under common control	-	-	-	0	0

Source: Individual financial reports verified by accountants for visas.

Note: The Company merged with the old Hanlei Technology of Atomic Company on September 1, 2021 in the Republic of China by way of absorption and consolidation, which is an organizational reorganization within the Group, so the accounting treatment adopts the book value method and is regarded as a consolidation from the beginning, and the previous financial statements should be rewritten retrospectively.

(III) Auditors’ Opinions for the last five years：

Year	Accounting Firm	CPA	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
2021	PricewaterhouseCoopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	Clean audit opinion

If there is a change of accountant in the past five years, the company, the former and the successor accountant shall explain the reasons for the change:The Company's replacement of visa accountants from 2018 to 2020 is mainly to cooperate with the internal policies of accounting firms.

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

(I) Consolidated Financial Analysis：Based on IFRS

Year Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	41.66	45.31	49.16	44.50	35.54
	Ratio of long-term capital to property, plant and equipment	205.59	191.50	208.10	210.33	275.83
Solvency (%)	Current ratio	237.72	191.40	218.06	190.43	245.53
	Quick ratio	177.43	137.01	142.33	130.23	181.48
	Interest earned ratio (times)	0.20	13.53	(15.12)	(11.99)	19.27
Operating performance	Accounts receivable turnover (times)	4.51	4.42	3.85	4.47	4.96
	Average collection period	81	83	95	82	74
	Inventory turnover (times)	4.64	4.57	3.67	3.76	4.10
	Accounts payable turnover (times)	12.11	10.12	10.03	11.38	10.47
	Average days in sales	79	80	99	97	89
	Property, plant and equipment turnover (times)	2.16	2.10	1.58	1.80	2.56
	Total assets turnover (times)	4.51	4.42	3.85	4.47	4.96
Profitability	Return on total assets (%)	(1.04)	3.08	(6.10)	(5.06)	4.43
	Return on stockholders' equity (%)	(1.23)	5.17	(12.32)	(10.32)	6.96
	Pre-tax income to paid-in capital (%)	(0.53)	12.09	(20.50)	(15.70)	14.76
	Profit ratio (%)	(0.86)	3.72	(11.12)	(8.44)	5.33
	Earnings per share (NT$)	(0.59)	0.26	(2.13)	(1.64)	0.73
Cash flow	Cash flow ratio (%)	3.67	16.05	(2.98)	12.63	41.52
	Cash flow adequacy ratio (%)	(Note1)	(Note1)	6.85	21.15	42.51
	Cash reinvestment ratio (%)	0.42	2.61	(1.27)	1.68	5.69
Leverage	Operating leverage (Note 2)	10.47	2.43	0.00	(0.33)	2.34
	Financial leverage	1.78	1.07	0.94	0.93	1.06

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

(1) Debt Ratio: Due to bonds payable converted and cash capital increase.
(2) Ratio of long-term capital to property, plant and equipment: Due to Company profit increase this year.
(3) Solvency: Due to Company profit increase this year, bonds payable converted and cash capital increase.
(4) Property, plant and equipment turnover: Due to Company profit increase this year.
(5) Profitability: Due to gross profit increase.
(6) Cash flow: Due to Company profit increase this year.
(7) Leverage: Due to sales increase, and interest expense decrease.

Source: Financial reports verified by accountants for visas.

(II) Individual Financial Analysis：Based on IFRS

Year Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020 (Audited after Restated)	2021
Financial structure (%)	Debt Ratio	24.94	23.64	20.00	38.97	27.53
	Ratio of long-term capital to property, plant and equipment	52,838.20	110,539.17	91,923.06	432.13	589.29
Solvency (%)	Current ratio	184.30	2,011.93	1,209.74	85.80	172.96
	Quick ratio	166.18	1,999.11	1,193.85	45.78	110.77
	Interest earned ratio (times)	(Note1)	(Note1)	(Note1)	(32.99)	15.82
Operating performance	Accounts receivable turnover (times)	(Note1)	(Note1)	(Note1)	5.05	6.40
	Average collection period	(Note1)	(Note1)	(Note1)	72	57
	Inventory turnover (times)	(Note1)	(Note1)	(Note1)	4.73	4.63
	Accounts payable turnover (times)	(Note1)	(Note1)	(Note1)	10.13	9.33
	Average days in sales	(Note1)	(Note1)	(Note1)	77	78.83
	Property, plant and equipment turnover (times)	(Note1)	(Note1)	(Note1)	2.18	3.05
	Total assets turnover (times)	(Note1)	(Note1)	(Note1)	0.44	0.48
Profitability	Return on total assets (%)	(3.25)	1.89	(13.85)	(10.86)	4.38
	Return on stockholders' equity (%)	(4.57)	2.23	(18.07)	(15.77)	6.10
	Pre-tax income to paid-in capital (%)	(5.00)	2.53	(20.65)	(15.83)	7.02
	Profit ratio (%)	(434.81)	31.68	(131.63)	(25.33)	8.60
	Earnings per share (NT$)	(0.59)	0.26	(2.13)	(1.64)	0.73
Cash flow	Cash flow ratio (%)	(Note1)	(Note1)	(Note1)	(13.87)	23.24
	Cash flow adequacy ratio (%)	(Note1)	(Note1)	(Note1)	(109.00)	15.77
	Cash reinvestment ratio (%)	(Note1)	(Note1)	(Note1)	(11.74)	2.14
Leverage	Operating leverage (Note 2)	(Note1)	(Note1)	(Note1)	0.65	10.63
	Financial leverage	0.94	1.12	0.98	0.97	5.16

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Debt Ratio: Due to bonds payable converted and cash capital increase.
2. Ratio of long-term capital to property, plant and equipment: Due to Company profit increase this year.
3. Solvency: Due to Company profit increase this year, bonds payable converted and cash capital increase.
4. Property, plant and equipment turnover: Due to Company profit increase this year.
5. Profitability: Due to gross profit increase.
6. Cash flow: Due to Company profit increase this year.
7. Leverage: Due to sales increase, and interest expense decrease.

Source: Financial reports verified by accountants for visas.

Note 1: The Company was an investment holding company for investment purposes before 2021, so this ratio does not apply.

Note 2: The Company merged with the old Hanlei Technology of Atomic Company on September 1, 2021 in the Republic of China by way of absorption and consolidation, which is an organizational reorganization within the Group, so the accounting treatment adopts the book value method and is regarded as a consolidation from the beginning, and the previous financial statements should be rewritten retrospectively.

The calculation formula for financial analysis is as follows

A. Financial structure:

- (A) Debt of long fund to bank property and equipment=total liabilities/total assets
- (B) Ratio of liabilities to assets=(net shareholder's equity+long-term liabilities)/net fixed assets

B. Solvency:

- (A) Current ratio=current assets/current liabilities
- (B) Quick ratio=(current assets-inventory-prepaid expense)/current liabilities
- (C) Times interest earned ratio=net income before tax and interest expense/interest expense

C. Operating ability:

- (A) 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)
- (B) Days sales in account receivable=365/account receivable turnover
- (C) Inventory turnover=cost of goods sold/average inventory
- (D) 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)
- (E) Average days in sales=365/inventory turnover
- (F) Fixed property and equipment turnover=net sales/net fixed assets
- (G) Total assets turnover=net sales/average total assets

D. Profitability:

- (A) Ratio or return on total assets=[net income+interest expense*(1-tax rate)] / average total assets
- (B) Ratio or return on shareholder's equity=net income/average net shareholder's equity
- (C) Profit ratio=net income/net sales
- (D) Earnings per share=(net income-preferred stock dividend)/weighted average stock shares issued

E. Cash flow:

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

F. Balance：

- (A) Operation balance=(net operating income-operating variable cost and expense) / operating income
- (B) 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 2021 Business Report, Financial Statements, and proposal for earnings distribution. 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 proposal for earnings distribution 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

2022Annual Meeting of Shareholders,
EPISIL TECHNOLOGIES INC.
(Formerly EPISIL HOLDING INC.)

Chairman of the Audit Committee: Jhih-Da Yan

Date: February 15,2022

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, 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 Technologies Inc.
Representative: Jian-Hua Syu
February 15, 2022

VI. The accountant checks and approves the individual

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Episil Technologies Inc. (Formerly EPISIL HOLDING INC.) and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to 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, 2021 and 2020, 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 2021 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 2021 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, 2021 inventory and allowance for inventory valuation losses amounted to NT$1,587,372 thousand and NT$132,206 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. 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 Technologies Inc. as at and for the years ended December 31, 2021 and 2020.

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
February 15, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and 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 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 TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			December 31, 2021		December 31, 2020	
	Assets	Notes	AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,401,367	24	$ 1,582,403	19
1136	Current financial assets at amortised cost	6(1) and 8	425,146	4	24,659	-
1150	Notes receivable, net	6(3)	66,875	1	98,241	1
1170	Accounts receivable, net	6(3)	1,520,630	16	1,221,105	14
1200	Other receivables		33,558	-	23,963	-
1210	Other receivables - related parties	7	196	-	382	-
1220	Current income tax assets		476	-	50,449	1
130X	Inventories	6(4)	1,455,166	15	1,281,194	15
1410	Prepayments		119,512	1	109,773	1
1470	Other current assets		13,449	-	7,863	-
11XX	**Current assets**		6,036,375	61	4,400,032	51
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	40,486	-	36,651	-
1535	Non-current financial assets at amortised cost	6(1) and 8	37,380	-	59,070	1
1550	Investments accounted for using equity method	6(5)	185,501	2	179,287	2
1600	Property, plant and equipment	6(6) and 8	2,690,844	27	2,977,434	35
1755	Right-of-use assets	6(7)	493,323	5	519,935	6
1760	Investment property - net	6(9)	150,385	2	154,809	2
1780	Intangible assets	6(10)	46,917	1	42,015	-
1840	Deferred income tax assets	6(29)	133,146	1	137,258	2
1900	Other non-current assets	7	66,354	1	66,533	1
15XX	**Non-current assets**		3,844,336	39	4,172,992	49
1XXX	**Total assets**		$ 9,880,711	100	$ 8,573,024	100

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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

			December 31, 2021			December 31, 2020		
	Liabilities and Equity	Notes		AMOUNT	%		AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(11)	$	663,793	7	$	744,909	9
2130	Current contract liabilities	6(22)		272,432	3		134,100	1
2170	Accounts payable	6(12)		635,864	6		563,885	7
2180	Accounts payable - related parties	7		27	-		135	-
2200	Other payables	6(13)		604,547	6		494,685	6
2220	Other payables - related parties	7		22,581	-		21,322	-
2230	Current income tax liabilities			96,408	1		3,526	-
2280	Current lease liabilities			21,434	-		21,529	-
2320	Long-term borrowings, current portion	6(14)(15)		46,878	1		257,247	3
2399	Other current liabilities, others			94,552	1		69,277	1
21XX	**Current liabilities**			2,458,516	25		2,310,615	27
	Non-current liabilities							
2527	Non-current contract liabilities	6(22)		95,297	1		113,401	1
2530	Corporate bonds payable	6(14)		112,703	1		300,555	4
2540	Long-term borrowings	6(15)		-	-		195,367	2
2570	Deferred income tax liabilities	6(29)		36,549	-		38,721	-
2580	Non-current lease liabilities			486,633	5		508,533	6
2640	Accrued pension liabilities	6(16)		256,169	3		293,035	3
2645	Guarantee deposits received			47,413	1		54,936	1
2670	Other non-current liabilities, others			18,067	-		-	-
25XX	**Non-current liabilities**			1,052,831	11		1,504,548	17
2XXX	**Total liabilities**			3,511,347	36		3,815,163	44
	Equity							
	Equity attributable to owners of the parent							
	Share capital	6(18)						
3110	Share capital - common stock			3,306,664	34		3,121,877	37
	Capital surplus	6(19)						
3200	Capital surplus			955,567	9		550,158	6
	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)			232,359	2		(516,091)	(6)
	Other equity interest	6(21)						
3400	Other equity interest			(72,140)	(1)		(74,398)	(1)
31XX	**Equity attributable to owners of the parent**			4,473,517	45		3,132,613	37
36XX	Non-controlling interest			1,895,847	19		1,625,248	19
3XXX	**Total equity**			6,369,364	64		4,757,861	56
	Significant commitments and contingencies	9						
	Significant events after the reporting period	11						
3X2X	**Total liabilities and equity**		$	9,880,711	100	$	8,573,024	100

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7	$ 7,269,400	100	$ 5,741,460	100
5000	Operating costs	6(4)(27)(28) and 7	(6,279,477)	(86)	(5,749,910)	(101)
5900	Operating margin		989,923	14	(8,450)	(1)
	Operating expenses	6(27)(28) and 7				
6100	Selling and marketing expenses		(91,537)	(1)	(80,190)	(1)
6200	General and administrative expenses		(288,363)	(4)	(262,328)	(5)
6300	Research and development expenses		(124,353)	(2)	(127,446)	(2)
6450	Expected credit impairment gains	12(2)	-	-	3,007	-
6000	Total operating expenses		(504,253)	(7)	(466,957)	(8)
6900	Operating profit (loss)		485,670	7	(475,407)	(9)
	Non-operating income and expenses					
7100	Interest income	6(23)	6,131	-	5,354	-
7010	Other income	6(24)	39,277	-	37,391	1
7020	Other gains and losses	6(25)	(14,767)	-	(17,776)	-
7050	Finance costs	6(26)	(29,412)	-	(40,758)	(1)
7060	Share of profit of associates and joint ventures accounted for using equity method	6(5)	1,098	-	1,188	-
7000	Total non-operating income and expenses		2,327	-	(14,601)	-
7900	**Profit (loss) before income tax**		487,997	7	(490,008)	(9)
7950	Income tax (expense) benefit	6(29)	(100,518)	(2)	5,221	-
8200	**Profit (loss) for the year**		$ 387,479	5	($ 484,787)	(9)

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2021		2020	
	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)	($ 334)	-	($ 27,360)	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)	3,835	-	2,212	-
8320	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(83)	-	143	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		3,418	-	(25,005)	-
	Components of other comprehensive income that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(1,555)	-	507	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss		(577)	-	1,104	-
8360	Components of other comprehensive income that may be reclassified to profit or loss		(2,132)	-	1,611	-
8300	**Other comprehensive loss, net**		$ 1,286	-	($ 23,394)	-
8500	**Total other comprehensive loss for the year**		$ 388,765	5	($ 508,181)	(9)
	Profit (loss), attributable to:					
8610	Owners of the parent		$ 232,035	3	($ 493,831)	(9)
8620	Non-controlling interest		155,444	2	9,044	-
	Total		$ 387,479	5	($ 484,787)	(9)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 234,619	3	($ 512,267)	(9)
8720	Non-controlling interest		154,146	2	4,086	-
	Total		$ 388,765	5	($ 508,181)	(9)
	Basic earnings (loss) per share	6(30)				
9750	Basic earnings (loss) per share (in dollars)		$ 0.73		($ 1.64)	
	Diluted earnings (loss) per share	6(30)				
9850	Diluted earnings (loss) per share (in dollars)		$ 0.73		($ 1.64)	

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

		Equity attributable to owners of the parent									
				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
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 income (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)	-	(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
2021											
Balance at January 1, 2021		$ 3,121,877	$ 550,158	$ 7,120	$ 43,947	($ 516,091)	($ 4,793)	($ 69,605)	$ 3,132,613	$ 1,625,248	$ 4,757,861
Profit for the year		-	-	-	-	232,035	-	-	232,035	155,444	387,479
Other comprehensive income (loss)		-	-	-	-	326	(1,577)	3,835	2,584	(1,298)	1,286
Total comprehensive loss		-	-	-	-	232,361	(1,577)	3,835	234,619	154,146	388,765
Capital surplus used to offset accumulated deficits	6(19)(20)	-	(516,089)	-	-	516,089	-	-	-	-	-
Changes in ownership interest in subsidiaries	6(19)	-	108,907	-	-	-	-	-	108,907	148,253	257,160
Cash capital increased by cash	6(18)(19)	60,000	321,294	-	-	-	-	-	381,294	-	381,294
Share-based payments-cash capital increased by cash reserved for subcription by employees	6(19)	-	5,617	-	-	-	-	-	5,617	13	5,630
Conversion of convertible bonds	6(18)(19)	124,787	471,076	-	-	-	-	-	595,863	-	595,863
Issuance of corporate bonds	6(19)	-	14,895	-	-	-	-	-	14,895	-	14,895
Difference between equity price and book value of the merger of subsidiaries	6(19)	-	(291)	-	-	-	-	-	(291)	(3,278)	(3,569)
Cash dividends paid by a subsidiary to non-controlling interests		-	-	-	-	-	-	-	-	(28,535)	(28,535)
Balance at December 31, 2021		$ 3,306,664	$ 955,567	$ 7,120	$ 43,947	$ 232,359	($ 6,370)	($ 65,770)	$ 4,473,517	$ 1,895,847	$ 6,369,364

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		$ 487,997	($ 490,008)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(27)	640,520	618,700
Amortisation expense	6(10)(27)	8,503	11,698
Expected credit impairment gain		-	(3,007)
Gain on disposal of property, plant and equipment	6(25)	-	(9,904)
Share of profit of associates accounted for using equity method	6(5)	(1,098)	(1,188)
Finance costs	6(26)	26,710	37,720
Interest income	6(23)	(6,131)	(5,354)
Dividend income	6(24)	(1)	(1)
Share-based payments	6(17)	5,630	3,126
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		31,366	(2,265)
Accounts receivable		(299,525)	(95,492)
Accounts receivable - related parties		-	1,864
Other receivables		(9,429)	(766)
Other receivables - related parties		186	48
Inventories		(173,972)	143,844
Prepayments		(9,739)	1,404
Other current assets		(5,586)	(110)
Other non-current assets		-	48,298
Changes in operating liabilities			
Contract liabilities		120,228	(22,850)
Notes payable		-	(1,395)
Accounts payable		71,979	119,423
Accounts payable - related parties		(108)	(333)
Other payables		96,373	(17,354)
Other payables - related parties		1,259	(1,623)
Other current liabilities		25,275	(9,610)
Other non-current liabilities		18,067	-
Accrued pension liabilities		(36,866)	(6,741)
Cash inflow generated from operations		991,638	318,124
Interest received		5,965	5,488
Dividends received		1	1
Interest paid		(21,049)	(28,160)
Income taxes refund (paid)		44,277	(3,610)
Net cash flows from operating activities		1,020,832	291,843

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 705,194)	($ 179,536)
Disposal of financial assets at amortised cost		326,397	288,161
Acquisition of investments accounted for using equity method	6(5)	(5,776)	-
Acquisition of property, plant and equipment	6(31)	(317,403)	(245,592)
Proceeds from disposal of property, plant and equipment		-	9,904
Acquisition of intangible assets	6(10)	(11,755)	(1,594)
Decrease (increase) in refundable deposits		179	(6)
Net cash flows used in investing activities		(713,552)	(128,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(32)	3,314,779	2,833,806
Repayments of short-term borrowings	6(32)	(3,395,895)	(2,842,941)
Proceeds from long-term borrowings	6(32)	-	41,000
Repayments of long-term borrowings	6(32)	(333,323)	(143,477)
(Decrease) increase in refundable deposits	6(32)	(7,523)	12,154
Payments of lease liabilities	6(32)	(21,291)	(21,437)
Issuance of corporate bonds	6(32)	601,770	-
Cash capital increased		381,294	-
Cash dividends paid by a subsidinary to non-controlling interests		(28,535)	(27,050)
Net cash flows from (used in) financing activities		511,276	(147,945)
Effect of exchange rate changes		408	(2)
Net increase in cash and cash equivalents		818,964	15,233
Cash and cash equivalents at beginning of year	6(1)	1,582,403	1,567,170
Cash and cash equivalents at end of year	6(1)	$ 2,401,367	$ 1,582,403

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

1. History and Organisation

Episil Holding Inc. merged with former Episil Technologies Inc. on September 1, 2021. After the merger, Episil Holding Inc. was the surviving company while former Episil Technologies Inc. was the dissolved company. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc. (the "Company").

The Company was established by former 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. Former Episil Technologies Inc. became the Company's wholly-owned subsidiary after the swap. On January 5, 2015, former 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, 2021, the Company holds 58.44% equity interest in Episil-Precision Inc..

The Company 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 February 15, 2022.

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 2021 are as follows:

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

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

The above standards and interpretations have no significant impact to 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 2022 are as follows:

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

The above standards and interpretations have no significant impact to the 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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to 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, 2021	Ownership (%) December 31, 2020	Description
Episil Technologies Inc. (Formerly EPISIL HOLDING INC.)	Episil Technologies Inc. (disbanded)	Semiconductor industry	-	99.70	Note 1
Episil Technologies Inc. (Formerly EPISIL HOLDING INC.)	Episil-Precision Inc.	Semiconductor industry	58.44	59.43	
Episil Technologies Inc. (Formerly 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	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, former Episil Technologies Inc. merged with Iberlin Technology Co., Ltd. on February 20, 2021 as resolved by the Board of Directors of former Episil Technologies Inc. during its meeting on December 29, 2020. Iberlin Technology Co., Ltd. was the dissolved company and dissolved in accordance with the related regulations. In addition, to enhance operating efficiency, the Board of Directors of Episil Holding Inc. during its meeting on March 9, 2021 resolved to absorb and merge with former Episil Technologies Inc. The consideration for the merger was one share of former Episil Technologies Inc. in exchange for $16.48 (in dollars). After the merger, Episil Holding Inc. was the surviving company while former Episil Technologies Inc. was the dissolved company. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc. The merger effective date was set on September 1, 2021.

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, 2021 and 2020, the non-controlling interests amounted to $1,895,847 and $1,625,248, respectively. The information on non-controlling interests and respective subsidiary is as follows:

		Non-controlling interests				
		December 31, 2021		December 31, 2020		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Espisil-Precicion Inc.	Taiwan	$ 1,895,847	41.56%	$ 1,621,652	40.57%	

Balance sheets

	Episil-Precision Inc. and its subsidiary	
	December 31, 2021	December 31, 2020
Current assets	$ 4,237,835	$ 3,306,410
Non-current assets	2,375,700	2,659,154
Current liabilities	(1,530,855)	(1,103,174)
Non-current liabilities	(472,601)	(816,851)
Total net assets	$ 4,610,079	$ 4,045,539

Statements of comprehensive income

	Episil-Precision Inc. and its subsidiary	
	Year ended December 31, 2021	Year ended December 31, 2020
Revenue	$ 5,043,332	$ 4,039,180
Profit before income tax	480,669	19,859
Income tax (expense) benefit	(100,139)	5,834
Profit for the year	380,530	25,693
Other comprehensive income, net of tax	(3,150)	(12,202)
Total comprehensive income for the year	$ 377,380	$ 13,491
Comprehensive income attributable to non-controlling interests	$ 155,219	$ 10,010
Dividends paid to non-controlling interests	$ 28,535	$ 27,050

Statements of cash flows

	Episil-Precision Inc. and its subsidiary	
	Year ended December 31, 2021	Year ended December 31, 2020
Net cash provided by operating activities	$ 692,462	$ 496,231
Net cash used in investing activities	(576,523)	(75,489)
Net cash provided by (used in) financing activities	66,507	(70,433)
Effect of exchange rates	(1,358)	(33)
Increase in cash and cash equivalents	181,088	350,276
Cash and cash equivalents at beginning of year	1,369,084	1,018,808
Cash and cash equivalents at end of year	$ 1,550,172	$ 1,369,084

(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) 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.

(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) <u>Employee share-based payment</u>

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) 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.

(28) 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.

(29) Revenue recognition

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, 2021, the carrying amount of inventories was $1,455,166.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	$ 563	$ 500
Checking accounts and demand deposits	1,260,172	452,713
Time deposits	705,632	759,090
Cash equivalents	435,000	370,100
	$ 2,401,367	$ 1,582,403

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 current financial assets at amortised cost and non-current financial assets at amortised cost. For their detail, please refer to Note 8.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Unlisted stocks	$ 106,256	$ 106,256
Valuation adjustment	(65,770)	(69,605)
	$ 40,486	$ 36,651

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 $40,486 and $36,651 as at December 31, 2021 and 2020, 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	
	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 3,835	$ 2,212
Dividend income recognised in profit or loss held at end of year	$ 1	$ 1

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was $40,486 and $36,651, 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, 2021	December 31, 2020
Notes receivable	$ 66,875	$ 98,241
Accounts receivable	$ 1,532,286	$ 1,232,761
Less: Loss allowance	(11,656)	(11,656)
	$ 1,520,630	$ 1,221,105

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,421,501	$ 66,875	$ 1,140,171	$ 98,241
Up to 30 days	102,636	-	81,236	-
31 to 90 days	2,016	-	395	-
91 to 180 days	-	-	-	-
Over 180 days	6,133	-	10,959	-
	$ 1,532,286	$ 66,875	$ 1,232,761	$ 98,241

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, notes and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $1,220,446.

C. As of December 31, 2021 and 2020, collaterals held by the Group as security for accounts receivable amounted to $73,127 and $91,149, respectively.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was $66,875 and $98,241, $1,520,630 and $1,221,105, respectively.

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

(4) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 618,115	($ 47,123)	$ 570,992
Supplies	414,901	(38,965)	375,936
Work in progress	414,100	(22,676)	391,424
Finished goods	140,256	(23,442)	116,814
	$ 1,587,372	($ 132,206)	$ 1,455,166

	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

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2021	2020
Cost of goods sold	$ 6,326,632	$ 5,709,273
(Reversal of) allowance for inventory valuantion loss	(62,846)	39,274
Inventory scrapped	15,691	1,363
	$ 6,279,477	$ 5,749,910

For the year ended December 31, 2021, the Group reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold due to the sale of certain inventories which were previously provided with allowance.

(5) Investments accounted for using equity method

	2021	2020
At January 1	$ 179,287	$ 176,855
Acquisition of investments accounted for using equity method	5,776	-
Share of profit or loss of investments accounted for using equity method	1,098	1,188
Other equity interest	(660)	1,244
At December 31	$ 185,501	$ 179,287

	December 31, 2021	December 31, 2020
Associates		
Taiwan Hi-Tech Corp.	$ 184,048	$ 177,833
Wei Yun Capital Management Corporation	1,453	1,454
	$ 185,501	$ 179,287

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	
	2021	2020
Profit from continuing operations	$ 1,098	$ 1,188
Other comprehensive income, net of tax	(660)	1,244
Total comprehensive income	$ 438	$ 2,432

(6) Property, plant and equipment

	2021							
	Buildings and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1								
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
At January 1	$ 1,191,355	$ 1,661,040	$ 14,548	$ 2	$ 12	$ 1,905	$ 108,572	$ 2,977,434
Additions	51,240	59,559	1,171	-	30	6,586	206,645	325,231
Reclassifications	4,883	67,817	-	-	-	-	(74,350)	(1,650)
Depreciation expenses	(119,802)	(483,225)	(5,800)	(2)	(5)	(1,337)	-	(610,171)
At December 31	$ 1,127,676	$ 1,305,191	$ 9,919	$ -	$ 37	$ 7,154	$ 240,867	$ 2,690,844
At December 31								
Cost	$ 4,500,389	$ 8,424,558	$ 54,823	$ 2,646	$ 3,316	$ 120,055	$ 240,867	$ 13,346,654
Accumulated depreciation	(2,991,681)	(6,827,607)	(44,904)	(2,644)	(3,269)	(112,901)	-	(9,983,006)
Accumulated impairment	(381,032)	(291,760)	-	(2)	(10)	-	-	(672,804)
	$ 1,127,676	$ 1,305,191	$ 9,919	$ -	$ 37	$ 7,154	$ 240,867	$ 2,690,844

	2020							
	Buildings and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Construction in process and 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

Note: For the years ended December 31, 2021 and 2020, property, plant and equipment reclassified to investment property amounted to $0 and $73,270, respectively.

A. For the years ended December 31, 2021 and 2020, the amounts capitalised were $1,570 and $2,621, respectively, and the ranges of the interest rates for such capitalisation were 1.39% and 2.19%, respectively.

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 3 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, 2021	December 31, 2020
	Book value	Book value
Land	$ 460,589	$ 479,877
Buildings and structures	32,139	39,017
Machinery and equipment	595	1,041
	$ 493,323	$ 519,935

	Year ended December 31	
	2021	2020
	Depreciation expenses	Depreciation expenses
Land	$ 19,288	$ 19,288
Buildings and structures	6,191	6,617
Machinery and equipment	446	448
	$ 25,925	$ 26,353

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $172 and $27,577, respectively.

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

	Year ended December 31	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 11,568	$ 11,725
Expense on short-term lease agreements	$ 5,426	$ 4,687

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were $38,285 and $37,849, 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, 2021 and 2020 are as follows:

	Year ended December 31	
	2021	2020
Rental revenue	$ 35,321	$ 33,730

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 34,431
2022	34,091	33,952
2023	33,421	33,282
2024	33,326	33,187
2025	33,002	32,863
Over 2026	40,338	38,322
	$ 174,178	$ 206,037

(9) Investment property

	2021	2020
	Buildings and structures	Buildings and structures
At January 1		
Cost	$ 178,523	$ 95,361
Accumulated depreciation and impairment	(23,714)	(8,695)
	$ 154,809	$ 86,666
At January 1	$ 154,809	$ 86,666
Transfer	-	73,270
Depreciation expenses	(4,424)	(5,127)
At December 31	$ 150,385	$ 154,809
At December 31		
Cost	$ 178,523	$ 178,523
Accumulated depreciation and impairment	(28,138)	(23,714)
	$ 150,385	$ 154,809

A. Rental revenue from investment property.

	Year ended December 31	
	2021	2020
Rental revenue from investment property	$ 34,193	$ 32,631
Direct operating expenses arising from the investment property that generated rental revenue during the year	$ 8,071	$ 9,175

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 was $176,838 and $170,308, 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, 2021	December 31, 2020
Discount rate	8.38% ~ 11.21%	5.89% ~ 11.62%
Annual rent (net income)	$ 30,177	$ 29,424
Duration	10 years	10 years

C. The Group has no interest capitalisation for the years ended December 31, 2021 and 2020.

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, 2021 and 2020, the Group has no investment property pledged to others as collateral.

(10) Intangible assets

	2021			
	Computer software	Goodwill	Others	Total
At January 1				
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
At January 1	$ 5,593	$ 29,694	$ 6,728	$ 42,015
Additions	10,088	-	1,667	11,755
Reclassifications	1,650	-	-	1,650
Amortisation expenses	(4,985)	-	(3,518)	(8,503)
At December 31	$ 12,346	$ 29,694	$ 4,877	$ 46,917
At December 31				
Cost	$ 98,148	$ 29,694	$ 45,364	$ 173,206
Accumulated amortisation	(85,802)	-	(40,487)	(126,289)
	$ 12,346	$ 29,694	$ 4,877	$ 46,917

	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

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2021	2020
Operating costs	$ 5,858	$ 6,842
General and administrative expenses	2,645	4,674
Research and development expenses	-	182
	$ 8,503	$ 11,698

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unscured borrowings	$ 663,793	0.61%～1.47%	None

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		

For the years ended December 31, 2021 and 2020, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $8,672 and $12,817, respectively.

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

(12) Accounts payable

	December 31, 2021	December 31, 2020
Accounts payable	$ 567,940	$ 521,406
Estimated accounts payable	67,924	42,479
	$ 635,864	$ 563,885

(13) Other payable

	December 31, 2021	December 31, 2020
Accrued expenses-expendables	$ 201,388	$ 185,167
Accrued expenses-bonus	116,541	102,791
Employees' compensation and directors' remuneration payable	81,636	1,903
Payables for equipment	42,302	34,474
Accrued expenses-others	162,680	170,350
	$ 604,547	$ 494,685

(14) Bonds payable

	December 31, 2021	December 31, 2020
The Company's second secured convertible bonds	$ -	$ 750,000
The Company's third secured convertible bonds	600,000	-
Episil-Precision Inc.'s third unsecured convertible bonds	600,000	600,000
	1,200,000	1,350,000
Less: Bonds payable converted	(1,037,700)	(920,200)
Less: Discount on bonds payable	(2,719)	(9,954)
	159,581	419,846
Less: Current portion	(46,878)	(119,291)
	$ 112,703	$ 300,555

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$100,000 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. The conversion price was adjusted to $20.4 (in dollars) per share on August 17, 2021 as the Company increased its capital by issuing new shares during the year ended December 31, 2021.

(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) 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%.

(k) As October 27, 2021, the convertible bonds were terminated and delisted from the Taipei Exchange after the full conversion of the bonds amounting to $750,000 (face value) into 36,598 thousand shares of common stock.

B. The issuance terms of the Company's third domestic unsecured convertible bonds are as follows:

(a) The regulatory authority has approved the third domestic unsecured convertible corporate bonds issued by the Company. 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 June 22, 2021 to June 22, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 22, 2021.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue to 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 June 11, 2021. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of $73.8 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.67% (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 adjusted to $73.6 (in dollars) per share on August 17, 2021 as the Company increased its capital by issuing new shares.

(d) All convertible bonds repurchased, redeemed or converted by the Company 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 $14,895 were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32.

(f) As December 31, 2021, the bonds totaling $485,200 (face value) had been converted into 6,592 thousand shares of the Company’s common shares.

C. 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 three month of the bonds issue to the next 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, 2021, the bonds totaling $552,500 (face value) had been converted into 9,975 thousand shares of Episil-Precision Inc.'s common shares.

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

(15) Long-term borrowings

December 31, 2021: None.

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

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, 2021	December 31, 2020
Present value of defined benefit obligations	$ 439,715	$ 466,874
Fair value of plan assets	(183,546)	(173,839)
Net defined benefit liabilities	$ 256,169	$ 293,035

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 466,874	($ 173,839)	$ 293,035
Current service cost	447	-	447
Interest expense (income)	2,371	(1,623)	748
	469,692	(175,462)	294,230
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,363)	(1,363)
Change in demographic assumptions	6,144	-	6,144
Change in financial assumptions	3,608	-	3,608
Experience adjustments	(8,148)	94	(8,054)
	1,604	(1,269)	335
Pension fund contribution	-	(34,503)	(34,503)
Paid pension	(31,872)	27,979	(3,893)
At December 31	$ 439,424	($ 183,255)	$ 256,169

	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

(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, 2021 and 2020 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	
	2021	2020
Discount rate	0.60%	0.30%
Future salary increases	3.25%	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, 2021				
Effect on present value of defined benefit obligations	($ 12,238)	$ 12,701	$ 11,247	($ 10,920)
December 31, 2020				
Effect on present value of defined benefit obligations	($ 13,226)	$ 13,733	$ 12,172	($ 11,813)

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, 2022 amounts to $7,717.

(g) Through December 31, 2021, the weighted average duration of the retirement plans is 11~12 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, 2021 and 2020 were $56,255 and $55,696, respectively.

(17) Share-based payment

A. For the years ended December 31, 2021 and 2020, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Former Episil Technologies Inc.'s first issuance of employee stock option in 2013	2014.3.2	7,500	6 years	Notes 1, 2 and 3
Former 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 former Episil Technologies Inc. starting from the effective date of the share swap. Therefore, the underlying shares were changed from former 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, former 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, former 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)

2021: None.

	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	-	-

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

2021: None.

	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	-	-

C. The Company increased its capital by issuing 6 million common shares and reserved 10% of the shares issued this time, that is 600 thousand shares, for subscription by employees at $63.9 (in dollars) per share in accordance with the requirements of the Article 267 of the Company Act. The fair value of share-based payment amounting to $5,630 was assessed based on market approach, and was recognised as compensation cost.

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

	Year ended December 31	
	2021	2020
Equity-settled	$ 5,630	$ 3,126

(18) Share capital

A. The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2021, 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 $3,306,664 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	2021	2020
Shares issued at Juanary 1	312,188	293,724
Share outstanding at Juanary 1	312,188	293,724
Cash capital increase	6,000	-
Conersion of convertible bonds	12,478	18,464
Shares issued at December 31	330,666	312,188
Shares outstanding at Dceember 31	330,666	312,188

C. On April 21, 2021, the Board of Directors of the Company resolved to increase its capital by issuing 6 million new shares. 10% of the new shares were reserved for subscription by employees in accordance with the regulations, another 10% were reserved for subscription by the public pursuant to the R.O.C. Securities and Exchange Act, and the remaining were reserved for subscription by existing shareholders according to their respective shareholding ratios as stated in shareholder roster on the effective date for share subscription. The effective date of capital increase was set on July 2, 2021. The registration has been completed.

(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.

	2021						
	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	$ 199,359	$ 290,604	$ 226	$ 28,238	$21,237	$10,494	$ 550,158
Conversion of converible bonds	487,067	-	-	-	(15,991)	-	471,076
Issuance of convertible bonds	-	-	-	-	14,895	-	14,895
Changes in ownership interest in subsidiaries and associates	-	108,907	-	-	-	-	108,907
Cash capital increase	321,294	-	-	5,617	-	-	326,911
Capital surplus difference between consideration and carrying amount of subsidiaries acquired	-	(291)	-	-	-	-	(291)
Capital surplus used to offset accumulated deficits	(516,089)	-	-	-	-	-	(516,089)
At December 31	$ 491,631	$ 399,220	$ 226	$ 33,855	$20,141	$10,494	$ 955,567

	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

(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. The shareholders at their meeting on August 20, 2021 adopted a resolution to use capital surplus to offset deficit of $516,089.

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

G. The Company incurred losses for the year ended December 31, 2020 and thus did not distribute dividends as resolved at the shareholders' meeting.

H. On February 15, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2021 was $115,733 at $0.35 (in dollars) per share in cash.

(21) Other equity items

	2021		2020	
	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	($ 69,605)	($ 4,793)	($ 71,817)	($ 6,404)
–Group	3,835	(1,000)	2,212	(20)
–Associates	-	(577)	-	1,631
At December 31	($ 65,770)	($ 6,370)	($ 69,605)	($ 4,793)

(22) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers	$ 7,269,400	$ 5,741,460

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, 2021	Silicon wafers foundry	IC foundry	Others	Total
Revenue from external customer contracts	$ 4,544,225	$ 2,674,693	$ 50,482	$ 7,269,400
Timing of revenue recognition				
At a point in time	$ 4,544,225	$ 2,674,693	$ 50,482	$ 7,269,400

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

D. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities:			
Contract liabilities – advance sales receipts	$ 367,729	$ 247,501	$ 270,351

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

	Year ended December 31	
	2021	2020
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 129,445	$ 77,432

(23) Interest income

	Year ended December 31	
	2021	2020
Interest income from bank deposits	$ 6,131	$ 5,354

(24) Other income

	Year ended December 31	
	2021	2020
Rental revenue	$ 35,321	$ 33,730
Dividend income	1	1
Other income, others	3,955	3,660
	$ 39,277	$ 37,391

(25) Other gains and losses

	Year ended December 31	
	2021	2020
Gains on disposals of property, plant and equipment	$ -	$ 9,904
Net currency exchange losses	(10,267)	(22,373)
Depreciation on investment property	(4,424)	(5,127)
Other losses	(76)	(180)
	($ 14,767)	($ 17,776)

(26) Finance costs

	Year ended December 31	
	2021	2020
Interest expense:		
Banking borrowings	$ 9,244	$ 14,965
Bonds payable	5,898	11,030
Lease liabilites	11,568	11,725
Other finance expenses	2,702	3,038
	$ 29,412	$ 40,758

(27) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense	$ 1,626,619	$ 1,439,624
Depreciation expenses	640,520	618,700
Amortisation expenses on intangible assets	8,503	11,698

(28) Employee benefit expense

	Year ended December 31	
	2021	2020
Wages and salaries	$ 1,343,192	$ 1,175,809
Share-based payments	5,630	3,126
Labour and health insurance fees	113,439	106,160
Pension costs	57,451	58,474
Other personnel expenses	106,907	96,055
	$ 1,626,619	$ 1,439,624

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 5% 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 year ended December 31, 2020, the Company did not accrue employees' compensation and directors' remuneration as it incurred accumulated losses. For the year ended December 31, 2021, employees' compensation was accrued at $20,000; while directors' remuneration was accrued at $2,263. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 9% and 1% of distributable profit for the year ended December 31, 2021. 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 (benefit)

(a) Components of income tax expense (benefit):

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	$ 98,828	$ 4,099
Prior year income tax under (over) estimation	(249)	(3,125)
Total current tax	98,579	974
Deferred tax:		
Origination and reversal of temporary differences	1,939	(6,195)
Total deferred tax	1,939	(6,195)
Income tax expense (benefit)	$ 100,518	($ 5,221)

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

B. Reconciliation between income tax expense (benefit) and accounting profit:

	Year ended December 31	
	2021	2020
Tax calculated based on gain or loss before tax and statutory tax rates	$ 136,738	($ 193,977)
Expenses disallowed by tax regulation	882	980
Tax losses not recognised as deferred tax	7,959	104,322
Tax exempt income by tax regulation	(46,203)	93,493
Temporary differences not recognised as deferred tax	(1,940)	274
Prior year income tax over estimation	(249)	(3,125)
Change in assessment of realisation of deferred tax assets	3,331	(7,188)
Income tax expense (benefit)	$ 100,518	($ 5,221)

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

	2021		
	At January 1	Recognised in profit or loss	At December 31
Deferred income tax assets:			
Temporary differences:			
Unrealised loss on inventory valuation loss	$ 37,233	($ 20,941)	$ 16,292
Unrealised foreign exchange loss	1,158	(1,158)	-
Pension liability	54,409	(2,397)	52,012
Others	9,068	1,092	10,160
Tax losses	35,390	19,292	54,682
	137,258	(4,112)	133,146
Deferred income tax liabilities:			
Loss on investments accounted for using equity method	2,017	(269)	1,748
Property, plant and equipment - book-tax difference	(21,215)	1,584	(19,631)
Investment property - book-tax difference	(18,494)	343	(18,151)
Intangible assets - book-tax difference	(1,029)	514	(515)
	(38,721)	2,172	(36,549)
	$ 98,537	($ 1,940)	$ 96,597

	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:			
Loss on investments accounted for using equity method	(769)	2,786	2,017
Property, plant and equipment - book-tax difference	(31,351)	10,136	(21,215)
Investment property - book-tax difference	(9,650)	(8,844)	(18,494)
Intangible assets - book-tax difference	(1,543)	514	(1,029)
	(43,313)	4,592	(38,721)
	$ 92,342	$ 6,195	$ 98,537

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

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2015	$ 30,722	$ 16,676	$ -	2025
2016	1,503	1,503	1,503	2026
2017	902,192	902,192	645,458	2027
2019	15,269	850	850	2029
2020	1,274	1,274	1,274	2030
2021	1,805,887	1,805,887	1,805,887	2031

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2012	$ 86,497	$ 86,497	$ 15,798	2022
2013	43,971	43,971	4,207	2023
2014	195,377	195,377	128,989	2024
2015	546,147	532,101	532,101	2025
2016	350,052	350,052	350,052	2026
2017	1,085,485	1,085,485	1,085,485	2027
2018	251,680	251,680	251,680	2028
2019	565,386	550,968	550,968	2029
2020	511,063	511,063	511,063	2030

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 152,365	$ 167,532

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

(30) Earning earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic loss per share			
Profit attributable to ordinary shareholders of the parent	$ 232,035	318,051	$ 0.73
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 232,035	318,051	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	140	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 232,035	$ 318,191	$ 0.73

	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)

For the years ended December 31, 2021 and 2020, the Company's issued employee stock options and convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted earning (loss) per share.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2021	2020
Acquisition of property, plant and equipment	$ 325,231	$ 230,712
Add: Beginning balance of payable on equipment	34,474	49,354
Less: Ending balance of payable on equipment	(42,302)	(34,474)
Cash paid during the year	$ 317,403	$ 245,592

B. Financing activities with no cash flow effects:

	Year ended December 31	
	2021	2020
Convertible bonds being converted to capital stocks	$ 595,863	$ 373,634

(32) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits-received	Liabilities from financing activities
At January 1	$ 744,909	$ 530,062	$ 419,846	$ 333,323	$ 54,936	$ 2,083,076
Changes in cash flow from financing activities	(81,116)	(21,291)	601,770	(333,323)	(7,523)	158,517
Interest paid	-	(11,568)	-	-	-	(11,568)
Interest expense	-	11,568	5,898	-	-	17,466
Option exercised	-	-	(853,037)	-	-	(853,037)
Warrants on bonds payable	-	-	(14,895)	-	-	(14,895)
Changes in other non-cash items	-	(703)	-	-	-	(703)
At December 31	$ 663,793	$ 508,068	$ 159,582	$ -	$ 47,413	$ 1,378,856

	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

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	
	2021	2020
Sales of goods:		
-Other related parties	$ 2,595	$ 2,961

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	
	2021	2020
Purchases of goods:		
-Other related parties	$ 271	$ 324

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, 2021	December 31, 2020
Other receivables:		
-Associates	$ 196	$ 382

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, 2021	December 31, 2020
Accounts payable:		
-Other related parties	$ 27	$ 135
Other receivables:		
-Associates	22,451	21,207
-Other related parties	129	115
	$ 22,607	$ 21,457

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

	December 31, 2021	December 31, 2020
Refundable guarantee deposits:		
-Associates	$ 65,000	$ 65,000

F. Others

	Year ended December 31	
	2021	2020
Service revenue:		
-Associates	$ 1,402	$ 2,119
Testing fee:		
-Other related parties	$ -	$ 325
-Associates	119,271	124,223
	$ 119,271	$ 124,548

(3) Key management personnel compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	$ 39,754	$ 23,541
Post-employment benefits	324	276
Share-based payments	-	613
	$ 40,078	$ 24,430

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2021	December 31, 2020	Purpose
Pledged time deposits (shown as "Current financial assets at amortised cost")	$ 25,146	$ 24,659	Customs deposits, guarantee deposits for leases and guarantee for convertible bonds
Pledged time deposits (shown as "Non-current finanacial assets at amortised cost")	37,380	59,070	Guarantee for convertible bonds
Listed stocks (Note)	-	355,500	Credit line for short-term borrowings
Machinery and equipment	-	173,561	Credit line for long-term borrowings
	$ 62,526	$ 612,790	

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, 2021	December 31, 2020
Property, plant and equipment	$ 732,368	$ 64,870

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. On November 11, 2019, the Group entered into a supplementary agreement whereby the original agreement will be deemed terminated when the prepayment is fully utilised. The prepayment was fully utilised in May 2021.

	December 31, 2021	December 31, 2020
Long-term material purchase agreement (Shown as "Prepayments" and "Non-current assets, others")	$ -	$ 27,115

C. To expand production capacity by adding equipment, the Group entered into a production capacity guarantee agreement with the specific customer. In accordance with the agreement, a prepayment of US$1,500 thousand shall be paid by the customer. The Group will refund the prepayment on a regular basis according to the agreed terms and capacity conditions. As of December 31, 2021, the net amount of prepayments collected under the agreement was $39,177 (shown as "Other current liabilities, others" and "Other non-current liabilities, others").

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

A. For the 2021 earnings distribution proposal, please refer to note 6(20).

B. On February 15, the Company issued new shares for cash through private placement to deal with the future development and working capital through the resolution of the Board of Directors. In the range of 50,000 thousands shares, the Company issued new shares with private placement by multiple equity offerings, not more than three. The purpose of issuing shares by private placement can be handled once or gradation from the day of shareholders' meeting in one year.

C. To acquire machinery and equipment and related assembly services, the Board of Directors of the Company resolved on February 15, 2022 to issue the fourth domestic secured convertible bonds with total face value of issuance no higher than $1,000,000. The Company will conduct a public offering via competitive auction. The price of lowest bid is tentatively set at no lower than 101% of face value. The actual total issuance amount will be determined by the results of the auction. The bonds will be issued after the filing with the Financial Supervisory Commission becomes effective.

D. On February 15, 2022, the Board of Directors of the Company resolved to increase its capital by issuing 2,200 thousand common shares with the issuance price tentatively set at $90 (in dollars) per share. The Company expects to raise $198 million. The purpose of the capital increase is to acquire machinery and equipment and related assembly services.

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, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through other comprehensive income	$ 40,486	$ 36,651
Financial assets at amortised cost		
Cash and cash equivalents	2,401,367	1,582,403
Financial assets at amortised cost	462,526	83,729
Notes receivable	66,875	98,241
Accounts receivable (including related parties)	1,520,630	1,221,105
Other receivables (including related parties)	33,754	24,345
Refundable guarantee deposits	66,354	66,533
	$ 4,591,992	$ 3,113,007
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 663,793	$ 744,909
Accounts payable (including related parties)	635,891	564,020
Other payables (including related parties)	627,128	516,007
Bonds payable (including current portion)	159,581	419,846
Long-term borrowings (including current portion)	-	333,323
Guarantee deposits received	47,413	54,936
	$ 2,133,806	$ 2,633,041
Lease liabilities	$ 508,067	$ 530,062

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, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 46,763	27.69	$ 1,294,867
JPY:NTD	79,682	0.2406	19,172
RMB:NTD	68,700	4.347	298,638
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 32,196	27.69	$ 891,511
JPY:NTD	95,605	0.2406	23,002
RMB:NTD	26,885	4.347	116,869
Non-monetary items: None.			

	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	4.377	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	4.377	95,674
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, 2021 and 2020, amounted to ($10,267) and ($22,373), respectively.

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

	December 31, 2021		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,949	$ -
JPY:NTD	1%	192	-
RMB:NTD	1%	2,986	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 8,915)	$ -
JPY:NTD	1%	(230)	-
RMB:NTD	1%	(1,169)	-

	December 31, 2020		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
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)	-

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 $405 and $367, respectively, as a result of the price change on equity investment at fair value through other comprehensive income for the years ended December 31, 2021 and 2020.

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 2021 and 2020, 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, 2021 and 2020 would have increased/decreased by $332 and $348, 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, 2021 and 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	over 180days past due	Individual	Total
At December 31, 2021							
Expected loss rate	0.01~1%	0.01~0.18%	0.01~4.96%	0.01~32.34%	100%	0.01~0.1%	
Total book value	$ 1,294,551	$ 77,917	$ 2,016	$ -	$ 6,133	$ 151,669	$ 1,532,286
Loss allowance	$ -	$ 5,356	$ 14	$ -	$ 6,133	$ 153	$ 11,656
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

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

	2021
	Accounts receivable
At January 1 and December 31,	$ 11,656

	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

(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, 2021	December 31, 2020
Floating rate:		
Expiring within one year	$ 1,112,145	$ 2,163,721
Expiring beyond one year	-	-
	$ 1,112,145	$ 2,163,721

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, 2021				
Short-term borrowings	$ 663,793	$ -	$ -	$ -
Accounts payable (including related parties)	635,891	-	-	-
Other payables (including related parties)	627,128	-	-	-
Lease liabilities	32,633	31,372	83,611	515,181
Bonds payable	47,500	-	114,800	-
Guarantee deposits received	39,318	-	-	8,095

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
Guarantee deposits received	46,841	-	-	8,095

<u>Derivative financial liabilities</u>

As of December 31, 2021 and 2020, 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, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 159,581	$ -	$ 160,291	$ -

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 419,846	$ -	$ 422,333	$ -
Long-term Borrowings (including current portion)	333,323	-	-	333,323
	$ 753,169	$ -	$ 422,333	$ 333,323

(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, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Unlisted stocks	$ -	$ -	$ 40,486	$ 40,486

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

(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, 2021 and 2020, 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, 2021 and 2020:

	Level 3 Equity instruments
Jaunary 1, 2021	$ 36,651
Unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	3,835
December 31, 2021	$ 40,486

	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

G. For the years ended December 31, 2021 and 2020, 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 40,486	Market comparable companies	Price to book ratio multiple; Discount for lack of marketability	Price to book ratio: 3.55~4.18. 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, 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.

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, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 405	($ 405)

			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)

(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 orders in 2020. Local COVID-19 cases starting from May 2021 in Taiwan were gradually under control and the Group adopted split teams and followed government policies to reduce potential impact and based on the assessment of operations and financial information by the Group, there is no significant effect to the Group’s going concern, assets impairment and financing risk due to COVID-19.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

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 2.

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 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to Note 7.

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	
	2021	2020
Revenue from external customers	$ 7,269,400	$ 5,741,460
Inter-company revenue	$ -	$ -
Segment income (loss)	$ 387,479	($ 484,787)
Segment assets	$ 9,880,711	$ 8,573,024

(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	
	2021	2020
Epitaxial wafer foundry	$ 4,544,225	$ 3,744,809
IC foundry	2,674,693	1,962,424
Others	50,482	34,227
Total	$ 7,269,400	$ 5,741,460

(5) Geographical information

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue Revenue	Non-current assets	Revenue Revenue	Non-current assets
Taiwan	$ 3,098,791	$ 3,381,429	$ 2,677,211	$ 3,694,178
Japan	1,080,516	-	875,080	-
China	1,364,926	40	1,146,888	15
USA	1,125,964	-	631,274	-
Others	599,203	-	411,007	-
	$ 7,269,400	$ 3,381,469	$ 5,741,460	$ 3,694,193

(6) Major customer information

For the years ended December 31, 2021 and 2020, 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.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2021				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Episil-Precision Inc.	Dah Chung Bills Fiance Corp.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	1,109	$ 17	-	$ 17	
Wei Nuo Investment Inc.	Sequoia Microelectronics Corporation-common shares	None	Financial assets at fair value through other comprehensive income-non-current	127,500	-	4.36%	-	
Wei Nuo Investment Inc.	Chipmast Technology Co., Ltd.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	1,195,040	6,082	6.16%	6,082	
Wei Nuo Investment Inc.	Energic Technologies Corporation-common shares	None	Financial assets at fair value through other comprehensive income-non-current	2,000,000	3,103	6.78%	3,103	
Wei Nuo Investment Inc.	CT Micro International Corp.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	11,147,890	31,284	8.01%	31,284	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9. "Financial instruments".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	Subsidiary	(Sales)	($ 123,175)	1.69%	30-90 days after monthly billings	-	Gerneral terms	$ 44,842	2.95%	
Episil Technologies Inc.	Episil-Precision Inc.	Subsidiary	Purchases	145,460	4.37%	30-90 days after monthly billings	-	Gerneral terms	(152,733)	24.01%	
Former Episil Technologies Inc.(Note 2)	Episil Technologies Inc. (SHANGHAI)	Affililate company	(Sales)	(188,889)	2.60%	30-90 days after monthly billings	-	Gerneral terms	-	0.00%	
Former Episil Technologies Inc.(Note 2)	Episil-Precision Inc.	Affililate company	Purchases	235,012	7.06%	30-90 days after monthly billings	-	Gerneral terms	-	0.00%	Note 1
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	(184,507)	2.53%	90-180 days after monthly billings		Gerneral terms	46,636	3.07%	

Note 1 : Processing and returning materials provided by customers (related parties) were excluded from purchase/sales.

Note 2 : Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is the resdved company and the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Episil Technologies Inc.(Note 5)	Former Episil Technologies Inc.(Note 5)	1	Operating revenue	$ 39,002	Gerneral terms	0.54%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating revenue	1,517	Gerneral terms	0.02%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating costs	145,460	Gerneral terms	2.00%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other receivables	15,991	30~90 days after monthly billings	0.16%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Accounts payable	152,773	30~90 days after monthly billings	1.55%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other payable	50,977	30~90 days after monthly billings	0.52%
0	Episil Technologies Inc.	Episil Technologies Inc.(SHANGHAI)	1	Operating revenue	123,175	Gerneral terms	1.69%
0	Episil Technologies Inc.	Episil Technologies Inc.(SHANGHAI)	1	Accounts receivable	44,842	30~90 days after monthly billings	0.45%
0	Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	1	Operating revenue	1,478	Gerneral terms	0.02%
0	Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	1,312	Gerneral terms	0.01%
1	Former Episil Technologies Inc.	Episil-Precision Inc.	3	Operating revenue	6,141	Gerneral terms	0.08%
1	Former Episil Technologies Inc.	Episil-Precision Inc.	3	Operating costs	235,012	Gerneral terms	3.23'%
1	Former Episil Technologies Inc.	Iberlin Technology Co., Ltd.	3	Operating revenue	7,694	Gerneral terms	0.11%
1	Former Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	3	Operating revenue	188,889	Gerneral terms	2.60%
1	Former Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	3	Operating revenue	4,027	Gerneral terms	0.06%
2	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Operating revenue	184,507	Gerneral terms	2.54%
2	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Accounts receivable	46,636	90~180 days after monthly	0.47%
2	Episil-Precision Inc.	Episil Technologies Inc. (SHANGHAI)	3	Operating revenue	1,267	Gerneral terms	0.02%

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

(1) Parent company is ‘0’.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Percentage of total consolidated revenues or total assets is calculated using the total consolidated assets at the end of the year when the subject of transaction is an asset/liability, and is calculated by total consolidated revenues during the year when the subject of transaction is a revenue/expense.

Note 4: Only transaction amount that exceeds $1 million will be disclosed, otherwise will not be disclosed.

Note 5 : Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is to eliminate the company and handle the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Information on investees

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2021					
Investor	Investee (Note 1 and 2)	Location	Main business activities	Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
Episil Technologies Inc.(Note 5)	Wei Nuo Investment Inc.	Taiwan	Gerneral investment	$ 200,000	$ 200,000	10,000,000	100.00%	$ 121,028	$ 4,832	$ 4,832	
Episil Technologies Inc.	Former Episil Technologies Inc.(Note 5)	Taiwan	Semiconductor industry	-	3,540,500	-	0.00%	-	(97,234)	(98,366)	
Episil Technologies Inc.	Episil-Precision Inc.	Taiwan	Semiconductor industry	1,938,885	1,938,885	166,200,000	58.44%	2,698,227	380,530	227,506	
Episil Technologies Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	201,020	201,020	17,093,398	37.49%	168,474	2,828	1,060	
Wei Nuo Investment Inc.	Wellknown Holding Company Ltd.	Samoa	Investment service of various business	4,837	4,837	150,000	100.00%	36,207	6,674	6,674	
Wei Nuo Investment Inc.	Iberlin Technology Co., Ltd.	Taiwan	Other designing	-	76,230	-	-	-	(991)	(951)	Note 3
Wei Nuo Investment Inc.	Wei Yun Capital Management Corporation	Taiwan	Investment service of various business	1,500	1,500	150,000	30.00%	1,453	(6)	(2)	Note 4
Wei Nuo Investment Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	16,549	10,773	1,656,690	3.63%	15,574	2,828	40	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of epitaxy and silicon wafers	2,740	2,740	200	100.00%	10,095	1,349	1,349	

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

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

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Iberlin Technology Co., Ltd. merged with Episil Technologies Inc.. on February 20, 2021, and Iberlin Technology Co., Ltd.. dissolved the company in accordance with the law.

Note 4: Wei Yun Capital Management Corporation has obtained the approval letter of dissolution registration from the Ministry of Economic Affairs on February 26, 2021, and is still in the process of liquidation.

Note 5: Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is to eliminate the company and handle the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries
Information on investments in Mainland China
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three months: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three months: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for year ended December 31, 2021 (Note 2(2)B)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
Episil Technologies Inc. (SHANGHAI)	Trading business	$ 4,598	2	$ 4,598	$ -	$ -	$ 4,598	$ 6,677	100.00%	$ 6,677	$ 36,136	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Episil Technologies Inc. (SHANGHAI)	$ 4,598	$ 4,598	$ 2,684,111

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (Episil Technologies Inc. (SHANGHAI) was invested by Wellknown Holding Company Ltd. (location: Samoa).
(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column:
(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B.The financial statements that are audited and attested by R.O.C. parent company’s CPA.
C. The financial statements were not audited by independent accountants.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
Episil Technologies Inc. (SHANGHAI)	$ 313,331	4.31%	$ -	-	$ 44,842	0.45%	$ -	-	$ -	$ -	-	$ -	

Episil Technologies Inc. (Formerly Episil Holding Inc.) and Subsidiaries
Major shareholders information
December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Han Shin Corp.	21,501,551	6.50%
Han Hsin Investment Corp.	20,616,796	6.23%
Hermes- Epitek Corporation	18,064,793	5.46%

VI. The accountant checks and approves the individual

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying parent company only balance sheets of Episil Technologies Inc. (Formerly EPISIL HOLDING INC.the "Company") as at December 31, 2021 and 2020, 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, 2021 and 2020, 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 Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Inventory valuation

Description

The Company and it's subsidiary (recognised in investments accounted for using equity method), Episil-Precision 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. The Company and Episil-Precision 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 the Company and Episil-Precision 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 the Company and Episil-Precision 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 Company and Episil-Precision Inc.'s inventory aging report is appropriate and in accordance with the company and Episil-Precision Inc.'s policies; and
3. 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
February 15, 2022

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 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 TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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

			December 31, 2021		December 31, 2020	
	Assets	Notes	AMOUNT	%	AMOUNT (Adjusted)	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 655,892	11	$ 141,962	3
1136	Current financial assets at amortised cost	6(1) and 8	17,288	-	16,898	-
1150	Notes receivable, net	6(2)	27,752	-	27,327	1
1170	Accounts receivable, net	6(2)	370,999	6	288,071	6
1180	Accounts receivable - related parties	6(2)(7)	46,195	1	68,115	1
1200	Other receivables		13,148	-	10,460	-
1210	Other receivables - related parties	7	16,187	-	24,485	-
1220	Current income tax assets		449	-	493	-
130X	Inventories	6(3)	586,706	10	465,989	9
1410	Prepayments		62,066	1	40,522	1
1470	Other current assets		7,563	-	1,613	-
11XX	**Current Assets**		1,804,245	29	1,085,935	21
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(1) and 8	37,380	1	59,070	1
1550	Investments accounted for using equity method	6(4)	2,987,730	48	2,634,976	51
1600	Property, plant and equipment	6(5)	870,512	14	896,126	18
1755	Right-of-use assets	6(6)	359,360	6	354,736	7
1760	Investment property, net	6(8)	2,070	-	2,172	-
1780	Intangible assets	6(9)	12,344	-	5,591	-
1840	Deferred income tax assets	6(28)	99,133	2	99,133	2
1900	Other non-current assets		218	-	315	-
15XX	**Non-current assets**		4,368,747	71	4,052,119	79
1XXX	**Total assets**		$ 6,172,992	100	$ 5,138,054	100

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

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

			December 31, 2021		December 31, 2020	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT (Adjusted)	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 217,510	4	$ 395,841	8
2130	Current contract liabilities	6(21)	125,525	2	24,499	-
2170	Accounts payable	6(10)	152,750	3	133,717	3
2180	Accounts payable - related parties	7	152,760	2	83,719	2
2200	Other payables	6(12)	250,230	4	261,991	5
2220	Other payables - related parties	7	51,106	1	41,881	1
2280	Current lease liabilities		18,734	-	18,349	-
2320	Long-term borrowings, current portion	6(13)(14)	-	-	257,247	5
2399	Other current liabilities		74,557	1	48,406	1
21XX	**Current Liabilities**		1,043,172	17	1,265,650	25
	Non-current liabilities					
2530	Corporate bonds payable	6(13)	112,703	2	-	-
2540	Long-term borrowings	6(14)	-	-	195,368	4
2580	Non-current lease liabilities		350,376	6	342,993	6
2640	Accrued pension liabilities	6(15)	175,157	3	198,498	4
2670	Other non-current liabilities, others		18,067	-	-	-
25XX	**Non-current liabilities**		656,303	11	736,859	14
2XXX	**Total Liabilities**		1,699,475	28	2,002,509	39
	Equity					
	Share capital	6(17)				
3110	Share capital - common stock		3,306,664	53	3,121,877	61
	Capital surplus	6(18)				
3200	Capital surplus		955,567	15	550,158	10
	Retained earnings	6(19)				
3310	Legal reserve		7,120	-	7,120	-
3320	Special reserve		43,947	1	43,947	1
3350	Unappropriated retained earnings (accumulated deficits)		232,359	4	(516,091)	(10)
	Other equity interest	6(20)				
3400	Other equity interest		(72,140)	(1)	(74,398)	(1)
35XX	**Equity attributable to former owner of business combination under common control**		-	-	2,932	-
3XXX	**Total equity**		4,473,517	72	3,135,545	61
	Significant commitments and contingencies	9				
	Significant events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 6,172,992	100	$ 5,138,054	100

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT (Adjusted)	%
4000	Operating revenue	6(21) and 7	$ 2,697,074	100	$ 1,951,300	100
5000	Operating costs	6(3) and 7	(2,438,749)	(90)	(2,202,895)	(113)
5900	Operating margin		258,325	10	(251,595)	(13)
	Operating expenses	6(26)(27) and 7				
6100	Selling and marketing expenses		(36,226)	(1)	(32,371)	(1)
6200	General and administrative expenses		(146,850)	(6)	(133,097)	(7)
6300	Research and development expenses		(55,833)	(2)	(66,102)	(3)
6450	Expected credit impairment gains	12(2)	-	-	2,993	-
6000	Total operating expenses (losses)		(238,909)	(9)	(228,577)	(11)
6900	Operating profit (loss)		19,416	1	(480,172)	(24)
	Non-operating income and expenses					
7100	Interest income	6(22)	742	-	1,223	-
7010	Other income	6(23)	8,591	-	8,687	-
7020	Other gains and losses	6(24)	(8,044)	-	(10,074)	(1)
7050	Finance costs	6(25)	(18,265)	(1)	(24,325)	(1)
7070	Share of profit of associates and joint ventures accounted for using equity method	6(4)	229,595	9	10,432	1
7000	Total non-operating income and expenses		212,619	8	(14,057)	(1)
7900	**Profit (loss) before income tax**		232,035	9	(494,229)	(25)
7950	Income tax expense	6(28)	-	-	-	-
8000	**Profit (loss) for the year from continuing operations**		232,035	9	(494,229)	(25)
8200	**Profit (loss) for the year**		$ 232,035	9	($ 494,229)	(25)

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

			Year ended December 31			
			2021		2020	
	Items	Notes	AMOUNT	%	AMOUNT (Adjusted)	%
	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(15)	$ 1,457	-	($ 15,191)	(1)
8330	Share of other comprehensive income 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(4)	2,704	-	(4,900)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,161	-	(20,091)	(1)
	Components of other comprehensive income that may be subsequently reclassified to profit or loss					
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that may be reclassified to profit or loss	6(4)	(1,577)	-	1,611	-
8360	Components of other comprehensive income that may be subsequently reclassified to profit or loss		(1,577)	-	1,611	-
8500	**Total comprehensive income (loss) for the year**		$ 234,619	9	($ 512,709)	(26)
	Profit (loss), attributable to:					
	Owners of the parent		$ 232,035	9	($ 493,831)	(25)
	Predecessors' interests under common control		-	-	(398)	-
			$ 232,035	9	($ 494,229)	(25)
	Comprehensive income (loss) attributable to:					
	Owners of the parent		$ 234,619	9	($ 512,267)	(26)
	Predecessors' interests under common control		-	-	(442)	-
			$ 234,619	9	($ 512,709)	(26)
	Basic earnings (loss) per share	6(28)				
9750	Basic earnings (loss) per share (in dollars)		$ 0.73		($ 1.64)	
	Diluted earnings (loss) per share	6(28)				
9850	Diluted earnings (loss) per share (in dollars)		$ 0.73		($ 1.64)	

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

				Retained Earnings			Other equity interest			
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficits)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Equity attributable to former owner of business combination under common control	Total equity
2020 (Adjusted)										
Balance at January 1, 2020 (Adjusted)		$2,937,244	$ 849,467	$ 7,120	$ 43,947	($ 613,718)	($ 6,404)	($ 71,817)	$ 2,109	$3,147,948
Loss for the year		-	-	-	-	(493,831)	-	-	(398)	(494,229)
Other comprehensive income (loss)		-	-	-	-	(22,259)	1,611	2,212	(44)	(18,480)
Total comprehensive income (loss)		-	-	-	-	(516,090)	1,611	2,212	(442)	(512,709)
Capital surplus used to offset accumulated deficits	6(18)	-	(613,717)	-	-	613,717	-	-	-	-
Changes in ownership interest in subsidiaries and associates	6(18)	-	125,407	-	-	-	-	-	(1,504)	123,903
Conversion of convertible bonds	6(17)(18)	184,633	189,001	-	-	-	-	-	-	373,634
Restricted stock-share-based payments of a subsidiary		-	-	-	-	-	-	-	2,769	2,769
Balance at December 31, 2020		$3,121,877	$ 550,158	$ 7,120	$ 43,947	($ 516,091)	($ 4,793)	($ 69,605)	$ 2,932	$3,135,545
2021										
Balance at January 1, 2021		$3,121,877	$ 550,158	$ 7,120	$ 43,947	($ 516,091)	($ 4,793)	($ 69,605)	$ 2,932	$3,135,545
Profit for the year		-	-	-	-	232,035	-	-	-	232,035
Other comprehensive income (loss)		-	-	-	-	326	(1,577)	3,835	-	2,584
Total comprehensive income (loss)		-	-	-	-	232,361	(1,577)	3,835	-	234,619
Capital surplus used to offset accumulated deficits	6(18)	-	(516,089)	-	-	516,089	-	-	-	-
Changes in ownership interest in subsidiaries	6(18)	-	108,907	-	-	-	-	-	-	108,907
Cash capital increased by cash	6(17)(18)	60,000	321,294	-	-	-	-	-	-	381,294
Share-based payments-cash capital increased by cash - reserved for subcription by employees	6(18)	-	5,617	-	-	-	-	-	13	5,630
Conversion of convertible bonds	6(17)(18)	124,787	471,076	-	-	-	-	-	-	595,863
Issuance of corporate bonds	6(18)	-	14,895	-	-	-	-	-	-	14,895
Difference between equity price and book value of the merger of subsidiaries	6(18)	-	(291)	-	-	-	-	-	(2,945)	(3,236)
Balance at December 31, 2021		$3,306,664	$ 955,567	$ 7,120	$ 43,947	$ 232,359	($ 6,370)	($ 65,770)	$ -	$4,473,517

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31	
	Notes	2021	2020 (Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		$ 232,035	($ 494,229)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	181,996	159,809
Amortisation expense	6(26)	4,984	8,153
Expected credit impairment gain	12(2)	-	(2,993)
Share of profit of associates accounted for using equity method	6(4)	(229,595)	(10,432)
Finance costs	6(25)	15,656	14,542
Interest income	6(22)	(742)	(1,223)
Share-based payments	6(16)	5,630	2,769
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(425)	(12,233)
Accounts receivable		(82,928)	(67,621)
Accounts receivable - related parties		21,920	40,407
Other receivables		5,615	1,259
Other receivables - related parties		-	15,178
Inventories		(120,717)	52,131
Prepayments		(21,500)	(2,019)
Other current assets		(5,950)	1,778
Changes in operating liabilities			
Contract liabilities		101,026	13,497
Notes payable		-	(450)
Accounts payable		19,033	37,526
Accounts payable - related parties		69,041	23,419
Other payables		(2,512)	21,702
Other payables - related parties		9,096	8,579
Other current liabilities		18,316	6,563
Other non-current liabilities		18,067	-
Accrued pension liabilities		(21,884)	(23,485)
Cash inflow (outflow) generated from operations		216,162	(207,373)
Dividends received	6(4)	41,476	41,821
Interest received		737	1,305
Interest paid		(15,971)	(11,238)
Net cash flows from (used in) operating activities		242,404	(175,485)

(Continued)

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31 2021	2020 (Adjusted)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		($ 184,937)	($ 177,010)
Disposal of financial assets at amortised cost		206,237	286,360
Acquisition of ownership interests in subsidiaries	6(4)	(50,000)	-
Acquisition of property, plant and equipment	6(30)	(142,533)	(161,001)
Acquisition of intangible assets		(10,088)	(1,595)
Decrease in refundable deposits		97	83
Net cash flows used in investing activities		(181,224)	(53,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(31)	1,530,904	1,608,224
Repayments of short-term borrowings	6(31)	(1,709,235)	(1,560,162)
Proceeds from long-term borrowings	6(31)	-	41,000
Repayments of long-term borrowings	6(31)	(333,323)	(143,476)
Payments of lease liabilities	6(31)	(18,660)	(17,406)
Issuance of corporate bonds	6(31)	601,770	-
Cash capital increased		381,294	-
Net cash flows from (used in) financing activities		452,750	(71,820)
Net increase (decrease) in cash and cash equivalents		513,930	(300,468)
Cash and cash equivalents at beginning of year		141,962	442,430
Cash and cash equivalents at end of year		$ 655,892	$ 141,962

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

EPISIL TECHNOLOGIES INC. (Formerly EPISIL HOLDING INC.)
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

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

1. History and Organisation

Episil Holding Inc. merged with former Episil Technologies Inc. on September 1, 2021. After the merger, Episil Holding Inc. was the surviving company while former Episil Technologies Inc. was the dissolved company. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc. (the “Company”).

The Company was established by former 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. Former Episil Technologies Inc. became the Company’s wholly-owned subsidiary after the swap. On January 5, 2015, former 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, 2021, the Company holds 58.44% equity interest in Episil-Precision Inc..

The Company 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 parent company only financial statements were authorised for issuance by the Board of Directors on February 15, 2022.

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 2021 are as follows:

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

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

The above standards and interpretations have no significant impact to 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 2022 are as follows:

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

The above standards and interpretations have no significant impact to the 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 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 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to 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:

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 the company, 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) 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 Company'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 Company 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 Company'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.'

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company 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.

(8) 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. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of the financial asset.

(10) 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.

(11) 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.

(12) 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.

(13) 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:

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

(14) 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 Company. 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 Company 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.

(15) 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 years.

(16) 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.

(17) 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.

(18) 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.

(19) 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.

(20) 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.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid 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 Company 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 Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company 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’ remuneration

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

(23) 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. Restricted stocks:

(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 Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not need to pay to acquire those stocks, if the Company will pay the employees who resign during the vesting period to repurchase the stocks, the Company 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.

(24) 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 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.

(25) 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.

(26) 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.

(27) Revenue recognition

A. The Company manufactures and sells 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 Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue was recognised 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 Company 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.

(28) Reorganization

A. The Company merged with its original subsidiary, former Episil Technologies Inc. through a share swap on September 1, 2021. As the merger was an intra-Company reorganisation, it was accounted for using the book value method and the Company shall retrospectively restate the prior period financial statements as if the entity had always been merged since the beginning. The difference between the consideration and the net assets received is recorded as an increase (or a decrease) in capital surplus arising from additional paid-in capital. When the balance of the capital surplus is insufficient, the difference is recorded as a decrease in retained earnings.

B. In addition, in accordance with the Accounting Research and Development Foundation (ARDF) Interpretation 100-301, the Company retrospectively restated the prior period financial statements as if former Episil Technologies Inc. had always been merged since the beginning. The shares of profit or loss attributable to original shareholders of former Episil Technologies Inc. were recorded as ‘equity attributable to former owner of business combination under common control’.

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 related information is addressed below:

(1) Critical judgements in applying the Company’s accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

The Company 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 Company 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 Company'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, 2021, the carrying amount of inventories was $586,706.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	$ 153	$ 151
Checking accounts and demand deposits	512,504	131,211
Time deposits	21,735	-
Cash equivalents-bonds sold under repurchase agreement	121,500	10,600
	$ 655,892	$ 141,962

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 customs and corporate bonds were reclassified to current financial assets at amortised cost and non-current financial assets at amortised cost. For their detail, please refer to Note 8.

(2) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 27,752	$ 27,327
Accounts receivable	382,502	291,204
Accounts receivable- related parties	46,195	68,115
Less: Loss allowance	(11,503)	(3,133)
	$ 417,194	$ 356,186

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 410,480	$ 27,752	$ 338,511	$ 27,327
Up to 30 days	11,807	-	18,233	-
31 to 90 days	277	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	6,133	-	2,575	-
	$ 428,697	$ 27,752	$ 359,319	$ 27,327

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, notes and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $341,073.

C. As of December 31, 2021 and 2020, collaterals held by the Company as security for accounts receivable amounted to $29,004 and $23,599, respectively.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $27,752 and $27,327, $417,194 and $356,186, respectively.

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

(3) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 127,791	($ 14,842)	$ 112,949
Supplies	134,957	(16,917)	118,040
Work in progress	332,296	(21,713)	310,583
Finished goods	65,781	(20,647)	45,134
	$ 660,825	($ 74,119)	$ 586,706

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 100,896	($ 18,548)	$ 82,348
Supplies	106,348	(14,465)	91,883
Work in progress	260,045	(36,638)	223,407
Finished goods	96,703	(28,352)	68,351
	$ 563,992	($ 98,003)	$ 465,989

The cost of inventories recognised as expense for the year :

	Year ended December 31	
	2021	2020
Cost of goods sold	$ 2,471,244	$ 2,194,682
(Reversal of) allowance for inventory valuantion	(32,495)	8,213
	$ 2,438,749	$ 2,202,895

For the year ended December 31, 2021, the Company reversed from a previous inventory write-down which was accounted for as reduction of cost of goods sold due to the sale of certain inventories which were previously provided with allowance.

(4) Investments accounted for using equity method

	2021	2020
At January 1	$ 2,634,976	$ 2,545,748
Acquisition of ownership interests in subsidiaries	50,000	-
Share of profit of subsidiaries and associates accounted for using equity method	229,595	10,432
Dividends received from subsidiaries and associates accounted for using equity method	(41,476)	(41,821)
Changes in ownership interest in subsidiaries and associates	113,508	123,906
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	2,704	(4,900)
Other equity interest	(1,577)	1,611
At December 31	$ 2,987,730	$ 2,634,976

	December 31, 2021	December 31, 2020
Subsidiaries		
Episil-Precision Inc.	$ 2,698,227	$ 2,406,887
Wei Nuo Investment Inc.	121,029	60,031
Associates		
Taiwan Hi-Tech Corp.	168,474	168,058
	$ 2,987,730	$ 2,634,976

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2021 for the information regarding the Company’s subsidiaries.

(5) Property, plant and equipment

	2021							
	Buildings and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1								
Cost	$ 2,507,016	$ 4,423,726	$ 65,169	$ 665	$ 3,012	$ 77,945	$ 88,197	$ 7,165,730
Accumulated depreciation	(1,734,478)	(3,694,260)	(56,281)	(664)	(3,002)	(77,945)	-	(5,566,630)
Accumulated impairment	(411,769)	(291,194)	-	(1)	(10)	-	-	(702,974)
	$ 360,769	$ 438,272	$ 8,888	$ -	$ -	$ -	$ 88,197	$ 896,126
At January 1	$ 360,769	$ 438,272	$ 8,888	$ -	$ -	$ -	$ 88,197	$ 896,126
Additions	19,555	36,865	1,171	-	-	-	78,519	136,110
Reclassifications	2,083	50,243	-	-	-	-	(53,976)	(1,650)
Depreciation expenses	(34,763)	(121,884)	(3,427)	-	-	-	-	(160,074)
At December 31	$ 347,644	$ 403,496	$ 6,632	$ -	$ -	$ -	$ 112,740	$ 870,512
At December 31								
Cost	$ 2,378,761	$ 4,505,259	$ 32,979	$ 665	$ 2,752	$ 74,897	$ 112,740	$ 7,108,053
Accumulated depreciation	(1,650,506)	(3,810,938)	(26,347)	(664)	(2,742)	(74,897)	-	(5,566,094)
Accumulated impairment	(380,611)	(290,825)	-	(1)	(10)	-	-	(671,447)
	$ 347,644	$ 403,496	$ 6,632	$ -	$ -	$ -	$ 112,740	$ 870,512

	2020							
	Buildings and structures	Machiney and equipment	Computer and telecommunication equipment	Transportation equipment	Office equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1								
Cost	$ 2,860,062	$ 4,248,182	$ 67,805	$ 665	$ 3,110	$ 77,945	$ 211,537	$ 7,469,306
Accumulated depreciation	(2,008,985)	(3,634,305)	(62,979)	(664)	(3,100)	(77,945)	-	(5,787,978)
Accumulated impairment	(497,001)	(295,478)	-	(1)	(10)	-	-	(792,490)
	$ 354,076	$ 318,399	$ 4,826	$ -	$ -	$ -	$ 211,537	$ 888,838
At January 1	$ 354,076	$ 318,399	$ 4,826	$ -	$ -	$ -	$ 211,537	$ 888,838
Additions	32,078	98,525	6,486	-	-	-	11,655	148,744
Reclassifications	6,946	125,321	518	-	-	-	(134,995)	(2,210)
Depreciation expenses	(32,331)	(103,973)	(2,942)	-	-	-	-	(139,246)
At December 31	$ 360,769	$ 438,272	$ 8,888	$ -	$ -	$ -	$ 88,197	$ 896,126
At December 31								
Cost	$ 2,507,016	$ 4,423,726	$ 65,169	$ 665	$ 3,012	$ 77,945	$ 88,197	$ 7,165,730
Accumulated depreciation	(1,734,478)	(3,694,260)	(56,281)	(664)	(3,002)	(77,945)	-	(5,566,630)
Accumulated impairment	(411,769)	(291,194)	-	(1)	(10)	-	-	(702,974)
	$ 360,769	$ 438,272	$ 8,888	$ -	$ -	$ -	$ 88,197	$ 896,126

Note: For the years ended December 2020, property, plant and equipment reclassified to investment property amounted to $2,210.

A. For the years ended December 31, 2021 and 2020, the amounts capitalised were $1,570 and $2,621, respectively, and the ranges of the interest rates for such capitalisation were 1.39% and 2.19%, respectively.

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

(6) Lease transaction – lessee

A. The Company leases various assets, including land, buildings and structures and machinery and equipment. Lease agreements are typically made for periods of 3 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, 2021	December 31, 2020
	Book value	Book value
Land	$ 215,390	$ 226,591
Buildings and structures	143,970	128,145
	$ 359,360	$ 354,736

	Year ended December 31	
	2021	2020
	Depreciation expenses	Depreciation expenses
Land	$ 11,201	$ 11,201
Buildings and structures	10,619	9,324
	$ 21,820	$ 20,525

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $27,303 and $35,951, respectively.

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

	Year ended December 31	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 7,761	$ 7,315
Expense on short-term lease agreements	$ 2,346	$ 2,031

F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were $28,767 and $26,752, respectively.

G. Extension and termination options

In determining the lease term, the Company 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.

(7) Lease arrangements – lessor

A. The Company 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, 2021 and 2020 are as follows:

	Year ended December 31	
	2021	2020
Rental revenue	$ 6,397	$ 5,451

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 1,061
2022	1,200	1,061
2023	1,200	1,061
2024	1,200	1,061
2025	1,200	1,061
Over 2026	17,550	15,533
	$ 22,350	$ 20,838

(8) Investment property

	2021	2020
	Buildings and structures	Buildings and structures
At January 1		
Cost	$ 4,275	$ -
Accumulated depreciation and impairment	(2,103)	-
	$ 2,172	$ -
At January 1	$ 2,172	$ -
Reclassitication	-	2,210
Depreciation expenses	(102)	(38)
At December 31	$ 2,070	$ 2,172
At December 31		
Cost	$ 4,275	$ 4,275
Accumulated depreciation and impairment	(2,205)	(2,103)
	$ 2,070	$ 2,172

A. Rental revenue from investment property.

	Year ended December 31	
	2021	2020
Rental revenue from investment property	$ 1,200	$ 450
Direct operating expenses arising from the investment property that generated rental revenue during the year	$ 102	$ 38

B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 was $5,552 and $6,384, 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, 2021	December 31, 2020
Discount rate	8.38%	5.89%
Annual rent (net income)	$ 842	$ 863
Duration	10 years	10 years

C. The Comppany has no interest capitalisation for the years ended December 31, 2021 and 2020.

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

E. As at December 31, 2021 and 2020, the Company has no investment property pledged to others as collateral.

(9) Intangible assets

	2021	2020
	Computer software	Computer software
At January 1		
Cost	$ 66,694	$ 65,099
Accumulated amortisation	(61,103)	(52,950)
	$ 5,591	$ 12,149
At January 1	$ 5,591	$ 12,149
Additions	10,087	1,595
Reclassifications	1,650	-
Amortisation expenses	(4,984)	(8,153)
At December 31	$ 12,344	$ 5,591
At December 31		
Cost	$ 78,431	$ 66,694
Accumulated amortisation	(66,087)	(61,103)
	$ 12,344	$ 5,591

Details of amortisation on intangible assets are as follows:

	Year ended December 31 2021	2020
Operating costs	$ -	$ 3,300
General and administrative expenses	2,644	4,671
Research and development expenses	2,340	182
	$ 4,984	$ 8,153

(10) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 217,510	0.90%~1.47%	Note

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	$ 180,000	1.25%	Note
Unsecured borrowings	215,841	0.91%~1.39%	None
	$ 395,841		

For the years ended December 31, 2021 and 2020, interest expenses arising from short-term borrowings that were recognised in profit or loss amounted to $5,008 and $6,236, respectively.

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

(11) Accounts payable

	December 31, 2021	December 31, 2020
Accounts payable	$ 132,377	$ 115,101
Estimated accounts payable	20,372	18,616
	$ 152,749	$ 133,717

(12) Other payable

	December 31, 2021	December 31, 2020
Accrued expenses-expendables	$ 82,274	$ 81,341
Accrued expenses-bonus	46,603	62,876
Employees'compensation and directors' remuneration payable	22,263	-
Payables for equipment	8,621	15,044
Accrued expenses-others	90,469	102,730
	$ 250,230	$ 261,991

(13) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable		
The Company’s second secured convertible bonds	$ -	$ 750,000
The Company’s third secured convertible bonds	600,000	-
	600,000	750,000
Less: Bonds payable converted	(485,200)	(629,600)
Less: Discount on bonds payable	(2,097)	(1,109)
	112,703	119,291
Less: Current portion	-	(119,291)
	$ 112,703	$ -

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$100,000 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. The conversion price was adjusted to $20.4 (in dollars) per share on August 17, 2021 as the Company increased its capital by issuing new shares during the year ended December 31, 2021.

(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) 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%.

(k) As October 27, 2021, the convertible bonds were terminated and delisted from the Taipei Exchange after the full conversion of the bonds amounting to $750,000 (face value) into 36,598 thousand shares of common stock.

B. The issuance terms of the Company's third domestic secured convertible bonds are as follows:

(a) The regulatory authority has approved the third domestic secured convertible corporate bonds issued by the Company. 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 June 22, 2021 to June 22, 2024 and will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on June 22, 2021.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to 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 June 11, 2021. The conversion price was set up based on multiplying a benchmark price which was the closing price of the Company's common share calculated at simple arithmetic mean of $73.8 (in dollars) in 3 business days before the effective date (effective date is excluded) by convertible premium rate of 105.67% (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 adjusted to $73.6 (in dollars) per share on August 17, 2021 as the Company increased its capital by issuing new shares

(d) All convertible bonds repurchased, redeemed or converted by the Company 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 $14,895 were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32.

(f) As December 31, 2021, the bonds totaling $485,200 (face value) had been converted into 6,592 thousand shares of common shares.

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

(14) Long-term borrowings

December 31, 2021: None.

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	114,824
Less: Current portion				(137,956)
				$ 195,368

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

(15) 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, 2021	December 31, 2020
Present value of defined benefit obligations	$ 257,192	$ 280,876
Fair value of plan assets	(82,035)	(82,378)
Net defined benefit liabilities	$ 175,157	$ 198,498

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 280,876	($ 82,378)	$ 198,498
Current service cost	291	-	291
Interest expense (income)	1,814	(1,349)	465
	282,981	(83,727)	199,254
Remeasurements:			
Change in financial assumptions	5,649	-	5,649
Experience adjustments	(7,200)	94	(7,106)
	(1,551)	94	(1,457)
Pension fund contribution	-	(22,640)	(22,640)
Paid pension	(24,238)	24,238	-
At December 31	$ 257,192	($ 82,035)	$ 175,157

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	$ 275,387	($ 68,595)	$ 206,792
Current service cost	252	-	252
Interest expense (income)	2,169	(538)	1,631
	277,808	(69,133)	208,675
Remeasurements:			
Change in financial assumptions	15,810	-	15,810
Experience adjustments	2,068	(2,687)	(619)
	17,878	(2,687)	15,191
Pension fund contribution	-	(25,368)	(25,368)
Paid pension	(14,810)	14,810	-
At December 31	$ 280,876	($ 82,378)	$ 198,498

(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, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2021	2020
Discount rate	0.60%	0.03%
Future salary increases	3.25%	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, 2021				
Effect on present value of defined benefit obligations	($ 7,262)	$ 7,535	$ 6,681	($ 6,489)
December 31, 2020				
Effect on present value of defined benefit obligations	($ 8,203)	$ 8,519	$ 7,573	($ 7,348)

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, 2022 amounts to $5,140.

(g) Through December 31, 2021, the weighted average duration of the retirement plan is 12 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, 2021 and 2020 were $32,775 and $32,541, respectively.

(16) Share-based payment

A. For the years ended December 31, 2021 and 2020, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Former Episil Technologies Inc. 's first issuance of employee stock option in 2013	2014.3.2	7,500	6 years	Note 1, 2 and 3
Former Episil Technologies Inc. 's first issuance of restricted stocks to employees in 2019	2019.8.6	500	3 years	Note 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 former Episil Technologies Inc. starting from the effective date of the share swap. Therefore, the underlying shares were changed from former 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, former 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..

Note 4: It refers to employee restricted shares issued by the Company's subsidiary, former Episil Technologies Inc., to the Company'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)

2021: None.

	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	-	-

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

2021: None.

	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	-	-

C. The Company increased its capital by issuing 6 million common shares and reserved 10% of the shares issued this time, that is 600 thousand shares, for subscription by employees at $63.9 (in dollars) per share in accordance with the requirements of the Article 267 of the Company Act. The fair value of share-based payment amounting to $5,630 was assessed based on market approach, and was recognised as compensation cost.

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

	Year ended December 31	
	2021	2020
Equity-settled	$ 5,630	$ 2,769

(17) Share capital

A. The Company was established by former Episil Technologies Inc. through a share swap on October 1, 2014. As of December 31, 2021, 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 $3,306,664 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	2021	2020
Shares issued at Juanary 1	312,188	293,724
Share outstanding at Juanary 1	312,188	293,724
Cash capital increase	6,000	-
Conersion of convertible bonds	12,478	18,464
Shares issued at December 31	330,666	312,188
Shares outstanding at Dceember 31	330,666	312,188

C. On April 21, 2021, the Board of Directors of the Company resolved to increase its capital by issuing 6 million new shares. 10% of the new shares were reserved for subscription by employees in accordance with the regulations, another 10% were reserved for subscription by the public pursuant to the R.O.C. Securities and Exchange Act, and the remaining were reserved for subscription by existing shareholders according to their respective shareholding ratios as stated in shareholder roster on the effective date for share subscription. The effective date of capital increase was set on July 2, 2021. The registration has been completed.

(18) 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.

2021

	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	$ 199,359	$ 290,604	$ 226	$ 28,238	$21,237	$10,494	$ 550,158
Conversion of convertible bonds	487,067	-	-	-	(15,991)	-	471,076
Issuance of convertible bonds	-	-	-	-	14,895	-	14,895
Changes in ownership interest in subsidiaries	-	108,907	-	-	-	-	108,907
Cash capital increase	321,294	-	-	5,617	-	-	326,911
Capital suplus difference between consideration and carrying amount of subsidiaries acquired	-	(291)	-	-	-	-	(291)
Capital surplus used to offset accumulated deficits	(516,089)	-	-	-	-	-	(516,089)
At December 31	$ 491,631	$ 399,220	$ 226	$ 33,855	$20,141	$10,494	$ 955,567

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

(19) 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. The shareholders at their meeting on August 20, 2021 adopted a resolution to use capital surplus to offset deficit of $516,089.

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

G. The Company incurred losses for the year ended December 31, 2020 and thus did not distribute dividends as resolved at the shareholders' meeting.

H. On February 15, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2021 was $115,733 at $0.35 (in dollars) per share in cash.

(20) Other equity items

	2021		2020	
	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	($ 69,605)	($ 4,793)	($ 71,817)	($ 6,404)
–Group	3,835	(1,000)	2,212	(20)
–Associates	-	(577)	-	1,631
At December 31	($ 65,770)	($ 6,370)	($ 69,605)	($ 4,793)

(21) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers	$ 2,697,074	$ 1,951,300

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2021	IC foundry	Others	Total
Revenue from external customer contracts	$ 2,656,143	$ 40,931	$ 2,697,074
Timing of revenue recognition			
At a point in time	$ 2,656,143	$ 40,931	$ 2,697,074

Year ended December 31, 2020	IC foundry	Others	Total
Revenue from external customer contracts	$ 1,916,429	$ 34,871	$ 1,951,300
Timing of revenue recognition			
At a point in time	$ 1,916,429	$ 34,871	$ 1,951,300

B.Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities:			
Contract liabilities – advance sales receipts	$ 125,525	$ 24,498	$ 11,002

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

	Year ended December 31	
	2021	2020
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 15,746	$ 5,998

(22) Interest income

	Year ended December 31	
	2021	2020
Interest income from bank deposits	$ 742	$ 1,223

(23) Other income

	Year ended December 31	
	2021	2020
Rental revenue	$ 6,397	$ 5,451
Other income	2,194	3,236
	$ 8,591	$ 8,687

(24) Other gains and losses

	Year ended December 31	
	2021	2020
Net currency exchange losses	($ 3,058)	($ 7,194)
Gains arising from lease modifications	16	3
Depreciation on investment property	(102)	(38)
Other losses	(4,900)	(2,845)
	($ 8,044)	($ 10,074)

(25) Finance costs

	Year ended December 31	
	2021	2020
Interest expense:		
Banking borrowings	$ 5,490	$ 8,334
Bonds payable	2,405	3,587
Lease liabilities	7,761	7,315
Others	2,609	5,089
	$ 18,265	$ 24,325

(26) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expenses	$ 941,290	$ 855,681
Depreciation expenses	181,996	159,809
Amortisation expenses on intangible assets	4,984	8,153

(27) Employee benefit expense

	Year ended December 31	
	2021	2020
Wages and salaries	$ 777,478	$ 702,591
Share-based payments	5,630	2,769
Labour and health insurance fees	66,237	61,896
Pension costs	33,531	34,424
Other personnel expenses	58,414	54,001
	$ 941,290	$ 855,681

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 5% 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 year ended December 31, 2020, the Company did not accrue employees' compensation and directors' remuneration as it incurred accumulated losses. For the year ended December 31, 2021, employees' compensation was accrued at $20,000; while directors' remuneration was accured at $2,263. The aforementioned amounts was recognised in salary expense.

The employees' compensation and directors' remuneration were estimated and accrued based on 9% and 1% of distributable profit for the year ended December 31, 2021.

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".

(28) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31	
	2021	2020
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	
	2021	2020
Tax calculated based on gain or loss before tax and statutory tax rates	$ 39,035	($ 98,766)
Tax exempt income by tax regulation	(46,203)	93,940
Temporary differences not recognised as deferred tax	(605)	46
Tax losses not recognised as deferred tax	7,773	4,780
Income tax expense	$ -	$ -

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

	2021		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
Temporary differences:			
Unrealised loss on inventory valuation loss	$ 19,601	($ 19,601)	$ -
Acounts receivable - allowance for the valuation loss	11	(11)	-
Pension liability	35,501	(470)	35,031
Unrealised foreign exchange loss	238	(238)	-
Others	8,392	1,028	9,420
Tax losses	35,390	19,292	54,682
Total	$ 99,133	$ -	$ 99,133

	2020		
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
Temporary differences:			
Unrealised loss on inventory valuation loss	$ 17,958	$ 1,643	$ 19,601
Acounts receivable - allowance for the valuation loss	609	(598)	11
Pension liability	36,806	(1,305)	35,501
Unrealised foreign exchange loss	(380)	618	238
Others	7,849	543	8,392
Tax losses	36,291	(901)	35,390
Total	$ 99,133	$ -	$ 99,133

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

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2015	$ 30,722	$ 16,676	$ -	2025
2017	902,192	902,192	645,458	2027
2021	1,805,887	1,805,887	1,805,887	2031

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised tax losses	Expiry year
2012	$ 70,699	$ 70,699	$ -	2022
2013	39,764	39,764	-	2023
2014	193,758	193,758	127,270	2024
2015	541,597	527,901	527,901	2025
2016	348,549	348,549	348,549	2026
2017	1,084,934	1,084,934	1,084,934	2027
2018	251,680	251,680	251,680	2028
2019	546,096	546,096	546,096	2029
2020	501,005	501,005	501,005	2030

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ 103,012	$ 95,160

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

(29) Earnings (Loss) per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 232,035	318,051	$ 0.73
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	140	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 232,035	$ 318,191	$ 0.73

	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)

For the years ended December 31, 2021 and 2020, the Company's issued employee stock options and convertible bonds had anti-dilutive effect, thus, they were not included in the calculation of diluted earnings (loss) per share.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31	
	2021	2020
Acquisition of property, plant and equipment	$ 136,110	$ 148,744
Add: Beginning balance of payable on equipment	15,044	27,301
Less: Ending balance of payable on equipment	(8,621)	(15,044)
Cash paid during the year	$ 142,533	$ 161,001

B. Financing activities with no cash flow effects:

	Year ended December 31	
	2021	2020
Convertible bonds being converted to capital stocks	$ 595,863	$ 373,634

(31) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Liabilities from financing activities
At January 1, 2021	$ 395,841	$ 361,342	$ 119,291	$ 333,323	$ 1,209,797
Changes in cash flow from financing activities	(178,331)	(18,660)	601,770	(333,323)	71,456
Interest paid	-	(7,761)	-	-	(7,761)
Interest expense	-	7,761	2,405	-	10,166
Option exercised	-	-	(595,863)	-	(595,863)
Warrants on bonds payable	-	-	(14,895)	-	(14,895)
Change in other non-cash items	-	26,428	(5)	-	26,423
At December 31, 2021	$ 217,510	$ 369,110	$ 112,703	$ -	$ 699,323

	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Liabilities from financing activities
At January 1, 2020	$ 347,779	$ 343,047	$ 489,337	$ 435,800	$ 1,615,963
Changes in cash flow from financing activities	48,062	(17,406)	-	(102,476)	(71,820)
Interest paid	-	(7,315)	-	-	(7,315)
Interest expense	-	7,315	3,587	-	10,902
Option exercised	-	-	(373,633)	-	(373,633)
Change in other non-cash items	-	35,701	-	-	35,701
At December 31, 2020	$ 395,841	$ 361,342	$ 119,291	$ 333,324	$ 1,209,798

(32) Reorganisation

A. To enhance operating efficiency, the Board of Directors of the Company during its meeting on March 9, 2021 resolved to absorb and merge with former Episil Technologies Inc. through acquiring 0.3% shareholding of former Episil Technologies Inc. from third parties. The Company was the surviving company while former Episil Technologies Inc. was dissolved.

B. In addition, in accordance with the Accounting Research and Development Foundation (ARDF) Interpretation 100-301, the Company retrospectively restated the prior period financial statements as if former Episil Technologies Inc. had always been consolidated since the beginning. The shares of profit or loss attributable to original shareholder of former Episil Technologies Inc. were recorded as 'Equity attributable to former owner of business combination under common control'.

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
Iberlin Technology Co., Ltd.	The Company's subsidiary
Episil Technologies Inc. (SHANGHAI)	The Company's indirect subsidiary
Precision Silicon Japan Co., Ltd.	The Company's indirect subsidiary
Taiwan Hi-Tech Corp.	The Company's associate
Hermes- Epitek Corporation	The Company's director

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Sales of goods:		
-Subisidiaries	$ 332,921	$ 400,046
-Other related parties	133	361
Processing cost:		
-Subisidiaries	105,302	76,030
	$ 438,356	$ 476,437

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

B. Purchases

	Year ended December 31	
	2021	2020
Purchases of goods:		
-Subisidiaries	$ 380,472	$ 205,180
-Other related parties	271	206
	$ 380,743	$ 205,386

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, 2021	December 31, 2020
Accounts receivables:		
-Subsidiaries	$ 46,195	$ 68,115
Other receivables:		
-Subsidiaries	$ 15,991	$ 24,103
-Other related parties	196	382
	$ 16,187	$ 24,485

The receivables from related parties arise mainly from sale transactions. The receivables are due 2 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, 2021	December 31, 2020
Accounts payables:		
-Subsidiaries	$ 152,733	$ 83,584
-Other related parties	27	135
	$ 152,760	$ 83,719
Other payables:		
-Subsidiaries	$ 50,977	$ 41,766
-Other related parties	129	115
	$ 51,106	$ 41,881

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

E. Others

	Year ended December 31	
	2021	2020
Service revenue:		
-Subisidiaries	$ 70,544	$ 66,383
-Associates	1,383	2,119
	$ 71,927	$ 68,502
Processing cost:		
-Subsidiaries	$ 99,054	$ 76,030

The abovementioned sales of services refer to revenues arising from rendering administrative management resources and management services by the Company to the subsidiaries and associates. Prices and terms are determined based on mutual agreement.

(3) Key management personnel compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	$ 26,875	$ 15,881
Post-employment benefits	108	60
Share-based payments	-	613
	$ 26,983	$ 16,554

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2021	December 31, 2020	Purpose
Pledged time deposits (shown as "Current financial assets at amortised cost")	$ 17,288	$ 16,898	Customs deposits, guarantee deposits for leases
Pledged time deposits (shown as "Non-current financial assets at amortised cost")	37,380	59,070	Guarantee for convertible bonds
Listed stocks (Note)	-	355,500	Credit line for short-term borrowings
Machinery and equipment	-	173,561	Credit line for long-term borrowings
	$ 54,668	$ 605,029	

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

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(4) Contingencies

None.

(5) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 623,309	$ 58,985

B. To expand production capacity by acquiring equipment, the Company entered into a production capacity guarantee agreement with the specific customer. In accordance with the agreement, a prepayment of US$1,500 thousand shall be paid by the customer. The Company will refund the prepayment on a regular basis according to the agreed terms and capacity conditions. As of December 31, 2021, the net amount of prepayments collected under the agreement was $39,177 (shown as "Other current liabilities, others" and "Other non-current liabilities, others").

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

A. For the 2021 earnings distribution proposal, please refer to note 6(19).

B. On February 15, the Company issued new shares for cash through private placement to deal with the future development and working capital through the resolution of the Board of Directors. In the range of 50,000 thousands shares, the Company issued new shares with private placement by multiple equity offerings, not more than three. The purpose of issuing shares by private placement can be handled once or gradation from the day of shareholders' meeting in one year.

C. To acquire machinery and equipment and related assembly services, the Board of Directors of the Company resolved on February 15, 2022 to issue the fourth domestic secured convertible bonds with total face value of issuance no higher than $1,000,000. The Company will conduct a public offering via competitive auction. The price of lowest bid is tentatively set at no lower than 101% of face value. The actual total issuance amount will be determined by the results of the auction. The bonds will be issued after the filing with the Financial Supervisory Commission becomes effective.

D. On February 15, 2022, the Board of Directors of the Company resolved to increase its capital by issuing 2,200 thousand common shares with the issuance price tentatively set at $90 (in dollars) per share. The Company expects to raise $198 million. The purpose of the capital increase is to acquire machinery and equipment and related assembly services.

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, 2021	December 31, 2020
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 655,892	$ 141,962
Financial assets at amortised cost	17,288	16,898
Notes receivable	27,752	27,327
Accounts receivable (including related parties)	417,194	356,186
Other receivable (including related parties)	29,335	34,945
Refundable guarantee deposits	218	315
	$ 1,147,679	$ 577,633

	December 31, 2021	December 31, 2020
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 217,510	$ 395,841
Accounts payable (including related parties)	305,510	217,436
Other payables (including related parties)	301,336	303,872
Bonds payable (including current portion)	112,703	119,291
Long-term borrowings (including current portion)	-	333,323
	$ 937,059	$ 1,369,763
Lease liabilities	$ 369,110	$ 361,342

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. The Company 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 companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies are adopted to minimise the volatility of the foreign exchange.

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

	December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 16,805	27.69	$	465,338
JPY:NTD	54,655	0.2406		13,150
RMB:NTD	5,571	4.3470		24,219
Non-monetary items: None.				
Financial liabilities				
Monetary items				
USD:NTD	$ 7,884	27.69	$	218,312
JPY:NTD	17,057	0.2406		4,104
RMB:NTD	1,663	4.3470		7,228
Non-monetary items: None.				

	December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$ 8,889	28.48	$	253,169
JPY:NTD	3,513	0.2763		971
RMB:NTD	10,743	4.38		47,024
Non-monetary items: None.				
Financial liabilities				
Monetary items				
USD:NTD	$ 3,773	28.48	$	107,461
JPY:NTD	15,868	0.2763		4,384
RMB:NTD	898	4.38		3,929
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 Company for the years ended December 31, 2021 and 2020, amounted to ($3,058) and ($7,194), respectively.

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

	December 31, 2021		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,653	$ -
JPY:NTD	1%	132	-
RMB:NTD	1%	242	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 2,183)	$ -
JPY:NTD	1%	(41)	-
RMB:NTD	1%	(72)	-

	December 31, 2020		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 2,531	$ -
JPY:NTD	1%	10	-
RMB:NTD	1%	470	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 1,075)	$ -
JPY:NTD	1%	(44)	-
RMB:NTD	1%	(39)	-

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 2021 and 2020, the Company’s borrowings at floating rates were mainly denominated in New Taiwan dollars and US dollars.

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, 2021 and 2020 would have increased/decreased by $109 and $198, 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. According to the Company's credit policy, each entity in the Company 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 Company adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.

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

viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	over 180days past due	Total
At December 31, 2021						
Expected loss rate	0~0.01%	0.01~0.18%	0.01~4.96%	0.01~32.34%	100%	
Total book value	$ 410,481	$ 11,807	$ 277	$ -	$ 6,133	$ 428,698
Loss allowance	$ -	$ 5,356	$ 14	$ -	$ 6,133	$ 11,503
At December 31, 2020						
Expected loss rate	0.01~1%	0.01~0.22%	0.01~5.91%	0.01~38.33%	100%	
Total book value	$ 338,511	$ 18,233	$ -	$ -	$ 2,575	$ 359,319
Loss allowance	$ -	$ 558	$ -	$ -	$ 2,575	$ 3,133

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

	2021
	Accounts receivable
At January 1	$ 3,133
Transferred in through reorganisation	8,370
At December 31	$ 11,503

	2020
	Accounts receivable
At January 1	$ 6,126
Reversal of loss allowance	(2,993)
At December 31	$ 3,133

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by 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 so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company'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 Company has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	$ 355,152	$ 1,253,788
Expiring beyond one year	-	-
	$ 355,152	$ 1,253,788

iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity Companyings 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, 2021				
Short-term borrowings	$ 217,510	$ -	$ -	$ -
Accounts payable (including related parties)	305,509	-	-	-
Other payables (including related parties)	301,336	-	-	-
Lease liabilities	26,194	25,518	75,662	312,863
Bonds payable	-	-	114,800	-

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	$ 395,841	$ -	$ -	$ -
Accounts payable (including related parties)	217,436	-	-	-
Other payables (including related parties)	303,872	-	-	-
Lease liabilities	24,677	24,677	70,334	318,967
Bonds payable	119,291	-	-	-
Long-term borrowings	140,099	138,788	28,719	28,719

Derivative financial liabilities :

As of December 31, 2021 and 2020, the Company has no derivative financial liabilities.

v. 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, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 112,703	$ -	$ 113,319	$ -

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 119,291	$ -	$ 119,894	$ -
Long-term borrowing (including current portion)	333,323	-	-	333,323
	$ 452,614	$ -	$ 119,894	$ 333,323

(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, 2021 and 2020, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2021 and 2020, the Company has no Level 3 financial instruments.

(4) Others

Impact to the Company's operations due to COVID-19: The Company'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 Company's operating revenue was affected accordingly. However, the local government gradually has loosen its stay-at-home orders. Local COVID-19 cases starting from May 2021 in Taiwan were gradually under control and the Company adopted split teams and followed government policies to reduce potential impact and based on the assessment of operations and financial information by the Company, there is no significant effect to the Company's going concern, assets impairment and financing risk due to COVID-19.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

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 2

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 3.

(2) Information on investee

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to Note 7.

14. Segment Information

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 Technologies Inc. (Formerly Episil Holding Inc.)

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of December 31, 2021				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Episil-Precision Inc.	Dah Chung Bills Fiance Corp.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	1,109	$ 17	-	$ 17	
Wei Nuo Investment Inc.	Sequoia Microelectronics Corporation-common shares	None	Financial assets at fair value through other comprehensive income-non-current	127,500	-	4.36%	-	
Wei Nuo Investment Inc.	Chipmast Technology Co., Ltd.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	1,195,040	6,082	6.16%	6,082	
Wei Nuo Investment Inc.	Energic Technologies Corporation-common shares	None	Financial assets at fair value through other comprehensive income-non-current	2,000,000	3,103	6.78%	3,103	
Wei Nuo Investment Inc.	CT Micro International Corp.-common shares	None	Financial assets at fair value through other comprehensive income-non-current	11,147,890	31,284	8.01%	31,284	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS9. "Financial instruments".

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions

Episil Technologies Inc. (Formerly Episil Holding Inc.)
Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote (Note 2)
Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	Subsidiary	(Sales)	($ 123,175)	1.69%	30-90 days after monthly billings	-	Gerneral terms	$ 44,842	2.95%	
Episil Technologies Inc.	Episil-Precision Inc.	Subsidiary	Purchases	145,460	4.37%	30-90 days after monthly billings	-	Gerneral terms	(152,733)	24.01%	
Former Episil Technologies Inc.(Note 2)	Episil Technologies Inc. (SHANGHAI)	Affililate company	(Sales)	(188,889)	2.60%	30-90 days after monthly billings	-	Gerneral terms	-	0.00%	
Former Episil Technologies Inc.(Note 2)	Episil-Precision Inc.	Affililate company	Purchases	235,012	7.06%	30-90 days after monthly billings	-	Gerneral terms	-	0.00%	Note 1
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	(184,507)	2.53%	90-180 days after monthly billings		General terms	46,636	3.07%	

Note 1 : Processing and returning materials provided by customers (related parties) were excluded from purchase/sales.
Note 2 : Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is to eliminate the company and handle the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.)
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Episil Technologies Inc.(Note 5)	Former Episil Technologies Inc.(Note 5)	1	Operating revenue	$ 39,002	Gerneral terms	0.54%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating revenue	1,517	Gerneral terms	0.02%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Operating costs	145,460	Gerneral terms	2.00%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other receivables	15,991	30~90 days after monthly billings	0.16%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Accounts payable	152,773	30~90 days after monthly billings	1.55%
0	Episil Technologies Inc.	Episil-Precision Inc.	1	Other payable	50,977	30~90 days after monthly billings	0.52%
0	Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	1	Operating revenue	123,175	Gerneral terms	1.69%
0	Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	1	Accounts receivable	44,842	30~90 days after monthly billings	0.45%
0	Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	1	Operating revenue	1,478	Gerneral terms	0.02%
0	Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	1,312	Gerneral terms	0.01%
1	Former Episil Technologies Inc.	Episil-Precision Inc.	3	Operating revenue	6,141	Gerneral terms	0.08%
1	Former Episil Technologies Inc.	Episil-Precision Inc.	3	Operating costs	235,012	Gerneral terms	3.23%
1	Former Episil Technologies Inc.	Iberlin Technology Co., Ltd.	3	Operating revenue	7,694	Gerneral terms	0.11%
1	Former Episil Technologies Inc.	Episil Technologies Inc. (SHANGHAI)	3	Operating revenue	188,889	Gerneral terms	2.60%
1	Former Episil Technologies Inc.	Precision Silicon Japan Co., Ltd.	3	Operating revenue	4,027	Gerneral terms	0.06%
2	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Operating revenue	184,507	Gerneral terms	2.54%
2	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	3	Accounts receivable	46,636	90~180 days after monthly	0.47%
2	Episil-Precision Inc.	Episil Technologies Inc. (SHANGHAI)	3	Operating revenue	1,267	Gerneral terms	0.02%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

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

Note 3: Percentage of total consolidated revenues or total assets is calculated using the total consolidated assets at the end of the year when the subject of transaction is an asset/liability, and is calculated by total consolidated revenues during the year when the subject of transaction is a revenue/expense.

Note 4: Only transaction amount that exceeds $1 million will be disclosed, otherwise will not be disclosed.

Note 5 : Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is to eliminate the company and handle the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.)

Information on investees

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2021					
Investor	Investee (Note 1 and 2)	Location	Main business activities	Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
Episil Technologies Inc.(Note 5)	Wei Nuo Investment Inc.	Taiwan	Gerneral investment	$ 200,000	$ 200,000	10,000,000	100.00%	$ 121,028	$ 4,832	$ 4,832	
Episil Technologies Inc.	Former Episil Technologies Inc.(Note 5)	Taiwan	Semiconductor industry	-	3,540,500	-	0.00%	-	(97,234)	(98,366)	
Episil Technologies Inc.	Episil-Precision Inc.	Taiwan	Semiconductor industry	1,938,885	1,938,885	166,200,000	58.44%	2,698,227	380,530	227,506	
Episil Technologies Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	201,020	201,020	17,093,398	37.49%	168,474	2,828	1,060	
Wei Nuo Investment Inc.	Wellknown Holding Company Ltd.	Samoa	Investment service of various business	4,837	4,837	150,000	100.00%	36,207	6,674	6,674	
Wei Nuo Investment Inc.	Iberlin Technology Co., Ltd.	Taiwan	Other designing	-	76,230	-	-	-	(991)	(951)	Note 3
Wei Nuo Investment Inc.	Wei Yun Capital Management Corporation	Taiwan	Investment service of various business	1,500	1,500	150,000	30.00%	1,453	(6)	(2)	Note 4
Wei Nuo Investment Inc.	Taiwan Hi-Tech Corp.	Taiwan	Semiconductor industry	16,549	10,773	1,656,690	3.63%	15,574	2,828	40	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of epitaxy and silicon wafers	2,740	2,740	200	100.00%	10,095	1,349	1,349	

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

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

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held as at December 31, 2021' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.

(3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Iberlin Technology Co., Ltd. merged with Episil Technologies Inc.. on February 20, 2021, and Iberlin Technology Co., Ltd.. dissolved the company in accordance with the law.

Note 4: Wei Yun Capital Management Corporation has obtained the approval letter of dissolution registration from the Ministry of Economic Affairs on February 26, 2021, and is still in the process of liquidation.

Note 5: Former Episil Technologies Inc. has merged with Episil Holding Inc. on September 1, 2021, which is to eliminate the company and handle the dissolution.

Episil Technologies Inc. (Formerly Episil Holding Inc.)
Information on investments in Mainland China
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three months: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for three months: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for year ended December 31, 2021 (Note 2(2)B)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
Episil Technologies Inc. (SHANGHAI)	Trading business	$ 4,598	2	$ 4,598	$ -	$ -	$ 4,598	$ 6,677	100.00%	$ 6,677	$ 36,136	$ -	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Episil Technologies Inc. (SHANGHAI)	$ 4,598	$ 4,598	$ 2,684,111

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

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. (Episil Technologies Inc. (SHANGHAI) was invested by Wellknown Holding Company Ltd. (location: Samoa).

(3) Others

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

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A.The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B.The financial statements that are audited and attested by R.O.C. parent company’s CPA.

C. The financial statements were not audited by independent accountants.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Episil Technologies Inc. (Formerly Episil Holding Inc.)

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
Episil Technologies Inc. (SHANGHAI)	$ 313,331	4.31%	$ -	-	$ 44,842	0.45%	$ -	-	$ -	$ -	-	$ -	

Episil Technologies Inc. (Formerly Episil Holding Inc.)
Major shareholders information
December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Han Shin Corp.	21,501,551	6.50%
Han Hsin Investment Corp.	20,616,796	6.23%
Hermes- Epitek Corporation	18,064,793	5.46%

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

Year / Item	2021	2020	Difference	
			Amount	%
Current Assets	6,036,375	4,400,032	1,636,343	37
Fixed Assets	2,690,844	2,977,434	(286,590)	(10)
Intangible Assets	46,917	42,015	4,902	12
Other Assets	1,106,575	1,153,543	(46,968)	(4)
Total Assets	9,880,711	8,573,024	1,307,687	15
Current Liabilities	2,458,516	2,310,615	147,901	6
Long-term Liabilities	1,052,831	1,504,548	(451,717)	(30)
Total Liabilities	3,511,347	3,815,163	(303,816)	(8)
Equity attributable to shareholders of the parent	4,473,517	3,132,613	1,340,904	43
Capital stock	3,306,664	3,121,877	184,787	6
Capital surplus	955,567	550,158	405,409	74
Retained Earnings	283,426	(465,024)	748,450	(161)
Other Equity	(72,140)	(74,398)	2,258	(3)
Treasury stock	0	0	0	0
Non-controlling interests	1,895,847	1,625,248	270,599	17
Total Stockholders' Equity	6,369,364	4,757,861	1,611,503	34

Analysis of changes in amount: (Not required if the difference does not exceed 20% and NT10 Million)
1. Current Assets: Due to Company profit increase this year, bonds payable converted and cash capital increase.
2. Long-term Liabilities: Due to bonds payable converted and Repayments of long-term borrowings.
3. Capital surplus: In addition to offset accumulated deficits, due to bonds payable converted and cash capital increase.
4. Retained Earnings: Due to Company profit increase this year and capital surplus offset accumulated deficits

II. Analysis of Financial Performance

Unit: NT$ thousands

Year / Item	2021	2020	Difference	
			Amount	%
Operating Revenue	7,269,400	5,741,460	1,527,940	27
Gross Profit	989,923	(8,450)	998,373	(11,815)
Operating Income	485,670	(475,407)	961,077	(202)
Non-operating Income and Expenses	2,327	(14,601)	16,928	(116)
Income Before Tax	487,997	(490,008)	978,005	(200)
Net Income from continuing Operations	387,479	(484,787)	872,266	(180)
Net Income	387,479	(484,787)	872,266	(180)
Other Comprehensive income	1,286	(23,394)	24,680	(105)
Total Comprehensive income	388,765	(508,181)	896,946	(177)

1.Analysis of changes in amount: (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 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.

2. 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 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 2022, 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

1. Analysis of the change in cash flows for the most recent year

Year / Item	2021	2020	Increase (subtract) change	Proportion of change (%)
Net cash flow from operating activities	1,020,832	291,843	728,989	249.79
Net cash flow from investing activities	(713,552)	(128,663)	(584,889)	(454.59)
Net cash flow from fund-raising activities	511,276	(147,945)	659,221	445.59

Description of major changes:

(1) Business activities: Mainly due to the substantial increase in profit in FY2021 compared to FY2020.

(2) Investment activities: Mainly due to the Company's time deposits undertaken by the Company for more than three months in 2021.

(3) Financing activities: The main purpose is to handle the issuance of new shares in the 2021 cash capital increase and the third domestic secured conversion of corporate bonds, resulting in net cash inflows from the financing activities.

2.Under-Liquidity Improvement Plan: No such thing.

3.Cash liquidity 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
1,582,403	1,020,832	(201,868)	2,401,367	None	None

(1) Analysis of the change in cash flow in the next year: None

IV. Major capital expenditures during the most recent fiscal year:

The increase in real estate, plant and equipment of the Company and its subsidiaries in 2021 is mainly due to the purchase of machinery and equipment for the normal operation of the Company, which has no adverse impact on the Company's financial business.

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：

1. The impact of interest rates, exchange rate changes, inflation on the company's profit and loss and future measures:

(1) The impact of interest rate changes and future countermeasures

The risk of interest rate changes of the Company and its subsidiaries mainly comes from the bank's long-term and short-term borrowings, and the interest expense on bank borrowings in 2021 is $9,244,000, and if the interest rate on borrowings in NTD or USD in 2021 increases by 1 yard (0.25%), the interest expense will increase by $332,000; The Company and its subsidiaries maintain a good credit relationship with the current bank, and regularly assess the bank borrowing interest rate, monitor the market interest rate changes at any time, and closely contact the bank to strive for preferential borrowing interest rates, and take necessary measures in a timely manner to avoid the risk of interest rate rise, so the impact of interest rate changes on the revenue and profits of the Company and its subsidiaries should not be significant

(2) Impact of exchange rate changes and future countermeasures:

The main business items of the Company and its subsidiaries are the development, design, manufacture and sales of related products such as power semiconductors and analog integrated circuits, and the foreign currency transactions arising from the operation activities are in the US dollar as a bulk, so the main exchange rate risk lies in the exchange rate change risk between the US dollar and the New Taiwan dollar, the net loss in 2021 is 10,267 thousand yuan, the main part is affected by the depreciation of the US dollar in 2021, and the company and its subsidiaries have regularly assessed and monitored and adjusted the net foreign exchange parts. When necessary, derivative financial products are also traded for the purpose of hedging, so the exchange gains and losses are within the controllable range and have a limited impact on the overall profit and loss of the Company and its subsidiaries.

(3)The impact of inflation and future countermeasures:

The main business items of the Company and its subsidiaries are the manufacture and foundry of power semiconductors and analog integrated circuits, the price of raw materials is not greatly affected by inflation factors, and the Company and its subsidiaries maintain a good interactive relationship with suppliers and customers, and pay attention to the fluctuation of raw material market prices at any time to reduce the impact of cost and quotation changes on the profit and loss of the Company and its subsidiaries, so overall inflation has no significant impact on the Company and its subsidiaries.

2. Policies for engaging in high-risk, high-leverage investments, capital loans with others, endorsement guarantees and derivatives transactions, the main reasons for profit or loss and future countermeasures:

The company and its subsidiaries have not engaged in high-risk, high-leverage investments, capital loans to others and derivatives transactions, and have endorsed and guaranteed the subsidiaries based on the principle of effective use of the group's resources. The relevant operations are in accordance with the company and its subsidiaries The endorsement guarantee operating procedures and relevant regulations are handled, and the industry is announced on a monthly basis in the public information observatory for investors' reference. In addition, the internal management regulations of the company and its subsidiaries in accordance with the relevant laws and regulations of the competent authorities include "procedures for dealing with derivatives", "procedures for acquiring or disposing of assets", "management procedures for capital lending to others", "endorsement guarantee operations" method", to be followed as a related operation.

3. 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. Second-generation High Grade SiC/SiC epitaxy mass production technology

B. RF Gallium Nitride (GaN on Si) Epitaxy Technology

C. Second-generation 650V GaN on Si epitaxy mass production technology

D.6” SiC G3 platform development.

E. GaN power semiconductor components combined with IC process

F.SiC Schottky Diode 3300V process

G.SiC MOSFET 3300V process

4. The impact of important domestic and foreign policy and legal changes on the company's financial business and countermeasures:

The company and its subsidiaries continue to pay attention to changes in domestic and foreign situations and changes in policies and laws, and the financial, accounting, auditing and other departments provide assessments, suggestions and plans for changes in important policies and laws, and coordinate the adjustment of the company's internal systems and laws. Operating activities in order to comply with laws and regulations and reduce the impact on the company's financial business. In the most recent year and up to the date of publication of the annual report, there has been no change in important domestic and foreign policies and laws, the results of which are sufficient to have a significant impact on the financial business of the Company and its subsidiaries.

5.The impact of technological changes (including information security risks) and industry changes on the company's financial business and countermeasures:

Episil and its subsidiaries keep abreast of industry changes and market trends, and pay attention to related technological developments and changes, and use more rigorous strategic planning, advanced process development, and continuous business expansion as new tools for profit. Episil has also formulated information security management specifications to ensure the confidentiality and security of the company's information assets and legal compliance, and has formulated hazard handling procedures to minimize the impact. In the most recent year and up to the date of publication of the annual report, there have been no significant technological changes (including information security risks) and industry changes, the results of which are sufficient to have a significant impact on the financial business of Episil and its subsidiaries. (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.

6.The impact of corporate image change on corporate crisis management and countermeasures::

Since its establishment, Episil and its subsidiaries have actively strengthened the operation and management of the company and its subsidiaries and complied with relevant laws and regulations, in order to continue to maintain a good corporate image, with the goal of "stable operation" for a long time. In the most recent year and up to the date of publication of the annual report, there was no major change in the corporate image that caused the company to be in crisis.

7.Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: In order to improve operational efficiency, the company intends to adopt the method of absorption and merger and adopt the method of simple merger in accordance with Article 19 of the Enterprise Mergers and Acquisitions Law to merge with Episil technologies inc (hereinafter Episil), and consider the amount of paid-in capital after Episil's capital reduction to make up for losses. The consideration is NT$16.48 in cash for each Episil share. In addition to the company, a total of NT$2,837,411 should be distributed to other minority shareholders of Hanlei Technology. After the merger on September 1, 2021, the company will be the surviving company, and Hanlei

Technology will be the elimination company; at the same time, the company name will be changed to Episil technologies inc. The above merger and acquisition plan is a merger of organizations within the Episil Group. If there is a merger and acquisition plan in the future, the benefits and possible risks of mergers and acquisitions will be carefully evaluated to ensure the interests of all shareholders..

8.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.

9. 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.

10.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.

11.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.

12.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.

13. 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.

14. 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.

15. 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.

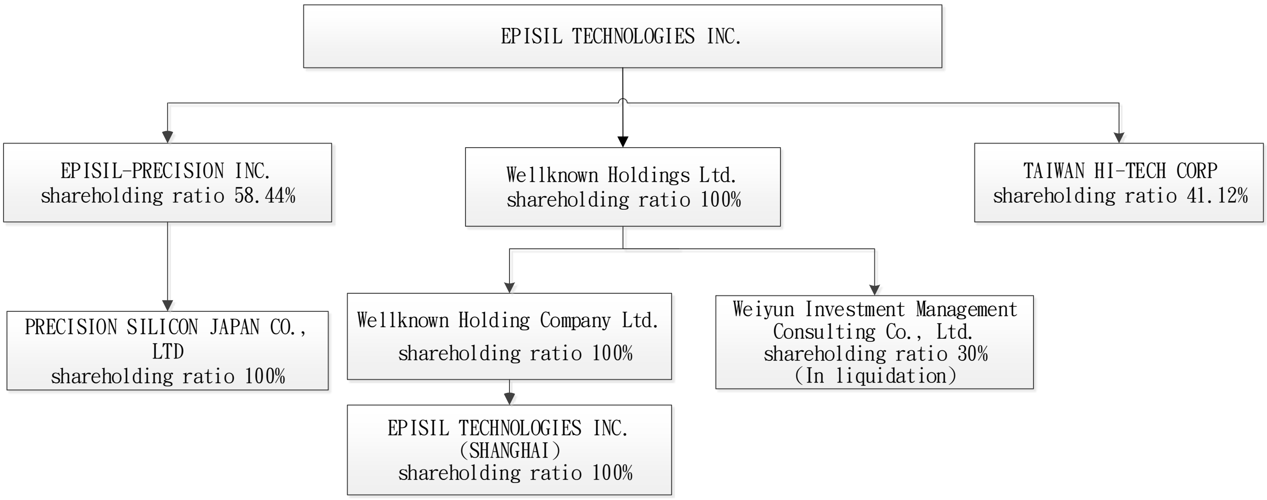
(2) Information security regulations and procedures are continuously reviewed and evaluated to ensure their appropriateness and effectiveness, with budgets to introduce information security technology to keep in line with development trends. However, there may be new risks in the rapidly changing network 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



(II)Information of related enterprises

Unit: NT$ thousands

Company	Major business or production
EPISIL TECHNOLOGIES INC.	Foundry of Bipolar IC Service, Power MOSFET, Hybrid IC (Logic Components), High Voltage CMOS, High Voltage BCD, SiC and GaN discrete components Manufacturing and consulting.
EPISIL-PRECISION INC.	As a professional epitaxial process supplier, it is committed to epitaxial technology; mainly engaged in the production and foundry of 4-8 inch epitaxial silicon wafer, silicon carbide (SiC) epitaxial and gallium nitride (GaN) epitaxial.
Precision Silicon Japan Co., LTD	Trading of silicon wafers
Wellknown Holdings Ltd.	investment business
Wellknown Holding Company Ltd.	investment business
EPISIL TECHNOLOGIES INC. (SHANGHAI)	Wholesale, agency and import and export of semiconductors and related accessories, and provide related supporting services
TAIWAN HI-TECH CORP.	Various types of research and development, production, manufacturing, testing and sales of super-junction power components and epitaxial silicon, etc.
Weiyun Investment Management Consulting Co., Ltd.	Investment Advisory Industry

Note：As at December 31, 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-PRECISION INC.	Chairman Director Director Director Director Director IndependentDirector IndependentDirector IndependentDirector Presidents	EPISIL HOLDING INC Representative：JH Shyu Representative：Chen,Hsi-Hsin Representative：Ching-Tzong Sune Representative：Fan,Gui Rong 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 Technologies Inc. holds 166,200,000 shares	58.44
Wellknown Holding Ltd.	Chairman	Episil Technologies Inc. Representative：JH Shyu	Episil Technologies Inc. holds 15,000,000 shares	100.00
TAIWAN HI-TECH CORP.	Chairman Director	Episil Technologies Inc. Representative：JH Shyu Representative：Ching-Tzong Sune	Episil Technologies Inc. holds 17,093,398 shares Wellknown Holdings Ltd. holds 1,656,690 shares	41.12
Wellknown Holding Company Ltd.	Representative	Wellknown Holding Ltd. Representative：JH Shyu	Wellknown Holdings Ltd. holds 150,000 shares	100.00
EPISIL TECHNOLOGIES INC. (SHANGHAI)	Representative	Wellknown Holding Company Ltd. Representative：JH Shyu	Wellknown Holding Company Ltd. Capital contribution NT$4,598,000	100.00
Precision Silicon Japan Co., LTD	Chairman Director Director Supervisors Presidents	EPISIL-PRECISION INC. Representative：Ching-Tzong Sune Representative：Hui-fen Kang Representative：Ming-Jhe Lyu Representative：Pei-Yuan Chen Ming-Jhe Lyu	Episil-Precision Inc. holds 200 shares	100.00

Note：As at December 31, 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.	NA	NA	NA	NA	1,693,813	(47,347)	(97,234)	NA
EPISIL-PRECISION INC.	2,843,767	6,612,078	2,001,999	4,610,079	5,027,125	462,154	380,530	1.34
Wellknown Holding Ltd.	150,000	121,178	150	121,028	0	(293)	4,832	0.32
Wellknown Holding Company Ltd.	4,837	36,207	0	36,207	0	(1)	6,674	-
IBERLIN TECHNOLOGY CO., LTD.(Note1)	NA	NA	NA	NA	16,047	(1,012)	(991)	NA
EPISIL TECHNOLOGIES INC. (SHANGHAI)	456,000	634,294	151,749	482,545	238,333	2,477	2,226	0.06
Precision Silicon Japan Co., LTD	4,598	233,265	197,129	36,136	326,500	6,685	6,677	-

Note：As at December 31, 2021

Note1：Eliminated upon merger with Episil Holding Inc. on September 1, 2021.,

Note2：Eliminated following a merger with Episil Technologies Inc. on 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.

Episil Technology Inc.

(Formerly Episil Holding Inc.)

Chairman: JH Shyu