Stock Code: 3016

Episil-Precision 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.epi.episil.com

Printed on April 23, 2022

I. Spokesperson and Acting Spokesperson Contact Information

Vice President Spokesperson：FAN,GUI-RONG / Spokesman

Acting Spokesperson：LIN,TING-YUAN / Acting Spokesman

Tel: (03)5632255   Email:episil_mail@epi.episil.com

II. Episil Address and Telephone Number

1. Headquarters：Episil Hold Inc.

   Address：No.10 Dusing Road I, Hsinchu Science Park, Hsinchu 30078, Taiwan

   Tel：(03)5632255 Website：www.epi.episil.com

2. Branch office：None

3. Factory：

   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.

4. Subsidiary

   PRECISION SILICON JAPAN CO.,LTD. Tel：(03)5632255

III. Common Share Transfer Agent and Registrar

Company：Yongfeng Jin Securities Co., Ltd. Share Agent Department

Address：17 Boai Road, Taipei City, 3rd floor

Tel：(02)23816288 Website：www.sinopac.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.epi.episil.com

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One. A Letter to Shareholders

Dear Shareholders,

In 2021, we observed the structural change in semiconductor demands, semiconductor content in electronic devices increased in various emerging applications, such as 5G, EV, and green energy, etc.

Plus, supply chains disruption and port congestion due to COVID-19 and political events resulted in chips shortage and inconsistent.

The global electronics market, including Consumer, Telecom, Industrial and Automotive, etc., need the chips so bad, same situation in Episil-Precision's silicon and compound (SiC & GaN) epitaxy field.

Customers' strong demands keep our utilization in high level throughout the whole year. Episil-Precision's revenue increased by 25% compared to last year, in which revenue in compound epitaxy grew several times.

1. Implementation of 2021 business plan

Episil-Precision' s consolidated revenue for 2021 was NT$5,043 million, an increase of 25 % year-over-year. Net income after tax was NT$380.53 million, and earnings per share was NT$1.35.

The consolidated operating performance of 2021 is as follows:

Unit: Thousand (TWD)

Items	2021	2020
Operating revenue	5,043,332	4,039,180
Operating margin	726,433	243,959
Net profit after tax	380,530	25,693
Earnings per share (Dollar(TWD))	1.35	0.09

2. 2022 strategy and business plan

WSTS estimates that the global semiconductor market will grow by 8.8% in 2022. Episil-Precision expects to grow in 2022 as well.

Regard to silicon epitaxy, we will continue to expand capacity, as well as putting more efforts in the development of multi-layer/buried layer epitaxy for Super-Junction MOSFETs to meet the demands for higher efficiency in energy conversion market.

In terms of compound semiconductor epitaxy, Yole estimates that SiC devices market will have 30% CAGR (2019-2025), driven by EV, PV and industrial applications, while GaN devices market have 70% CAGR (2019-2025), driven by fast charging for smart phones, data centers and 5G base stations.

Episil-Precision had put a lot of time and efforts on compound semiconductor epitaxy for the past decade, and become the only one supplier in Taiwan that provides both SiC epitaxy and GaN epitaxy with proven record in mass production. To catch up with the booming market of compound semiconductor, Episil-Precision will invest US$40-50 million to expand SiC capacity (7~8 times) and GaN capacity (2~2.5 times) in the next 2 to 3 years.

Although semiconductor market is with unpredictable fluctuation, we believe the needs for silicon and compound semiconductor epitaxy will grow with the mega trend of energy saving and carbon reduction. As Episil-Precision's core value "Efficiency, Precision, Innovation", we commit to provide more efficient services, more accurate quality and more innovative processes/products to our customers, and to comply with ESG requirements. We look forward to being a key supplier of epitaxial materials in worldwide semiconductor industry in the coming years, and bring profits to our shareholders.

Wish all shareholders good health and successful.

Chairman: Jian-Hua Syu

Two. Company Profile

(I) Date of Incorporation:1998/11/09

(II) Company History

Sep 1998: Approved to enter Hsinchu scientific industrial park
Jun 2000: ISO 9002 quality system certification
Jun 2000: approved by Securities and Futures Bureau, FSC to issue shares to the public
Feb 2001: Registered the trademark" PRECISION" with the Intellectual Property Office, MOEA
Dec 2001: ISO 14001 environmental management system certification
Jan 2002: Japanese subsidiary was established
Dec 2002: The stock was officially listed
Jul 2003: ISO 9001 quality system certification
Obtained the QS 9000 quality system certification
Jan 2007: Approved "silicon thin film solar cell development plan" by the technical department of the ministry of economic affairs
Jul 2008: Obtained TS16949 system certification
Mar 2009: Private placement of 12,200,000 shares with a premium of NT$14.99 per share, and the paid-up capital increased to NT$896,269,390
Jan 2010: OHSAS 18001 safety and health management system certification
Sep 2011: Employee stock option conversion and surplus conversion, the paid-up capital increased to NT$938,708,420
Jul 2014: Employee stock option conversion capital increase, paid-up capital increased to NT$940,098,420
Oct 2014: Employee stock option conversion capital increase, paid-up capital increased to NT$940,518,420
Aug 2015: The board of directors approved the merger of Episil Semiconductor wafer co.,LTD., with a share exchange ratio of 1:1.8667876 shares
Sep 2015: Shareholders provisionally approve merger of Episil Semiconductor wafer co.,LTD.
Jan 2016: Merged with Episil Semiconductor Wafer Co., Ltd., the paid-up capital increased to NT$2,435,753,150 after the merger, and the English name was changed to "Episil-Precision Inc."
May 2016: Employee stock option conversion capital increase, the paid-up capital increased to NT$2,441,793,150

Jun 2016: Min-Ci Huang resigned as chairman of the board of directors and was hired as honorary chairman. The board of directors elected Jian-Hua Syu as the new chairman of the board

Aug 2016: Employee stock option conversion capital increase, paid-up capital increased to NT$2,442,903,150

Nov 2016: Employee stock option conversion capital increase, paid-up capital increased to NT$2,443,203,150

Feb 2017: Employee stock option conversion capital increase, paid-up capital increased to NT$2,444,013,150

Jan 2018: Cash increase of 30,000,000 shares, premium of NT$29.80 per share, paid-up capital increase to NT$2,744,013,150

Jun 2019: Shareholders re-elected the eighth directors (including independent directors) at the regular meeting. Chairman Jian-Hua Syu was reappointed

Oct 2019: Issued the domestic third unsecured convertible corporate bond, with a total denomination of NT $6 billion

Aug 2020: The amount of paid-in capital increased to NT$ 2,774,912,130 after the conversion of corporate bonds

Nov 2020: The amount of paid-up capital increased to NT$2,788,161,030 after conversion of corporate bonds

Mar 2021: The amount of paid-up capital increased to NT$2,796,355,850 after conversion of corporate bonds

May 2021: The amount of paid-up capital increased to NT$2,800,687,900 after conversion of corporate bonds

Aug 2021: The amount of paid-up capital increased to NT$2,805,380,970 after conversion of corporate bonds

Nov 2021: The amount of paid-up capital increased to NT$2,823,206,390 after conversion of corporate bonds

Jan 2022: The amount of paid-up capital increased to NT$2,843,767,290 after conversion of corporate bonds

Mar 2022: Issued the domestic fourth unsecured convertible corporate bond, with a total denomination of NT $5 billion

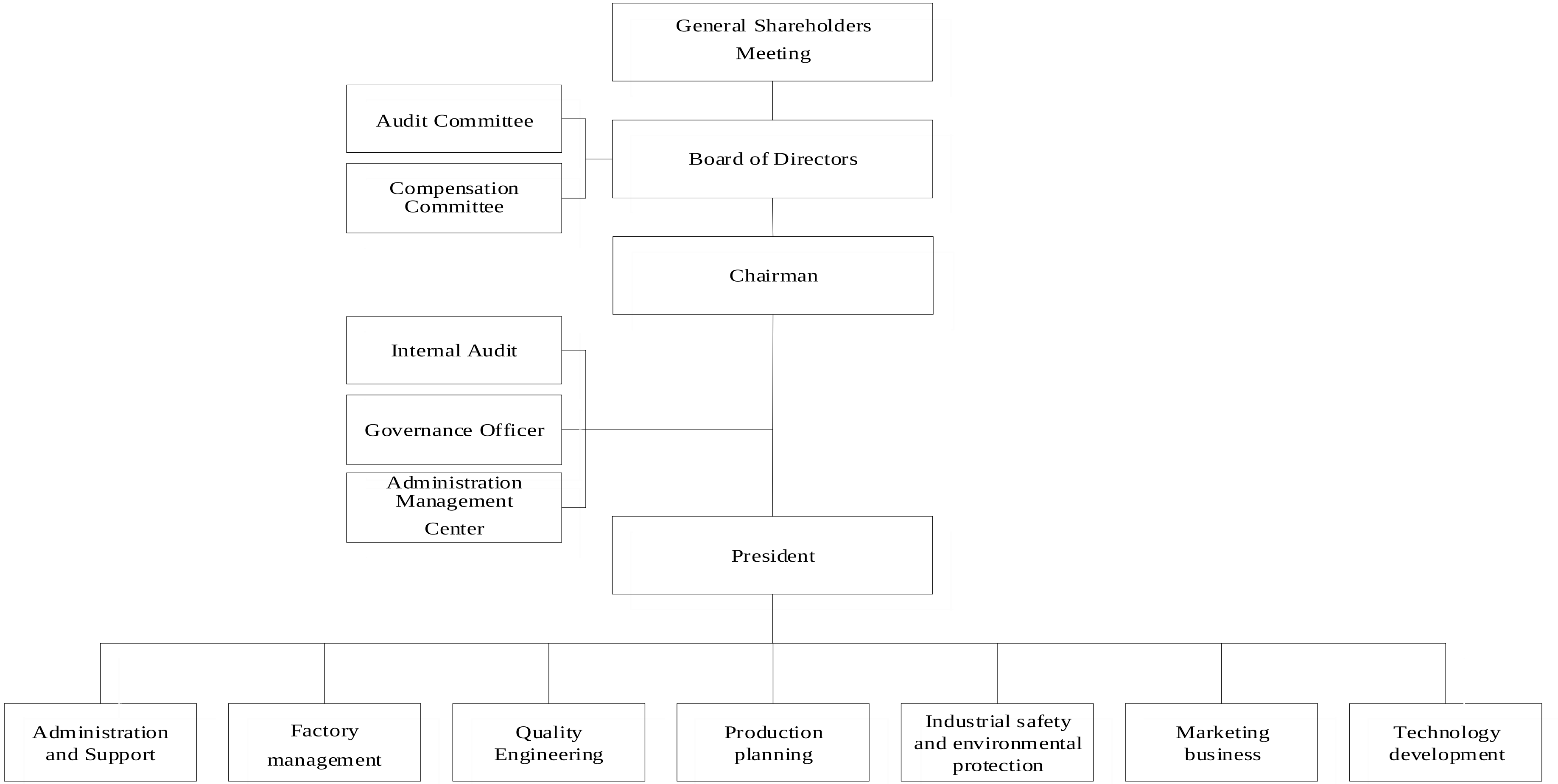
Apr 2022: The amount of paid-up capital increased to NT$2,847,154,860 after conversion of corporate bonds

Three. Corporate Governance Report

I、Organization System：

（I） Organization

Organization of Episil-Precision Inc.



(II) Each principal departments business responsibility

Department	Business
Internal Audit	Responsible for the planning and execution of internal audit business and the tracking of improvement results.
Governance Officer	Handle matters related to the board of directors and shareholders' meetings, prepare minutes of the board of directors and shareholders' meetings, assist directors in their appointment and continuous education, provide directors with information needed to execute their business, and assist directors in complying with laws and regulations.
Administration Management Center	1. Effective use of capital management and prompt provision of correct accounting information, analysis and review of business performance, analysis of external environment and competition. 2. Provide strategic planning and subsidiary management, investment analysis, company operation process analysis and assistance in improvement, etc. for the management authority to make decisions. 3. Consultation, support, provision and other legal affairs related to legal affairs.
Administration and Support	1. Strategic planning and communication and coordination of human resources. 2. The formulation of the company's important personnel management measures. 3. Human resource management and talent development. 4. Management and overall planning of public affairs within the enterprise. 5. Promote the development and maintenance of the company's computerization and information systems.
Factory management	1. Responsible for factory operation management. 2. Responsible for product production planning, manufacturing, shipping management and development of manufacturing technology. 3. Continue to optimize the process capability, improve the yield, and improve the competitiveness of the company and customers. 4. Budget control and production cost optimization. 5. Establish factory discipline management system and supervision. 6. Manage the stability of the operation of the factory system and the rationality of water and electricity consumption. 7. Establish a pre-event prevention mechanism for the factory affairs system, and an exception handling command.

Quality Engineering	1. Management of the company's internal quality control system 2. Maintenance of various quality systems.
Production planning	1. Provide foundry production services for customers, supervise the production cycle performance and control the delivery of goods, meet customer needs, and achieve company performance and profit requirements as the main task. 2. Wafer production portfolio planning, formulate related film casting, output and shipping plans. 3. Plan the output capacity of the factory, and complete various production capacity improvement and expansion of output capacity. 4. Analyze production costs and promote cost rationalization to improve cost structure.
Industrial safety and environmental protection	1. Leading the ISO 14001/45001 environmental safety and health management system continues to be effective. 2. Occupational safety and health management, and environmental protection business management. 3. Implementation of education and training on safety, health and environmental protection. 4. Labor health inspection, implementation of health management, emergency injury treatment and occupational disease prevention, etc.
Marketing business	1. Market information collection and development evaluation. 2. The formulation of sales plans, the achievement of operational objectives and performance. 3. Business promotion, including the development and maintenance of new and old customers. 4. Process development for new market applications and feasibility analysis of new process development. 5. Handling customer engineering problems and customer complaints. 6. Improve customer service and customer satisfaction. 7. Order processing, shipping matters, account processing, sales statistics and other matters.
Technology development	1. Development of new products. 2. Stable mass production of existing products. 3. Evaluation and development of new technologies

II Directors and Management Team

(I) Directors

April 23, 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		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Episil Technologies Inc. Representative： Jian-Hua Syu	Male Age 61 ~ 70	108.06	3	105.02 105.06	166,200,000 150,000	60.57 0.05	166,200,000 150,000	58.37 0.05	0 0	0 0	0 0	0 0	Master's degree in chemical engineering , National Cheng Kung University	Chairman of Episil Technologies Inc. Chairman and general manager of Wellknown Holdings Ltd. President and general manager of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor	None		
Director (Note2)	R.O.C	Episil Technologies Inc. Representative： Hsi-Hsin Chen	Male Age 61 ~ 70	110.08	3	105.02 110.08	166,200,000 0	60.57 0	166,200,000 0	58.37 0	0 0	0 0	0 0	0 0	Academic degree in Solid State Physics from University of Texas, USA	Director of Episil Technologies Inc. Director of High Power Optoelectronics, Inc. Director of Energic Technologies Corporation. Director of Advanced Ion Beam Technology, Inc.	None		
Director	R.O.C	Episil Technologies Inc. Representative： Ching-Tzong Sune	Male Age 61 ~ 70	108.06	3	105.02 108.01	166,200,000 136,400	60.57 0.05	166,200,000 136,400	58.37 0.05	0 0	0 0	0 0	0 0	Doctor's degree in Electrical Engineering, North Carolina State University	Epi' s General manager Chairman of Precision Silicon Japan Co.,Ltd. Director of Taiwan Hi-Tech Corp.	None		
Director	R.O.C	Episil Technologies Inc. Representative： Guei-Rong Fan	Female Age 51 ~ 60	108.06	3	105.02 108.06	166,200,000 0	60.57 0	166,200,000 0	58.37 0	0 0	0 0	0 0	0 0	Master's degree in MBA,University of Leicester	Director of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.	None		
Director	R.O.C	Nan Ya Photonics Incorporation Representative： Rong-Huang Luo	Male Age 61 ~ 70	108.06	3	99.06 99.06	12,565,325 0	4.58 0	9,847,325 0	3.46 0	0 0	0 0	0 0	0 0	Bachelor's Degree in Industrial Engineering, Chung Yuan Christian University	Deputy General Manager of Nan Ya Photonics Incorporation General Manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd General Manager, NY Photonics Inc.USA Director of Hexi Energy Co., Ltd Director of Xuanguan Co., Ltd Formosa Plastics Co., Ltd	None		
Director	R.O.C	Jiacai Investment Co. Ltd Representative： Wun-Guei Ye	Male	108.06	3	99.06 99.06	2,777,255 3,173,632	1.01 1.16	2,900,255 3,173,632	1.02 1.11	0 2,500,855	0 0.88	0 0	0 0	Bachelor's Degree in Controls,Feng Chia University	General manager of Jia Cai Investment Co. Ltd Director of Trend Lighting, Inc	None		
Independent Director	R.O.C	Wei-Min Shen	Male Age 61 ~ 70	108.06	3	105.02	0	0	0	0	0	0	0	0	Doctor's degree in Accounting, Purdue University	Independent director of Upi Semiconductor Corp Independent director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd Independent director of ENNOSTAR Inc.	None		

																Professor, Department of Finance and Taxation,National Taichung University of Science and Technology	
Independent Director	R.O.C	Ze-Peng Chen	Male Age 61 ~ 70	108.06	3	104.09	0	0	0	0	0	0	0	0	Doctor's degree in Materials Science and Engineering, Tsinghua University	Senior consultant of Epistar Corproration Director of Lynk Labs, USA	None
Independent Director	R.O.C	Han-Liang Hu	Male Age 51 ~ 60	108.06	3	108.06	0	0	0	0	0	0	0	0	Master's degree in Accounting and Management Decision Group, National Taiwan University	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Director of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Electronic Co., Ltd. Supervisor of ORIENT PHARMA CO., LTD.	None

Note1: The Company's general meeting of shareholders on June 14, 2019 completed the reelection of the eighth term of directors for the term commencing June 14, 2019 and expiring June 13,2022.

Note2: The legal director, Episil Holding Inc., was reassigned as Mr. Hsi-Hsin Chen on August 2, 2021. (the original representative was Mr. Min-Ci Huang).

Note3: The legal director, Episil Holding Inc., was renamed Episil Technologies Inc. on September 1,2021.

Note4: 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 23, 2022

Name of Institutional Shareholders	Major Shareholders	
Episil Technologies Inc.	Han Shin Corp.	6.50%
	Han Hsin Investment Corp.	6.23%
	Hermes-Epitek Corporation	5.46%
	Sincere Holding Company	4.90%
	Fubon Life Insurance Co., Ltd.	3.59%
	Min-Ci Huang	1.54%
	Chase Managed Vanguard Group Emerging Markets Fund Investment Account	1.31%
	Chase Managed Advanced Starlight Advanced Aggregate International Stock Index	1.16%
	Qunyi Marathon Fund Account	1.12%
	Standard Chartered Trust New Generation Unicom Asia Income Investment Trust	1.01%
Nan Ya Photonics Incorporation	Nan Ya Plastics Corporation	23.02%
	Formosa Petrochemical Corporation	22.83%
	EPISTAR CORPORATION	19.90%
	Formosa Taffeta Co., Ltd.	15.22%
	Formosa Development Corporation	7.76%
	FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	7.61%
Jiacai Investment Co. Ltd	Siou-Cing Chen	29.00%
	Wun-Guei Ye	29.00%
	Fang-Chen Ye	14.00%
	Fang-Yu Ye	14.00%
	Jyun-shao Ye	14.00%

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

April 23, 2022

Name of Institutional Shareholders	Major Shareholders	
Hermes-Epitek Corporation	Green Cove Enterprises Inc.	69.13%
	Min-Ci Huang	11.55%
	Lu,Fei-Chian	8.49%
	Lin,Su-Lin	4.57%
	Hwang,Mei-Yun	2.50%
	HonSean-JY Company Limited	2.04%
	Vision Holdings Ltd	1.24%
	JadeYale-CY Company Limited	0.48%
Sincere Holding Company	Yeh Tzu Charitable Trust Fund	100.00%
NAN YA PLASTICS CORPORATION	Chang Gung Medical Foundation	11.05%
	FORMOSA PLASTICS CORPORATION	9.88%
	Formosa Chemicals And Fibre Corporation	5.21%
	Chang Gung University	4.00%
	FORMOSA PETROCHEMICAL CORPORATION	2.26%
FORMOSA PETROCHEMICAL CORPORATION	FORMOSA PLASTICS CORPORATION	28.55%
	Formosa Chemicals And Fibre Corporation	24.15%
	NAN YA PLASTICS CORPORATION	23.10%
	Chang Gung Medical Foundation	5.78%
	FORMOSA TAFFETA CO., LTD.	3.83%
EPISTAR CORPORATION	ENNOSTAR Inc.	100.00%
FORMOSA TAFFETA CO., LTD.	Formosa Chemicals And Fibre Corporation	37.40%
	Chang Gung Medical Foundation	5.79%
Formosa Development Corporation	FORMOSA PETROCHEMICAL CORPORATION	46.00%
	FORMOSA PLASTICS CORPORATION	18.00%
	NAN YA PLASTICS CORPORATION	18.00%
	Formosa Chemicals And Fibre Corporation	18.00%
FORMOSA ADVANCED TECHNOLOGIES CO., LTD.	NANYA TECHNOLOGY CORPORATION	32.00%
	FORMOSA TAFFETA CO., LTD.	30.68%
Han Shin Corp.	Herm Investment Co. Ltd	31.67%
	Sendrin Investment Corp	20.00%
	Min-Ci Huang	18.33%
	Fei-Chian Lu	18.33%
	Yeh Tzu Charitable Trust Fund	10.00%
	Sincere Holding Company	1.67%
Han Hsin Investment Corp.	Yeh Tzu Charitable Trust Fund	36.50%
	Han Shin Corp.	35.25%
	HERMES-EPITEK CORPORATION	9.00%
	Honder Holdings Ltd.	8.75%
	Vision Holdings Ltd.	6.25%
	Sincere Holding Company	4.25%

3. Professional qualifications and independence analysis of directors：

Criteria / Name	Professional Qualification Requirements	Experience	Independence situations (Complies with Note1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Jian-Hua Syu	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Chairman of Episil Technologies Inc. Chairman and general manager of Wellknown Holdings Ltd. Chairman and general manager of Taiwan Hi-Tech Corp. Independent director of Ultra Chip, Inc. Independent director of Upi Semiconductor	(3)(4)(6)(7)(8)(9)(10)(11)	2
Hsi-Hsin Chen	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Director of Episil Technologies Inc. Director of High Power Optoelectronics, Inc. Director of Energic Technologies Corporation. Director of Advanced Ion Beam Technology, Inc.	(1)(3)(4)(6)(7)(8)(9)(10)(11)	0
Ching-Tzong Sune	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Chairman of Precision Silicon Japan Co.,Ltd. Director of Taiwan Hi-Tech Corp.	(3)(4)(6)(7)(8)(9)(10)(11)	0
Guei-Rong Fan	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Director of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.	(3)(4)(6)(7)(8)(9)(10)(11)	0
Rong-Huang Luo	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Deputy General Manager of Nan Ya Photonics Incorporation General Manager of Nanya Optoelectronics (Kunshan) Trading Co., Ltd General Manager, NY Photonics Inc.USA Director of Hexi Energy Co., Ltd Director of Xuanguan Co., Ltd Formosa Plastics Co., Ltd	(1)(2)(3)(4)(6)(7)(8)(9)(10)(11)	0
Wun-Guei Ye	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	General manager of Jia Cai Investment Co. Ltd Director of Trend Lighting, Inc.	(1)(2)(4)(5)(6)(7)(8)(9)(10)(11)	0
Ze-Peng Chen	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Senior consultant of Epistar Corproration Director of Lynk Labs, USA	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	0
Wei-Min Shen	Professor, Department of Finance and Taxation.	Independent director of Upi Semiconductor Corp Independent director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation,National Taichung University of Science and Technology	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	3

Criteria / Name	Professional Qualification Requirements	Experience	Independence situations (Complies with Note1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Han-Liang Hu	Certified Public Accountant and Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Director of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Electronic Co., Ltd. Supervisor of ORIENT PHARMA CO., LTD.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	1

Note1: The directors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

4. Diversity of Directors:

(I)Diversity of the Board of Directors:

The composition of the Company's board members considers diversity from various aspects based on the "Corporate Governance Best-Practice Principles" and the "Procedures for the Election of Directors." There 9 directors and 3 independent directors in the Company' s board of directors, including a female director. The board members have professional backgrounds such as management, science and engineering, and financial analysis. They have experience in technological businesses, possessing the required semiconductor industry knowledge, judgment, international market concepts, leadership, and decision-making capabilities. This provides professional opinions from different aspects to improve the Company's operating performance and managerial efficiency.

The Company 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. Achieved management targets in 2021. More diversity of board members is as follows:

Diversified core projects / Name	Basic Composition							Possible Ability							
	Nationality	Gender	Also an employee	age		Term of office of independent directors (Year)		Operation judgment	Accounting and financial analysis	Operation management	Crisis management	Industrial knowledge	International market view	Leader ship	Decision making skills
				51~60	61~70	0~3	6~9								
Jian-Hua Syu	R.O.C	Male			V			V	V	V	V	V	V	V	V
Hsi-Hsin Chen	R.O.C	Male			V			V	V	V	V	V	V	V	V
Ching-Tzong Sune	R.O.C	Male	V		V			V	V	V	V	V	V	V	V
Guei-Rong Fan	R.O.C	female		V				V	V	V	V	V	V	V	V
Rong-Huang Luo	R.O.C	Male			V			V		V	V	V	V	V	V
Wun-Guei Ye	R.O.C	Male			V			V	V		V			V	V
Ze-Peng Chen	R.O.C	Male			V		V	V	V	V	V	V	V	V	V
Wei-Min Shen	R.O.C	Male			V		V		V		V				V
Han-Liang Hu	R.O.C	Male		V		V		V	V	V	V			V	V

(II) Independence of the Board of Directors: Please refer to page 12~13. The company has a total of 9 directors, including 3 independent directors, and the proportion of independent directors is 33%. The independent directors do not have the provisions of Article 26-3 of the Securities and Exchange Act. Items 3 and 4, and none of the directors of the company have Spouse and kinship within the second degree of kinship.

(II) Management Team：

April 23, 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
Presidents	R.O.C	Ching-Tzong Sune	Male	2016.01	136,400	0.05	0	0	0	0	Doctor's degree in Electrical Engineering, North Carolina State University	Chairman of PRECISION SILICON JAPAN CO.,LTD. Director of Taiwan Hi-Tech Corp.	None		
Vice Presidents	R.O.C	Shao-Hao Lyu	Male	2016.01	150,929	0.05	0	0	0	0	Doctor's degree in Department of Power Mechanics, Tsinghua University	None	None		

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

(III) Y2020 Remuneration of Directors, Independent Directors, President, and Vice Presidents

1. Y2020 Remuneration of Directors and Independent Directors

Unit: NT$ thousands

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name
(Note3)</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) & to Net Income (%)</th><th colspan="8">Relevant Remuneration Received by Directors Who are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) & to Net Income (%)</th><th rowspan="4">Remuneration from ventures other than subsidiaries or from the parent company (Note 1)</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Directors Compensation(C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F)</th><th colspan="4">Employee Compensation (G)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">All companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td rowspan="2">Chairman</td><td>Episil Technologies Inc.</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">3,599</td><td rowspan="13">3,599</td><td rowspan="13">126</td><td rowspan="13">126</td><td colspan="2" rowspan="13">toal : 3,725
% : 0.98%</td><td rowspan="13">4,028</td><td rowspan="13">4,028</td><td rowspan="13">108</td><td rowspan="13">108</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0</td><td colspan="2" rowspan="13">total : 7,861
% : 2.07%</td><td rowspan="13">100</td></tr>
<tr><td>Representative：Jian-Hua Syu</td></tr>
<tr><td rowspan="3">Director (Note2)</td><td>Episil Technologies Inc.</td></tr>
<tr><td>Representative：Min-Ci Huang</td></tr>
<tr><td>Representative：Hsi-Hsin Chen</td></tr>
<tr><td rowspan="2">Director</td><td>Episil Technologies Inc.</td></tr>
<tr><td>Representative：Ching-Tzong Sune</td></tr>
<tr><td rowspan="2">Director</td><td>Episil Technologies Inc.</td></tr>
<tr><td>Representative：Guei-Rong Fan</td></tr>
<tr><td rowspan="2">Director</td><td>Nan Ya Photonics Incorporation</td></tr>
<tr><td>Representative：Rong-Huang Lu</td></tr>
<tr><td rowspan="2">Director</td><td>Jiacai Investment Co. Ltd</td></tr>
<tr><td>Representative：Wun-Guei Ye</td></tr>
<tr><td>Independent Director</td><td>Wei-Min Shen</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">1,799</td><td rowspan="3">1,799</td><td rowspan="3">450</td><td rowspan="3">450</td><td colspan="2" rowspan="3">total : 2,249
% : 0.59%</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td colspan="2" rowspan="3">total : 2,249
% : 0.59%</td><td rowspan="3">None</td></tr>
<tr><td>Independent Director</td><td>Ze-Peng Chen</td></tr>
<tr><td>Independent Director</td><td>Han-Liang Hu</td></tr>
</table>

Note1: The Board of Directors of the Company decided on March 8, 2021 to allocate the remuneration to the directors for the year 2020. The above table is provisional and has not yet been reported to the regular meeting of shareholders.

Note2: The legal director, Episil Holding Inc., was reassigned as Mr. Hsi-Hsin Chen on August 2, 2021. (the original representative was Mr. Min-Ci Huang).

Note3: The legal director, Episil Holding Inc., was renamed Episil Technologies Inc. on September 1,2021.

Note4: Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The remuneration of the directors and independent directors of the company is authorized to be determined by the board of directors according to the degree of participation and contribution of each director and independent director to the operation of the company and by taking into account the standard paid by the industry at home and abroad.

Note 5: Except as disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company/all companies listed in the financial report/re-investment enterprises, etc.): None.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Parent company and all reinvested businesses
Less thanNT$ 1,000,000	Episil Technologies Inc./ Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/Min-Ci Huang/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Episil Technologies Inc./ Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/Min-Ci Huang/ Hsi-Hsin Chen/ Cing-Zong Sun/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Episil Technologies Inc./ Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/Min-Ci Huang/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu	Episil Technologies Inc./ Nan Ya Photonics Incorporation/ Jiacai Investment Co. Ltd/ Jian-Hua Syu/Min-Ci Huang/ Hsi-Hsin Chen/ Guei-Rong Fan/ Rong-Huang Luo/ Wun-Guei Ye/ Wei-Min Shen/ Ze-Peng Chen/ Han-Liang Hu
NT$1,000,000 ~ NT$1,999,999	-	-	-	-
NT$2,000,000 ~ NT$3,499,999	-	-	-	-
NT$3,500,000 ~ NT$4,999,999	-	-	Ching-Tzong Sune	Ching-Tzong Sune
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	13	13

2.Y2021 Remuneration of President and Vice Presidents Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Base Compensation (A)</th><th colspan="2">Bonus to Supervisors (B)</th><th colspan="2">Allowances (C)</th><th colspan="4">Employee Compensation (D) (Note1)</th><th colspan="2">Ratio of Total Remuneration (A+B+C) & to Net Income (%)</th><th rowspan="3">Remuneration from ventures other than subsidiaries or from the parent company</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th><th colspan="2">The company</th><th colspan="2">Companies in the consolidated financial statements</th><th rowspan="2">The company</th><th rowspan="2">Companies in the consolidated financial statements</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Presidents</td><td>Ching-Tzong Sune</td><td rowspan="2">6,888</td><td rowspan="2">6,888</td><td rowspan="2">216</td><td rowspan="2">216</td><td rowspan="2">17</td><td rowspan="2">17</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td><td colspan="2" rowspan="2">Total : 7,121
% : 1.87%</td><td rowspan="2">None</td></tr>
<tr><td>Vice Presidents</td><td>Shao-Hao Lyu</td></tr>
</table>

Note 1: The Board of Directors of the Company decided on February 14, 2022 to allocate the remuneration for employees in 2021. The above table is a provisional estimate.

Range of Remuneration

<table>
<tr><th rowspan="2">Range of Remuneration</th><th colspan="2">Name of Executive Officers</th></tr>
<tr><th>The company</th><th>Companies in the consolidated financial statements (D)</th></tr>
<tr><td>Less than NT$ 1,000,000</td><td>-</td><td>-</td></tr>
<tr><td>NT$1,000,000 ~ NT$1,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$2,000,000 ~ NT$3,499,999</td><td>Shao-Hao Lyu</td><td>Shao-Hao Lyu</td></tr>
<tr><td>NT$3,500,000 ~ NT$4,999,999</td><td>Ching-Tzong Sune</td><td>Ching-Tzong Sune</td></tr>
<tr><td>NT$5,000,000 ~ NT$9,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$10,000,000 ~ NT$14,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$15,000,000 ~ NT$29,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$30,000,000 ~ NT$49,999,999</td><td>-</td><td>-</td></tr>
<tr><td>NT$50,000,000 ~ NT$99,999,999</td><td>-</td><td>-</td></tr>
<tr><td>Greater than or equal to NT$100,000,000</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>2</td><td>2</td></tr>
</table>

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

Unit: NT$ thousands

Title		Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total(Note1)	Ratio of Total Amount to Net Income (%)
Executive Officers	Presidents	Ching-Tzong Sune	0	0	0	0%
	Vice Presidents	Shao-Hao Lyu				

Note 1: The Board of Directors of the Company decided on February 14, 2022 to allocate the remuneration for employees in 2021. The above table is a provisional estimate.

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

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

Unit: NT$ thousands

Year / Identity	Y2020				Y2021(Note1)			
	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	895	3.5%	895	3.5%	5,974	1.57%	5,974	1.57%
Executive Officers	6,981	27.2%	6,981	27.2%	7,121	1.87%	7,121	1.87%

Note 1: The Board of Directors of the Company decided on February 14, 2022 to allocate the remuneration for employees in 2021. The above table is a provisional estimate and has not yet been reported to the regular meeting of shareholders.

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, in accordance with the profits of the current year, allocate not less than 5% of the remuneration of employees and not more than 2% of the remuneration of directors." 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 " Manager incentive and performance bonus method ".

The Company established the Remuneration Committee on 2011 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 4 (A) meetings of the Board of Directors were held in 2021. The attendance of director were as follows:

Title	Name		Attendance in Person (B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Chairman	Episil Technologies Inc. (Note2)	Representative：Jian-Hua Syu	4	0	100%	
Director		Representative：Min-Ci Huang	0	2	0%	Corporate directors reassigned on Auguest 2 2021. Two attendances should be made in 2021
Director		Representative：Hsi-Hsin Chen	1	0	50%	
Director		Representative：Ching-Tzong Sune	4	0	100%	
Director		Representative：Guei-Rong Fan	4	0	100%	
Director	Nan Ya Photonics Incorporation	Representative：Rong-Huang Luo	4	0	100%	
Director	Jiacai Investment Co. Ltd	Representative：Wun-Guei Ye	4	0	100%	
Independent	Wei-Min Shen		4	0	100%	
Independent	Ze-Peng Chen		4	0	100%	
Independent	Han-Liang Hu		4	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 see page 54~56

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

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

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

Board meeting Term/ Date	Name of benefit avoidance director	Major resolutions	Should benefit to void the reason	A vote situation
8th Term 10th Session 2021.03.08	Cing-Zong Sun	1. Manager incentive and performance bonus 2. Proposal on executive compensation	Director himself	The rest of the directors present approved the case
8th Term 14th Session 2022.01.03	Jian-Hua Syu, Min-Ci Huang, Ching-Tzong Sune, Guei-Rong Fan, Rong-Huang Luo Wun-Guei Ye	1. General directors' business execution fees	Director himself	The rest of the directors present approved the case
8th Term 14th Session 2022.01.03	Wei-Min Shen, Ze-Peng Chen Han-Liang Hu,	1.Independent director business execution fees	Director himself	The rest of the directors present approved the case
8th Term 15th Session 2022.02.14	Cing-Zong Sun	1. Manager incentive and performance bonus 2. Proposal on executive compensation	Director himself	The rest of the directors present approved the case

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

(I)Evaluation Cycle：Annually

(II)Evaluation Period：2021/1/1~2021/12/31

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

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

(V)Evaluation Content：

1. The self-evaluation of board members includes the following aspects: (1)Familiarity with the goals and missions of the company; (2)Awareness of the duties of a director; (3) Participation in the operation of the company; (4)Management of internal relationships and communication; (5) The director's professionalism and continuing education; and (6)Internal control.
2. The self-evaluation of the board of directors includes the following aspects: (1) Participation in the operation of the company; (2)Improvement of the quality of the board of directors' decision making; (3) Composition and structure of the board of directors; (4)Election and continuing education of the directors; and (5) Internal control.
3. The self-evaluation of the functional committees includes the following aspects: (1) Participation in the operation of the company; (2)Awareness of the duties of the functional committee; (3) Improvement of quality of decisions made by the functional committee; (4)Composition of the functional committee and election of its members; and (5) Internal control.
4. At the end of each year, collect the relevant information of the board of directors and the functional committee, collect the questionnaire, make the score according to the evaluation index, and submit the report to the board of directors.
5. The Company completed the self-evaluation of board members ,the board of directors and functional committees in January 2022. And reported to the board of directors in February 2022. The overall operation of individual board members , the board of directors and functional committees is assessed as "beyond the standard" in 2021.

IV、Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. ：The Company has established the "Rules of Procedure of the Board of Directors" and has established a Compensation Committee on 21 December 2011 and an Audit Committee on 23 February 2016 to enhance the effectiveness of the Board of Directors.

Note: The attendance rate of the board of directors in 2020 (total actual attendance rate of all directors/total attendance rate that all directors should attend) is more than 91%.

Note1:The legal director, Episil Holding Inc., was reassigned as Mr. Hsi-Hsin Chen on August 2, 2021. (the original representative was Mr. Min-Ci Huang).

Note2:The legal director, Episil Holding Inc., was renamed Episil Technologies Inc. on September 1,2021.

(II) Operation of the audit committee and annual focus of work

I、Work Priorities in 2022：

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.

II、Audit Committee：

(1) The Audit Committee of the Company consists of three members (term commencing on June 14, 2019 and expiring on June 13, 2022).

(2) A total of 4 (A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	Delegated in Person	Attendance Rate (%)【B/A】	Remarks
Independent director	Wei-Min Shen	4	0	100%	
Independent director	Ze-Peng Chen	4	0	100%	
Independent director	Han-Liang Hu	4	0	100%	

Other mentionable items：

I、If any of the following circumstances occur, the date of the meeting, schedule, content of the proposal, content of independent directors' objections, reservations or major recommendations, results of the audit committee's resolutions and the company's handling of the audit committee's opinions:

1.Matters referred to in Article 14-5 of the Securities and Exchange Act.：

Audit Committee Term/ Date	Major resolutions	Comments and follow-up of the Board of Auditors	The Company's Handling of the Audit Committee's Opinions
2nd Term 9th Session 2021.03.08	1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2.2020 employee compensation and director compensation allocation 3.2020 Annual Business Report and Financial Report 4.2020 Earnings Allocation Proposal 5.2020 Assess the effectiveness of the internal control system and internal control system statement	The proposal listed on the left is that in addition to the cause of the 2nd term 11th meeting of the second session: The Company engaged in derivatives trading, the independent directors proposed that the organization of risk	All directors present agreed
2nd Term 10th Session 2021.05.10	1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2.Financial Report for the first quarter of 2020		All directors present agreed
2nd Term 11th Session 2021.08.02	1.The third issuance of new shares by domestic companies without guarantee through debt to capital increase		All directors present agreed

	2. Financial Report for the second quarter of 2021. 3. Discuss the Company's trading in derivatives.	measurement supervision and control personnel be subordinated to the board of directors and report to the board of directors on a regular basis he independent directors have expressed no objection or reservation to the following motions, and the motions have been approved by all members of the audit committee and all directors	
2nd Term 12th Session 2021.11.08	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2. Financial Report for the third quarter of 2021 3. Revision of the Company's internal control system 4. Establish an internal audit plan for the year 2022 5. The Company's Annual Visa Accountant and its assessment of independence in 2022		All directors present agreed
2nd Term 13th Session 2022.01.03	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2. 2022 annual operating plan and related manpower, equipment and cost budget		All directors present agreed
2nd Term 14th Session 2022.02.14	1. Annual employee compensation and director compensation distribution in 2021 2. 2021 Annual Business Report and Financial Report 3. 2021 Earnings Allocation Proposal 4. Handle cash capital increase and issuance of new shares. 5. Issued the fourth domestic unsecured conversion company debt. 6. 2021 Internal Control System Effectiveness Assessment and Internal Control System Statement.		All directors present agreed

2. 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
8th Term 12th Session 2021.08.02	1. 2020 employee compensation and director compensation allocation.	In the following proposals, independent directors avoided their interests due to director remuneration and did not articipate in voting.
8th Term 14th Session 2022.01.03	1. Expenses for business execution of independent directors	For the resolutions listed on the left, the independent directors did not participate in the voting because of their interest avoidance due to business execution costs.

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

1. 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.
2. 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.
3. Communication between Independent Directors, head of internal audit, and CPAs:

Date	Communicate matters with head of internal audit	Communicate matters with CPAs
2021.03.08	1. Internal audit business implementation report for the fourth quarter of 2020 2. 2020 Assess the effectiveness of the internal control system and internal control system statement	1. Audit of financial reports for the fourth quarter of 2020 2. Communicate with major governance units 3. Description of key audit matters 4. The accountant explains the questions raised by the Audit Committee
2021.05.10	1. Internal Audit Business Implementation Report for the first Quarter of 2021	1. Audit of financial reports for the first quarter of 2021 2. Communicate with major governance units 3. Description of key audit matters 4. The accountant explains the questions raised by the Audit Committee
2021.08.02	1. Internal audit business implementation 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. Description of key audit matters 4. The accountant explains the questions raised by the Audit Committee
2021.11.08	1. Internal Audit Business Execution Report for the third Quarter of 2021 2. Revision of the internal control system 3. 2022 Internal Audit Plan Report	1. Audit of financial reports for the third quarter of 2021 2. Communicate with major governance units 3. Description of key audit matters 4. The accountant explains the questions raised by the Audit Committee
2022.02.14	1. Internal audit business implementation report for the fourth quarter of 2021 2. 2021 Assess the effectiveness of the internal control system and internal control system statement	1. Audit of financial reports for the fourth quarter of 2021 2. Communicate with major governance units 3. Description of key audit matters 4. The accountant explains the questions raised by the Audit Committee

Note: The attendance rate of audit committee in 2021 (total actual attendance rate of all independent directors/total attendance rate required by all independent directors) is 100%.

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

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	✓		The company has formulated the "code of corporate governance", which regulates the protection of shareholders' rights and interests, the strengthening of the functions of the board of directors, the respect for interested parties, and the promotion of information transparency. For the company's "code of corporate governance", please visit the company's website (www.epi.episil.com) Query.	No difference
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?	✓		(I)The company convenes the shareholders' meeting in accordance with the company law and relevant laws and regulations, and formulates complete rules of procedure for shareholders' meeting. The company has a spokesman system and investor relations personnel to deal with shareholders' suggestions, doubts and disputes, and disclose the contact information on the company's website. Shareholders can respond to their opinions and handle them properly.	No difference
(II)Does the Company maintain a list of major Company shareholders and the ultimate owners of these shareholders?	✓		(II)In accordance with the provisions of the securities and exchange law, the company shall report to the public information observatory on a monthly basis the changes of equity held by insiders (directors, managers and shareholders holding more than 10% of the total shares), so as to obtain the list of the major shareholders who actually control the company and the ultimate controllers of the major shareholders, so as to ensure the stability of operation	No difference
(III)Has the Company built and executed a risk management mechanisms and "firewall" between the Company and its affiliates?	✓		(III)The company shall handle all transactions in accordance with the provisions of the SFC, formulate relevant procedures for capital loans, endorsements and guarantees with related enterprises, and establish internal control over the supervision of subsidiaries, so as to control risks.	No difference
(IV) Has the Company set internal standards to	✓		(IV)The company has established internal regulations such as "internal major	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
prohibit the use of undisclosed insider information to trade securities on the market?			information processing and prevention of insider trading management procedures", which prohibit the company's insiders from trading securities by using the unpublished information on the market. In 2021 years, 5 insiders participated in the business activities and case analysis courses of insider trading promotion and dishonest behavior risk prevention, with a total of 21 hours of training.	
III. Composition and responsibilities of the Board of Directors (I) Does the board formulate and implement a diversity policy and specific management objectives regarding membership?	✓		(I)The composition of the board of directors of the company is based on the "code of corporate governance" and "method for election of directors", and the diversity of board members is considered from many aspects. The company has nine directors, including three independent directors; one of them is a female director; the professional background of the board of directors covers management, science and engineering, financial analysis, etc., and it is a technology industry operator. It has the semiconductor industry knowledge, operation judgment ability, international market concept, leadership ability and decision-making ability that the company needs, so it can provide professional support from different angles Industry opinion can improve the company's operating performance and management efficiency. Please refer to page 14 for diversity of board members.	No difference
(II) Has the Company establish other functional committees besides the Compensation Committee and Audit Committee of its own accord?	✓		(II)In addition to the Remuneration Committee and audit committee established in accordance with the law, the company has set up a special committee on merger and acquisition voluntarily, and other functional committees will be set up according to the needs in the future.	No difference
(III)Has the Company established performance evaluation guidelines and evaluation methodology for the Board of Directors, done the performance	✓		(III)The company has formulated the board performance evaluation method and its evaluation method. Evaluate the board of directors, board members and all functional committees. The evaluation results of 2021 has submitted to the 15th report of the 8th board of	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
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?			directors on February 14, 2022 as the basis for review and improvement. The overall performance evaluation results of the board of directors will be used as the reference basis for the selection or nomination of directors (including independent directors), and the performance evaluation results of individual directors will be considered as the reference basis for determining their individual salaries and nominations for renewal in the future.	
(IV) Does the Company assess the independence of external auditors on a regular basis?	✓		(IV) 1. The company regularly evaluates the professional qualification and independence of Certified Public Accountants every year, together with the declaration letter issued by the certified public accountants that the independence has not been violated, and submits it to the board of directors for evaluation. 2. The company regularly evaluates the independence of certified accountants, including: (1)Whether accountants and their spouses and dependants have direct or significant indirect financial interests with the company. (2)Whether the accountant and his spouse and dependants have a business relationship with the directors and managers of the company that affects their independence. (3)During the audit period, whether the audit accountant and his spouse and dependants are directors or managers of the company or have direct and significant influence on the audit work. (4)Whether the auditor and the directors and managers of the company have spouse, direct blood relatives, direct in laws or second-class internal collateral blood relatives. 3. According to the evaluation results of the 8th board of directors of the 13th session of the 8th board of directors submitted by	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			the company on November 8, 2021, the certified public accountants of the company have no violation of the provisions of the code of professional ethics Bulletin No. 10, and the two accountants have not served as directors, managers or positions of significant influence of the company, nor have they any other financial interests and business relations, nor have their family members violated the regulations Independent requirements, meet the requirements of independence and competency.	
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)?	✓		In order to implement the corporate governance and promote the board of directors to play its due functions to safeguard the rights and interests of investors, the company has allocated suitable and appropriate number of corporate managers. The resolution of the board of directors passed on March 8, 2021, appointing Wu Shurong, the financial director, as the corporate governance director, to be responsible for the corporate governance related affairs. Manager Wu Shurong has the experience of financial director in public companies More than three years, the main business implementation is as follows and please refer to page 51 of 2021 continuing education situation. 1. Assist the board of directors or its committees in drawing up annual work plans and meeting agenda, and collect, study, analyze or provide relevant information. 2. To put forward analytical opinions on the legality, appropriateness and feasibility of the bills deliberated by the board of directors or its committees for the reference of the board of directors or its committees. 3. Ensure that the operation of the board of shareholders, the board of directors and the committees established by the board of directors of the company does not violate the laws, articles of association, resolutions of the board of shareholders and the corporate governance standards of the company.	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			4.Supervise the business related to the shareholders' meeting, and be responsible for the general administrative affairs such as the convening, notice, meeting and minutes of the board of directors and its committees. 5.Draw up the schedule of the board meeting, notify the directors seven days in advance, call the meeting and provide the meeting materials, and complete the minutes of the board meeting within 20 days after the meeting. 6.To evaluate and take out appropriate 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?	✓		The company has a dedicated investor relations unit to provide relevant information and communication channels including shareholders, customers, suppliers and investors. The company's website also sets up a special area for interested parties to contact with the responsible personnel to respond to the concerns of stakeholders. Important CSR issues and communication channels of concern to relevant stakeholders can also be found on page 35.	No difference
VI.Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company entrusts SinoPac Securities Corporation stock affairs agency to handle the affairs of the shareholders' meeting.	No difference
VII.Information Disclosure (I) Has the Company established a corporate website to disclose information regarding its financial, business and corporate governance status?	✓		(I)The company has set up a website (www.epi.episil.com) Disclose information related to financial business and corporate governance at any time.	No difference
(II)Does the Company adopt other information disclosure channels (e.g. maintaining an English-language website, designating	✓		(II)The company regularly updates the online reporting system for public information, designates a special person to collect and disclose the company's information, and establishes a spokesman system to ensure that information that may affect the decisions of shareholders and	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (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?	✓		interested parties can be timely and appropriately disclosed. In addition, the company regularly holds corporate briefing meetings every year, and places relevant information in the public information Observatory and the company's website to provide investors with operational and financial information of the company. (III)At present, the company has reported its financial report and monthly operating report in accordance with the specified date of "business matters for issuers of listed securities on the Taiwan Stock Exchange". The annual financial report shall be announced and reported within two months after the end of the fiscal year, and the operation shall be announced earlier than the prescribed deadline.	No difference
VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	✓		1. Employees' rights and interests: the company has working rules to ensure the protection of employees' rights and interests, and protects employees' rights and interests in accordance with the provisions of the labor basic law. In addition, the company has "measures for the implementation of labor management meetings" to serve as a channel for communication between employers and employees. 2. Employee care: the company obtained OHSAS18001 occupational safety and health management system certification. The international organization for Standardization (ISO) announced in March 107 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. The labor safety department is responsible for supervising and guiding all departments to carry out independent inspection and improvement, and regularly carry out various work safety inspection, so as to improve the safety and health of	No difference

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			operators, and regularly hold fire drills and work safety education and training, so as to cultivate employees' ability of emergency response and self safety management, so as to provide safe and appropriate working environment and necessary emergency rescue. 3. Investor relations, supplier relations, rights of interested parties: the company discloses information through the public information Observatory and the company's website, so that investors can fully understand the company's operating conditions, and communicate with investors through the shareholders' meeting and the spokesman mechanism. In addition, a special area for interested parties is set up on the company's website to respond to important issues of concern to interested parties. 4. The situation of directors' Further Education: Directors of the company may attend the courses of professional knowledge such as finance and business as required. Please refer to the situation of directors' further education on page 50~51. 5. Implementation of risk management policies and risk measurement standards: major operational policies, investment proposals, acquisition or disposal of assets, etc. are evaluated and analyzed by relevant departments, and then submitted to the board of directors for resolution. According to the risk assessment results, the Audit Office formulates the annual audit plan and implements it to implement the risk control and supervision mechanism. 6. Implementation of customer policy: the company has quality engineering department and business support department to provide transparent and effective after-sales service and customer complaint handling for products and services. 7. The company purchases liability insurance for directors: the company purchases liability insurance for directors. The insured amount in 2022 is US $5 million,	

Evaluation project	Operation			Differences between the code of practice for corporate governance of listed and OTC companies and the reasons
	yes	no	Summary	
			which has been submitted to the 15th session of the eighth board of directors and reported to the public information Observatory 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: The company has completed self-assessment and review, and will continue to strengthen the level of corporate governance.				

Note: Important CSR issues of concern to stakeholders and communication channels

Stakeholders	Important corporate social responsibility issues of concern	Communication channel
Employees	1. Employee compensation and benefits 2. Employee performance and promotion mechanism 3. Career planning and training development 4. Equal right to work 5. Physical and mental health and workplace safety 6. Labor relations 7. Company image and operating performance	1. Announce important information on the company's internal and external web pages 2. Performance appraisal and feedback communication tasks 3. The labor-management conference operates in accordance with the law 4. Employee feedback hotline, special area and e-mail 5. Staff Forum 6. Employee opinion survey 7. Establish an employee welfare committee 8. Set up medical staff and provide staff check-ups and consultations 9. Establish Occupational Safety and Health Committee 10. Establish a Meal Committee 11. Provide educational training resources and after-school satisfaction surveys
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:

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

Title	Criteria / Name	seniority	Professional Qualification Requirements	Experience	Independence situations (Complies with Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent director	Ze-Peng Chen	6 year	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Senior consultant of Epistar Corproration Director of Lynk Labs, USA	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	0
Independent director	Wei-Min Shen	6 year	Professor, Department of Finance and Taxation.	Independent director of Upi Semiconductor Corp Independent director of Advanced Lithium Electrochemistry (Cayman) Co., Ltd Independent director of ENNOSTAR Inc. Professor, Department of Finance and Taxation,National Taichung University of Science and Technology	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	2
Independent director	Han-Liang Hu	3 year	Certified Public Accountant and Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Fair joint accounting firm partnership accountant Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Chairman of the board of directors of Algoltek, Inc. Director of Jianrui Venture Capital Co. Ltd Director, Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd Independent director of Promate Electronic Co., Ltd. Supervisor of ORIENT PHARMA CO., LTD.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	1

Note: The member during the two years prior to being elected or during the term(s) of office. (Compliance is revealed in the table above)

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.

II、Attendance of Members at Remuneration Committee Meetings：

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

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

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Wei-Min Shen	2	0	100%	
Committee Member	Ze-Peng Chen	2	0	100%	
Committee Member	Han-Liang H	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
2021.03.08 4th Term 3rd Session	I. Employee Compensation and Director Compensation Distribution in 2020 II. Incentive and performance bonus for managers. III. The executive compensation proposal for 2021	The above proposals, except for independent directors to withdraw their interests due to the director’s remuneration, and propose that the remuneration of independent directors be submitted to the board of directors for negotiation. The other motions have been approved by all the members of the Compensation Committee and all the directors without any objection or reservation from the independent directors.
2021.08.02 4th Term 4th Session	I. Distribution of Directors’ Remuneration in 2020	
2022.01.03 4th Term 5th Session	I. Adjustment of employee remuneration expenses for the company’s in 2021 II. The Company’s general director business execution fee case III. The Company’s independent directors’ business execution expenses	
2022.02.14 4th Term 6th Session	I. The 2021 annual employee compensation and director compensation distribution plan. II. 2022 Employee Compensation and Director Compensation Appraisal Proposal III. Manager incentives and performance bonuses. IV. The salary proposal for managers in 2022.	

(V) Promoting Sustainable Development Implementation:

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
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?	✓		Following the vision and mission of the company's ESG policy, the " ESG Steering Committee " is established in 2022 to serve as the highest-level sustainable development decision-making center within the company. The chairman serves as the chairman and reviews 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 Implementation Committee " serves as a cross-departmental communication platform integrating top and bottom and horizontally connecting. Through meetings and task groups set up according to 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" will regularly report to the Board of Directors on the implementation results of sustainable development and future work plans.	No difference
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?	✓		The company has established "Corporate Social Responsibility Code", "Corporate Governance Code", "Integrity Management Code", "Episil-Precision Inc. Human Rights Policy" and other relevant regulations, actively planning corporate social responsibility strategies and directions, and promoting sustainable operations. Governance, and strictly abide by laws and regulations, to provide colleagues with a good working environment and reasonable remuneration and benefits; at the same time shoulder the important mission of a sustainable environment, the company colleagues start from themselves, implement environmental protection and energy	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			conservation, and call on colleagues to participate in social welfare activities. The internal risk management policy established by the company takes precautionary measures to reduce the loss caused by the risk as the principle, identifies, evaluates, handles and monitors the potential risks that may affect the company's goals, and regularly tracks and incorporates them into each unit Daily homework.	
III. Environmental Issues (I)Has the Company developed an proper environmental management system, given its distinctive characteristics?	✓		(I) We, EPi , based on the concept of sustainable operation, staying abreast of global climate change trends, strive to protect the earth and environment, advocate green manufacturing, energy saving and carbon reduction, minimize the environmental impact of our products and activities, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, protect environment, sustainable growth of enterprises.We determine to strictly comply with applicable legal requirements and other requirements relevant to Environment prevention. Pay attention to Environment issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing Environment and objectives to enhance the Environment and performance. The company obtained ISO14001 environmental management system certification in December 2001.It has passed the third party review regularly every year and is continuously effective	No difference
(II)Is the Company committed to achieving Energy efficiency and efficient use of resources, and using	✓		(II) Based on the environmental spirit of " cherishing natural resources", the company combines the core business of environmental protection with customers'	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
renewable materials that produce less impact on the environment?			trust, and jointly creates the concept of "sustainable operation" and social feedback, so as to continuously promote waste reduction and reuse.	
(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?	✓		(III)The company has assessed the potential risks and opportunities of climate change for enterprises now and in the future, incorporated them into risk management, and actively promoted energy and carbon reduction related operations.	No difference
(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?	✓		(IV)The company check and count greenhouse gas emissions every year. In 2019 and 2020, the company formulated a periodic review period for the management of greenhouse gas emissions,(They are 58,938 tCO2e/Yr and 53,645 tCO2e/Yr respectively). The water consumption in 2020 and 2021 are 739,266 tons and 735,825 tons respectively.Total weight of waste(Including the declaration data in the EPA' s business waste declaration and management information system and Recycling weight)，in 2019 and 2020,they are 117 ton and 119 ton. The waste recycling rate is 46% and 53 % respectively.The company achieved the results of ISO 14001 Environmental management certification, regular review, commitment to environmental sustainable development as one of the management core, and continuous improvement of environmental management system, in order to enhance the commitment of environmental performance. (1)Saving energy and reducing greenhouse gas: Regularly analyze and review the use of electricity,and use high-efficiency LED lamps. (2)Water resources management: 1.Reduce water consumption and recycle process wastewater	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			2.Set up monitoring facilities to ensure that the wastewater treatment meets the discharge standard (3)Sustainable utilization of earth resources: 1.Improve the efficiency of resource utilization: recycling of packaging materials and cartons, double-sided use of paper for documents, etc 2.Reduce the impact of environmental load: waste classification, resource recovery, electronic reduction of paper, etc (4)Green supply chain: The company attaches great importance to the cooperative relationship with supplier partners, aiming at establishing a stable semiconductor supply chain. Assist suppliers to carry out risk assessment, improvement and management. Chemical substances supplied by raw materials must comply with laws and regulations. Through the rigorous contractor management process, we really urge the contractor to comply with the safety, health and environmental protection regulations, and ensure the safety of operators and avoid property losses.	
IV. Social Issues (I)Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	✓		(I) T he company formulates work rules and related personnel management regulations in accordance with labor laws and regulations and international human rights conventions as the basis for company management. (1) The company implements a childcare leave without pay system, and also provides family care leave and physiological leave for colleagues. With reference to the international human rights conventions and the belief in respect for the equal rights and interests of men and women, the company establishes a special chapter on gender equality in work and sexual harassment prevention measures in the work rules.	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
(II) Has the Company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably tying operating results to employee salary?	✓		(2) Protect the rights and interests of employees In order to ensure the fairness of employees, the company will uphold the relevant provisions of the Labor Standards Law and Employment Service Law, protect human rights and prohibit employment discrimination, and provide a friendly working environment. (II) The company has provided a number of welfare policies for employees, in addition to the legally regulated labor insurance, health insurance, retirement pension and childcare leave, and annual health check for employees, three festival gifts and gift vouchers, wedding and funeral celebrations and condolences, and employee group insurance And other welfare measures, and according to the company' s profit, no less than 5% is allocated as employee compensation to promote labor-management harmony.	No difference
(III) Does the Company provide healthy work environment? Are employees trained regularly on safety and health issues?	✓		(III)We, EPi , strive to enhance safety and health, prevent injury and ill health, and eliminate hazard and reduce OH&S risks, and create a safe, healthy and comfortable working environment. Through the participation and consultation of all workers, with continuous improvement and periodically review, to achieve the goal of comply with applicable legal requirement, maintain a healthy safety atmosphere, and sustainable growth of enterprises. We determine to strictly comply with applicable legal requirements and other requirements relevant to OH&S hazard prevention. Pay attention to OH&S issues, evaluate the risks and opportunities, and take effective management measures and controls to the risk. Set up a framework for setting and reviewing OH&S objectives to enhance the OH&S performance. Establish a complete communication structure to actively communicate to all persons working under	No difference

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
			EPi, and be available to interested parties. Promote independent safety inspections by unit supervisors, as well as regular inspections by safety engineers and irregular project inspections to achieve the goal of continuous improvement. Regarding employee education and training, both new and in-service employees are required to carry out safety training in accordance with the law.OHSAS 18001 safety and health management system certification in January 2010. The international organization for Standardization (ISO) announced in March 107 that the new version of occupational health and safety management system (ISO 45001:2018) would replace OHSAS18001. The company obtained iso45001:2018 certification in October 2019. It has passed the review regularly every year and is continuously effective.	
(IV) Has the Company implemented an effective training program that helps employees develop skills over their career?	✓		(IV) The company has established a complete functional map and career development plan for employees, including newcomer training, management function training, professional training, core competence training, etc., through internal and external training, and C-Learning, E-Learning, OJT and other multiple learning methods, effective Improve work ability, and provide colleagues with on-the-job degree training assistance, language training assistance, etc., to motivate and assist colleagues in continuous self-development. The company has been awarded the Bronze Medal Award of Taiwan Training Quality System, which strengthens the professional skills of employees and provides the company with competitiveness and long-term development.	No difference
(V)Pertaining to the health and safety of customer when using the Company’s products and services, consumer privacy, marketing and labeling, does the	✓		(V) The marketing and labeling of our products and services comply with and comply with relevant laws and regulations and international standards.	No difference

<table>
<tr><th rowspan="2">Evaluation project</th><th colspan="3">Operation</th><th rowspan="2">Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons</th></tr>
<tr><th>yes</th><th>no</th><th>Summary</th></tr>
<tr><td>Company comply with the relevant regulations and international standards, and establish relevant policies on consumer and customer protection and complaint procedure?

(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?</td><td>

✓</td><td></td><td>(VI)Our company has a supplier evaluation system. We will conduct qualification examination with suppliers and confirm whether there are records of environmental and social impacts in the past. If there are, we will not contact them. When signing the contract, the supplier is required to promise to abide by all relevant ethical systems formulated by the company.</td><td>No difference</td></tr>
<tr><td>V. Does the Company refer to universal standard or guideline for report preparation when preparing for Sustainability Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from third party for the aforementioned reports?</td><td>✓</td><td></td><td>The company's performance of corporate social responsibility is in accordance with the provisions of the competent authorities and relevant laws and regulations. The company has set up a corporate social responsibility zone on its website and will disclose relevant information on its website and public information Observatory according to its actual operation.</td><td>No difference</td></tr>
<tr><td colspan="5">VI. If the Company has established integrity management principles in accordance with " Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" please describe the currentpractices and any deviations from the Best Practice Principles：The company plans to formulate a code of practice for the sustainable development of listed OTC companies</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of corporate conduct and ethics compliance practices of the Company: 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 Banned Substances Management Procedures" strictly control all products and materials as standards for the management of banned/restricted chemical substances for suppliers to comply with international conventions, environmental protection laws and customer specifications;
And through the implementation of the ISO14001 environmental management system, the optimization of energy saving is carried out, the water and electricity energy consumption is managed from the source, the impact on the environment is reduced and the cost is saved.The company conducts conflict ore source investigations on suppliers semi-annually and irregularly, and requires suppliers not to purchase or use mines from conflict areas</td></tr>
</table>

Evaluation project	Operation			Differences between the code of practice for Sustainable development of listed and OTC companies and the reasons
	yes	no	Summary	
controlled by non-governmental military groups or illegal military factions in the Democratic Republic of the Congo, including the metals such as Au, Ta, W and Sn 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 the requirements of RoHS and related laws and regulations to confirm whether its quality system complies with ISO9001.				

(VI)Status of Implementation of Integrity Operation:

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
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?	✓		(I) In order to implement the policy of good faith operation and actively prevent dishonest behaviors, the company has formulated the code of good faith operation and the code of ethics for employees to specifically regulate the matters that the board of directors, management and all employees should pay attention to when carrying out business.	No difference
(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?	✓		(II)The code of good faith practices of the company has formulated preventive measures for the business activities with high risk of dishonest behavior in the code of good faith practices of listed and OTC companies or other business scope, established effective accounting system and internal control system, and reviewed them from time to time, so as to ensure the continuous and effective implementation of the system.	No difference
(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?	✓		(III)The company has formulated "code of conduct for good faith" and "code of ethics for employees", which specify the operation procedures, conduct guidelines, punishment and complaint system for violations, and implemented them, and regularly reviewed and amended them.	No difference
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	✓		(I) According to the company's code of conduct on good faith, before conducting business transactions, the legitimacy and reputation of the objects of business transactions should	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
provisions in contracts with such counterparties?			be considered to avoid dealing with those who have dishonest behaviors. In addition, the terms of dishonest behaviors should be specified in the relevant business contracts. If the opposite party is involved in dishonest behaviors, the contract may be terminated or terminated at any time.	
(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?	✓		(II)In order to improve the management of good faith operation, the management center is responsible for the formulation of good faith operation policies and preventive plans, which are supervised and implemented by the audit unit and reported to the board of directors when necessary.	No difference
(III)Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	✓		(III)The company has formulated "code of conduct for good faith" and "code of ethics for employees" to prevent conflicts of interest, and set up investor section, Corporate Governance section, corporate social responsibility section and stakeholder section on the company's website for the reference of shareholders and stakeholders.	No difference
(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?	✓		(IV)The company has established an effective accounting system and internal control system, and the operation is normal. The internal auditors regularly carry out audit according to the audit plan and make audit reports, and the audit reports are sent to the chairman and independent directors for inspection, so as to implement honest operation and avoid fraud.	No difference
(V)Does the Company provide internal and external ethical conduct training programs on a regular basis?	✓		(V) Through departmental meetings, the company promotes and enables employees to understand the company's principles and norms of good faith management.	No difference

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
III. Implementation of the Whistleblowing System (I)Has the Company established specific whistle-blowing and reward procedures, accessible reporting channels, and designated personnel to handle the reported misconducts?	✓		(I)The company has established "code of conduct for good faith" and "code of ethics for employees". According to different issues, the company sets up special handling personnel and provides relevant reporting channels. Any violation of the company's code of ethics will be severely punished in accordance with the company's reward and punishment measures. In this year, there was no punishment for breach of integrity management regulations.	No difference
(II)Has the Company established standard operating procedures for investigating misconducts, follow-up measures taken after investigation and confidentiality protection mechanism?	✓		(II)The company has a suggestion mailbox and a full-time personnel unit responsible for handling employee complaints. Reporters can report through letters, emails, telephone lines, complaint platforms, etc., and handle them in a confidential manner. The company' s website has also set up a stakeholder contact platform to serve as a communication channel for handling stakeholder suggestions, doubts and disputes. In addition, to ensure the rights and interests of stakeholders, a rigorous reporting mechanism allows stakeholders to be safe and confidential. Convey the message.	No difference
(III)Has the Company provided proper whistleblower protection?	✓		(III)The company provides a reporting channel and takes appropriate protection measures in accordance with the law to maintain the personal data and privacy of the informant.	No difference
IV、Strengthen information disclosure？ 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?	✓		The company has downloaded (www.epi.episil.com) Disclosure of code of conduct.	No difference
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.				

Evaluation project	Operation			Differences and reasons between the code of good faith operation of listed and OTC companies
	yes	no	Summary	
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: In order to improve the corporate good governance system, the company has formulated the "Code of Procedure for the Board of Directors", "Rules of Procedure for the Board of Shareholders", "Method for the Election of Directors", "Code of Corporate Governance", "Code of Ethical Business Practice" and "Code of Corporate Social Responsibility".

(1)Director’s training：

Title	Name	During training	Organizer	Course title	Hours
Chairman	Jian-Hua Syu	2021/02/08	Securities and Futures Institute	Corporate Governance and Securities Regulations	3
		2021/08/26	Securities and Futures Institute	How should directors and supervisors supervise enterprise risk management and crisis management	3
Director	Ching-Tzong Sune	2021/11/03	Securities and Futures Institute	2021 Insider Trading Prevention Promotion Conference	3
Director	Guei-Rong Fan	2021/11/03	Securities and Futures Institute	2021 Insider Trading Prevention Promotion Conference	3
Director	Wun-Guei Ye	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021/11/05	Securities and Futures Institute	2021 Insider Trading Prevention Promotion Conference	3
Director	Rong-Huang Luo	2021/09/01	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3
		2021/11/05	Securities and Futures Institute	2021 Insider Trading Prevention Promotion Conference	3
Independent Director	Han-Liang Hu	2021/05/07	Taiwan Corporate Governance Association	Corporate Governance and Enterprise Management	3

Title	Name	During training	Organizer	Course title	Hours
		2021/03/16	Securities and Futures Institute	Corporate Governance and Securities Regulations	3
Independent Director	Wei-Min Shen	2021/08/26	Securities and Futures Institute	How should directors and supervisors supervise enterprise risk management and crisis management	3
		2021/02/08	Securities and Futures Institute	Corporate Governance and Securities Regulations	3

(2) Corporate Governance Supervisors：

Title	Name	During training	Organizer	Course title	Hours
Head of Corporate Governance	Shu-Rong Wu	2021/7/23	The Institute of Internal Auditors-Chinese Taiwan	Practical evolution of materiality benchmarks for untrue financial statements and determination of directors' and supervisors' responsibilities	3
		2021/7/23	The Institute of Internal Auditors-Chinese Taiwan	Legal Responsibilities of Enterprise Fraud and Practical Procedures of Investigation and Judgment	3
		2021/9/24	The Institute of Internal Auditors-Chinese Taiwan	Business activities and case analysis of dishonest behavior risk	6
		2021/10/18	Taipei Exchange	Insider Equity Promotion and Briefing Session of OTC Emerging Companies	3
		2021/11/12	Securities and Futures Institute	2021 Insider Trading Prevention Promotion Conference	3

(IX) Status of Implementation of Internal Control System

1. Statement of internal control system：

Episil-Precision Inc.

Statement of Internal Controls

Date: February 14, 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 accomplishments, reliability, timeliness, and transparency of reported information, and its compliance with relevant laws.

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

VII. This statement was passed at the board meeting held on February 14, 2022 by all 9 attending Directors.

Episil-Precision Inc.

Chairman:：Jian-Hua Syu

General Manager：Ching-Tzong Sune

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) Major resolutions passed at shareholders' meetings and board meetings held in the most recent year up till the printing date of this annual report:

1. Major resolutions and execution of the shareholders' meeting:

Shareholders' meeting	Resolutions	Execution
Shareholders' meeting August 19.2021	1. Acknowledgement of the 2020 financial statement 2. Acknowledging the 2020 surplus allocation.	1. The resolution was adopted. 2. The resolution was adopted, and the cash dividend was be paid on August 5, 2021.

2. Major resolutions passed in board meetings:

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
2021.03.08 8th Term 10th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase. 2. Adoption of 2020 employee compensation and director compensation allocation. 3. Adoption of the 2020 operating statement and financial report. 4. Pass the 2020 Earnings Distribution Bill. 5. Approved 2020 Assess the effectiveness of the internal control system and internal control system statement.	None	NA	All the directors present agree to pass
2021.05.10 8th Term 11th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase. 2. Adoption of the financial report for the first quarter of 2021. 3. Revised the company's "Procedure Rules for the Board of Directors", "Organization Rules for the Audit Committee", and "Organization Rules for the Compensation Committee".	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
2021.08.02 8th Term 12th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase 2. Adoption of financial report for the second quarter of 2021. 3. Engaged in derivative financial product transactions through the company. 4. Approved the company's 2010 director's remuneration distribution plan.	None	NA	All the directors present agree to pass
2021.11.08 8th Term 13th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increase. 2. Adoption of financial report for the third quarter 2021 3. Through the revision of the company's internal control system. 4. Adopt the internal audit plan for 2021. 5. Passed the company's annual audit accountant in 2022 and his independence assessment.	None	NA	All the directors present agree to pass
2021.01.03 8th Term 14th Session	1. Adopt the operating plan of 2021 and the budget of related manpower, equipment and expenses. 2. Approve the 2022 annual operating plan and budget for related manpower, equipment and expenses. 3. Approved the company's 2021 employee compensation adjustment plan. 4. Expenses for business execution through the general director of the company. 5. Expenses for business execution through independent directors of the company.	None	NA	All the directors present agree to pass
2022.02.14 8th Term 15th Session	1. Approved the 2021 employee compensation and director compensation distribution plan. 2. Pass the 2021 annual business report and financial report. 3. Pass the 2021 surplus distribution proposal. 4. By discussing the election of directors. 5. Nominate and review the list of candidates for directors (including independent directors) through the board of directors.	None	NA	All the directors present agree to pass

Board of Directors Date/Term	Content of the motion and subsequent processing	The independent director disagrees or reservations	Company responses to independent directors opinions	The resolution results
	6. Issue new shares through cash capital increase. 7. By issuing the fourth domestic unsecured convertible corporate bonds. 8. Pass the 2021 internal control system effectiveness assessment and internal control system statement.			

3. Important decisions of the Audit Committee:

Board of Directors Date/Term	Proposal content and subsequent handling	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors
2021.03.08 8th Term 10th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increas. 2. Adoption of 2020 employee compensation and director compensation allocation. 3. Adoption of the 2020 operating statement and financial report. 4. Pass the 2020 Earnings Distribution Bill. 5. Approved 2020 internal control system self-audit report and internal control system statement.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2021.05.10 8th Term 11th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increas. 2. Adoption of the financial report for the first quarter of 2021.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2021.08.02 8th Term 12th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increas. 2. Adoption of financial report for the second quarter of 2021.	✓	None

Board of Directors Date/Term	Proposal content and subsequent handling	Items listed in Article 14-5 of the Securities and Exchange Act	Resolutions not approved by the Audit Committee but approved by more than two-thirds of all directors
	3. Engaged in derivative financial product transactions through the company.		
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2021.11.08 8th Term 13th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increas. 2. Adoption of financial report for the third quarter 2021 3. Through the revision of the company's internal control system. 4. Adopt the internal audit plan for 2022. 5. Passed the company's annual audit accountant in 2022 and his independence assessment.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2022.01.03 8th Term 14th Session	1. The third issuance of new shares by domestic companies without guarantee through debt to capital increas. 2. Adopt the operating plan of 2022 and the budget of related manpower, equipment and expenses.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		
2022.02.14 8th Term 15th Session	1. Adoption of the 2021 operating statement and financial report. 2. Pass the 2021 Earnings Distribution Bill. 3. Issue new shares through cash capital increase. 4. By issuing the fourth domestic unsecured convertible corporate bonds. 5. Approved 2021 internal control system self-audit report and internal control system statement.	✓	None
	Audit Committee Resolution：All members of the Audit Committee agreed to pass. The company's handling of the opinions of the audit committee: all the directors present agreed to pass.		

(XII) Written opinions or declarations made by Directors or Supervisors against board resolutions in the most recent year, up till the printing date of this annual report: None.

(XIII) Resignation or dismissal of chairman, general managers, accounting directors, financial directors, internal auditors, corporate governance and R&D supervisors, up till the printing date of this annual report: None.

IV、Visa Accountant Fees：

Unit: Thousand (TWD)

Name of accounting firm	Name of CPA	Audit period	Audit fees	Non-Audit fees	Total	Remarks
Pricewaterhouse Coopers Taiwan	Jhih-Jheng Sie Yu-Kuan Lin	2021/01/01- 2021/12/31	3,220	150	3,370	

(I)Non-audit remuneration to external auditors, accounting firms and related businesses that amount to one-quarter or higher of audit remuneration:No such situation.(In 2021,the total amount of public fees for non executive salary review and change registration services will be NT $150,000)。

(II)If there is a reduction of audit fees paid compared to that in the previous year due to change of accounting firms, the amount of fees reduced, percentage, and reason shall be disclosed: No such situation.

(III)If the audit fees paid is less than 10% of that in the previous year, the amount of fees reduced, percentage, and reason shall be disclosed: No such situation.

(IV)Alternation of CPA：No such situation.

(V)Any of the Company’s Chairman, General Manager, or managers responsible for Financial or Accounting Affairs being employed by the auditor’s firm or any of its affiliated Company in the most recent year: No such situation.

V、Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders：

Title	Name	2021		As of Apr. 23, 2022	
		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 & Major shareholder	Episil Technologies Inc.	0	(5,000,000)	0	0
Chairman	Representative: Jian-Hua Syu	0	0	0	0
Director	Representative: Hsi-Hsin Chen	0	0	0	0
Director & General Manager	Representative: Ching-Tzong Sune	0	0	0	0
Director	Representative:Guei-Rong Fan	0	0	0	0
Director	Nan Ya Photonics Incorporation	(2,221,000)	0	0	0
	Representative: Rong-Huang Luo	0	0	0	0
Director	Jiacai Investment Co. Ltd	123,000	0	0	0
	Representative:Wun-Guei Ye	0	0	0	0
Independent Director	Wei-Min Shen	0	0	0	0
Independent Director	Ze-Peng Chen	0	0	0	0
Independent Director	Han-Liang Hu	0	0	0	0
Deputy General Manager	Shao-Hao Lyu	0	0	0	0

1. The counterparties of equity transfer are related parties：None
2. The counterparties of share pledges are related parties：None

VI、Information on Relationships among Top 10 Largest Shareholders：

Name	Shareholding		Shares Held by Spouse & Minors		Total shares held in the name of others		Names of spouse or other relatives within two degrees of consanguinity who are also among the Company’s top 10 largest shareholders		Remarks
	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Number	Percentage of Shareholding	Name	Relationship	
Episil Holding Inc	166,200,000	58.37	NA	NA	0	0	None	None	
Representative: Jian-Hua Syu	150,000	0.05	0	0.00	0	0	None	None	
Nan Ya Photonics Incorporation	9,847,325	3.46	NA	NA	0	0	None	None	
Representative: Wen-chao Wang	0	0.00	0	0.00	0	0	None	None	
HSBC Bank (Taiwan) Limited Entrusted custody of Manulife Vision Fund unit trust investment account	3,630,000	1.27	NA	NA	0	0	None	None	
Wun-Guei Ye	3,173,632	1.11	2,500,855	0.88	0	0	Siou-Cing Chen Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Jiacai Investment Co. Ltd	2,900,255	1.02	NA	NA	0	0	Siou-Cing Chen	Chairman	
Representative: Siou-Cing Chen	2,500,855	0.88	3,173,632	1.11	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Bi-xiang Ye	2,857,545	1.00	2,630,944	0.92	0	0	Wu-Shun Huang Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Wu-shun Huang	2,630,944	0.92	2,857,545	1.00	0	0	Bi-Siang Ye Wun-Guei Ye Siou-Cing Chen	Spouse Second degree relatives Second degree relatives	
Siou-Cing Chen	2,500,855	0.88	3,173,632	1.11	0	0	Wun-Guei Ye Bi-Siang Ye Wu-Shun Huang	Spouse Second degree relatives Second degree relatives	
Lin-gzhu Zhao	1,056,546	0.37	0	0.00	0	0	None	None	
TransGlobe Life Insurance Inc.	700,000	0.25	0	0.00	0	0	None	None	
Representative: Teng-De Peng	0	0.00	0	0.00	0	0	None	None	

VII、Combined Shareholding Ratio：

March 31, 2022/ Unit: shares

Affiliated Enterprise (Note1)	Ownership by the Company		Ownership by Directors, Supervisors, Managerial officers, and directly/indirectly owned subsidiaries		Total Ownership	
	Shares	% of Shareholding	Shares	% of Shareholding	Shares	% of Shareholding
PRECISION SILICON JAPAN CO.,LTD.	200	100	-	-	200	100

Note1：Investment by the company using the equity method

Four. Capital Overview

I、Capital and Shares：

(I) Sources of Capital ：

April 23, 2022 Unit: shares

Share categories	Authorized capital			Note
	Outstanding shares (public listed)	Unissued shares	Total	
Registered Common Shares	284,715,486	215,284,514	500,000,000	-

April 23, 2022
Unit: shares / NTD

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
105.01	10	300,000,000	3,000,000,000	243,575,315	2,435,753,150	Marge with Episil Semiconductor Co. Ltd	—	Note 1
105.05	10	300,000,000	3,000,000,000	244,179,315	2,441,793,150	Execute employee stock warrants 604,000 shares	—	Note 2
105.08	10	300,000,000	3,000,000,000	244,290,315	2,442,903,150	Execute employee stock warrants 111,000 shares	—	Note 3
105.11	10	300,000,000	3,000,000,000	244,320,315	2,443,203,150	Execute employee stock warrants 30,000 shares	—	Note 4
106.02	10	300,000,000	3,000,000,000	244,401,315	2,444,013,150	Execute employee stock warrants 81,000 shares	—	Note 5
107.01	29.8	300,000,000	3,000,000,000	274,401,315	2,744,013,150	Capital increase from cash 30,000,000 shares	—	Note 6
109.08	10	500,000,000	5,000,000,000	277,491,213	2,774,912,130	Corporate bonds into shares 3,089,898 shares	—	Note 7
109.11	10	500,000,000	5,000,000,000	278,816,103	2,788,161,030	Corporate bonds into shares 1,324,890 shares	—	Note 8
110.03	10	500,000,000	5,000,000,000	279,635,585	2,796,355,850	Corporate bonds into shares 819,482 shares	—	Note 9
110.05	10	500,000,000	5,000,000,000	280,068,790	2,800,687,900	Corporate bonds into shares 433,205 shares	—	Note 10
110.08	10	500,000,000	5,000,000,000	280,538,097	2,805,380,970	Corporate bonds into shares 469,307 shares		Note 11
110.11	10	500,000,000	5,000,000,000	282,320,639	2,823,206,390	Corporate bonds into shares 1,782,542 shares		Note 12

Time	Issue price (NTD)	Authorized capital		Paid-in capital		Remarks		
		Number	Amount	Number	Amount	Source of capital	Paid-in properties other than cash	Others
111.01	10	500,000,000	5,000,000,000	284,376,729	2,843,767,290	Corporate bonds into shares 2,056,090 shares		Note 13
111.04	10	500,000,000	5,000,000,000	284,715,486	2,847,154,860	Corporate bonds into shares 38,757 shares		Change registration has not been done

Note 1：Approved by February 19, 2016, GSZ No. 1050004119
Note 2：Approved by May 24, 2016, GSZ No. 1050013773
Note 3：Approved by August 22, 2016, GSZ No. 1050023364
Note 4：Approved by November 21, 2016, GSZ No. 1050032283
Note 5：Approved by February 06, 2017, GSZ No. 1060002669
Note 6：Approved by January 12, 2018, GSZ No. 1070002205
Note 7：Approved by August 18, 2020, GSZ No. 1090023232
Note 8：Approved by November 23, 2020, GSZ No. 1090032888
Note 9：Approved by February 22, 2021, GSZ No. 1100007646
Note 10：Approved by May 24,2021, GSZ No.1100014727
Note 11：Approved by August 20,2021,GSZ No.1100023377
Note 12：Approved by November 23,2021,GSZ No.1100034547
Note 13：Approved by January 19,2022,GSZ No.1110001782

(II) Status of Shareholders ：

April 23, 2022

Shareholder Structure / Quantity	Government agencies	Financial institutions	Others institutional investors	Individuals	Foreign institutions & individuals	Total
Number of Shareholders	1	12	59	36,202	99	36,373
Shareholding	1	1,145,726	179,931,144	94,413,933	9,224,682	284,715,486
Percentage of Shareholding (%)	0.00	0.40	63.20	33.16	3.24	100.00

(III) Shareholding Distribution Status：

April 23, 2022

Shareholding	Number of Shareholders	Total Shares Held	Holding Percentage%
1-999	12,504	957,278	0.34
1,000-5,000	21,313	37,450,106	13.15
5,001-10,000	1,515	11,941,224	4.19
10,001-15,000	412	5,295,847	1.86
15,001-20,000	205	3,800,245	1.33
20,001-30,000	168	4,402,756	1.55
30,001-40,000	61	2,186,761	0.77
40,001-50,000	38	1,769,478	0.62
50,001-100,000	78	5,525,374	1.94
100,001-200,000	37	5,090,607	1.79
200,001-400,000	25	7,202,057	2.53
400,001-600,000	5	2,287,100	0.80
600,001-800,000	3	2,009,551	0.71
800,001-1,000,000	0	0	0.00
1,000,001 and above	9	194,797,102	68.42
Total	36,373	284,715,486	100.00

(IV) List of major shareholders：

April 23, 2022

Name of major shareholders \ Shares	Shares Held (Shares)	Holding Percentage (%)
Episil Technologies Inc.	166,200,000	58.37%
Nan Ya Photonics Incorporation	9,847,325	3.46%
HSBC Bank (Taiwan) Limited Entrusted custody of Manulife Vision Fund unit trust investment account	3,630,000	1.27%
Wun-Guei Ye	3,173,632	1.11%
Jiacai Investment Co. Ltd	2,900,255	1.02%
Bi-Siang Ye	2,857,545	1.00%
Wu-Shun Huang	2,630,944	0.92%
Siou-Cing Chen	2,500,855	0.88%
Lin-gzhu Zhao	1,056,546	0.37%
TransGlobe Life Insurance Inc.	700,000	0.25%

(V) Information on Market Price, Book Value, Earnings Per Share and Dividends：

Unit: NT$

Items \ Year			2020	2021	As of April 23, 2022 of current year
Market price per share share	Highest		78.40	154.50	139.50
	Lowest		42.30	54.70	98.00
	Average		62.02	87.17	117.34
Equity per share	Before distribution		14.47	16.21	-
	After distribution(Note1)		14.22	15.01(Note1)	-
Earnings per share	Weighted-average shares (thousand shares)		276,543	281,253	-
	Earnings per share (NTD)		0.09	1.35	-
Dividend per share (NTD)	Cash dividends(Note1)		0.25	1.20(Note1)	-
	Stock dividends	From earnings	-	-	-
		From capital surplus	-	-	-
	Cumulative undistributed dividends		-	-	-
Investment return analysis	P/E ratio (Note 2)		689.11	64.57	-
	Price-dividend ratio (Note 3)		248.08	72.64	-
	Cash dividend yield (Note 4)		0.40	1.38	-

Note 1: The 2021 profit distribution plan was approved by the board of directors on February 14, 2022

Note 2：Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price。

(VI) Dividend Policy and Execution Status ：

1. The company will consider the industrial environment and growth stage, meet the future capital demand and long-term financial planning, and meet the shareholders' demand for cash flow. The annual amount of cash dividends shall not be less than 30% of the total amount of cash dividends and stock dividends issued in the current year.

2. Situation of dividend distribution discussed this year: The company's board of directors resolved on February 14, 2022 to issue a cash dividend of NT$1.2 per share, totaling NT$341,252,075.

(VII)The impact of the free allotment proposed by the shareholders' meeting on the company's business performance and earnings per share: not applicable.

(VIII)Employee dividends and directors' remuneration:

1. The percentage or range of employee dividends and directors' remuneration as set out in the articles of association:

   Article 25 of the articles of association:

   The company shall allocate not less than 5% for the remuneration of its employees and not more than 2% for the remuneration of its directors according to the profit situation of the current year. However, if the company still has accumulated losses, it shall reserve the amount of compensation in advance.

   Employees may be remunerated in stock or cash, and the objects of payment in stock or cash may include employees of subordinate companies who meet certain conditions.

2. According to the approval of the board of directors, the employee compensation and director compensation in 2021 are NT $53,976,166 and NT $5,397,617 respectively, all of which are paid in cash. It is based on the amount of the company's net profit before tax deducting the employee compensation and director compensation multiplied by the distribution ratio of employee compensation and director compensation proposed in the articles of association There is no difference in the annual cost estimates.

3. The actual distribution of employee dividends and directors' remuneration in the previous year (including the number of shares distributed, amount and share price), and the difference between the actual distribution and the remuneration of recognized employees and directors, the reasons for the difference and the handling situation: no difference.

(IX) Share repurchases: None

II、Corporate Bonds:

(I)Corporate bonds issued but not repaid：

April 23, 2022

Corporate Bond Type		The third domestic unguaranteed corporate bonds	The fourth domestic unguaranteed corporate bonds
Issue date		October 31, 2019	March 29, 2022
Denomination		NT$100,000	NT$100,000
Issuing and transaction location		Taipei Exchange	Taipei Exchange
Issue price		Issue by denomination 101%	Issue by denomination 101%
Total price		NT$600,000,000	NT$500,000,000
Coupon rate		0%	0%
Tenor		3 years Maturity: October 31, 2022	3 years Maturity: March 29, 2025
Guarantee agency		None	None
Consignee		KGI Commercial Bank Co., Ltd.	KGI Commercial Bank Co., Ltd.
Underwriting institution		KGI Securities Co., Ltd.	KGI Securities Co., Ltd.
Certified lawyer		Handsome Attomeys-at- Law Lawyer Ya-Wen Chiu	Handsome Attomeys-at- Law Lawyer Ya-Wen Chiu
CPA		PWC Dian-Yi Li CPA、Ya-Huei Jheng CPA	PWC Chih-Cheng Hsieh, CPA、Yu-Kuan Lin, CPA
Repayment method		Unless the holders of the convertible bonds are converted into the common shares of the company in accordance with Article 10 of the issuance and conversion rules, or the company purchases and cancels the bonds at the business offices of securities firms, the company will repay the bonds held by the bondholders in cash in one lump sum according to the face value of the bonds at the maturity of the bonds.	Unless the holders of the convertible bonds are converted into the common shares of the company in accordance with Article 10 of the issuance and conversion rules, or the company purchases and cancels the bonds at the business offices of securities firms, the company will repay the bonds held by the bondholders in cash in one lump sum according to the face value of the bonds at the maturity of the bonds.
Outstanding principal		NT $28,800,000	NT $500,000,000
Terms of redemption or advance repayment		Please refer to Appendix I of the company's prospectus for the issuance and conversion of the third domestic unguaranteed corporate bonds	Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds
Restrictive clause		None	None
Name of credit rating agency, rating date, rating of corporate bonds		None	None
Other rights attached	As of the printing date of this	As of April 23, 2022, 5,712 shares of NT 571.2 million have been converted into 10,314,171 shares of common	None were converted as of April 23, 2022.

Corporate Bond Type		The third domestic unguaranteed corporate bonds	The fourth domestic unguaranteed corporate bonds
	annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	stock.	
	Issuance and conversion (exchange or subscription) method	Please refer to Appendix I of the company's prospectus for the issuance and conversion of the third domestic unguaranteed corporate bonds.	Please refer to Appendix I of the company's prospectus for the issuance and conversion of the fourth domestic unguaranteed corporate bonds.
Issuance and conversion exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Please refer to the appendix of the public statement of the third domestic unguaranteed corporate bonds.	Please refer to the appendix of the public statement of the fourth domestic unguaranteed corporate bonds.
Transfer agent		None	None

(II)Issue convertible bonds, exchangeable bonds, and corporate bonds with warrants in general, and disclose the information of convertible bonds, exchangeable bonds, and corporate bonds with warrants in general.

A・Convertible Bonds

Corporate bond type		3rd Unsecured Convertible Corporate Bond	
Item / Year		Y2021	As of 2022/4/23
Market price of the convertible bond	Highest	174.00	246.00
	Lowest	113.05	200.00
	Average	160.31	217.88
Convertible Price		From July 18, 2020, the conversion price will be adjusted from NT$55.60 to NT$55.40; From July 19, 2021, the conversion price will be adjusted from NT$55.40 to NT$55.20.	
Issue date and conversion price at issuance		Issue Date：October 31, 2019 Conversion price at issuance:：NT$55.60	
Conversion methods		Issuing of new stocks	

Corporate bond type		4th Unsecured Convertible Corporate Bond
Item \ Year		As of 2022/4/23
Market price of the convertible bond	Highest	122.95
	Lowest	111.10
	Average	119.22
Convertible Price		128.00
Issue date and conversion price at issuance		Issue Date：March 29, 2022 Conversion price at issuance:：NT$128.00
Conversion methods		Issuing of new stocks

B · Exchangeable Bonds Information：None
C · Shelf Registration for Issuing Bonds：Non。
D · DCorporate Bonds with Warrants：None

III、Issuance of Special Stock:None
IV、Issuance of Global Depository Receipts:None
V、Issuance of Employee Stock Options:None
VI、Status of New Shares Issuance in Connection with Mergers and Acquisitions:None
VII、Financing Plans and Implementation:

(I)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 unsecured conversion of corporate bonds. The total amount raised by converting corporate bonds is 505,000,000 yuan).

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

Project	estimated finish time	total funds required	The actual amount paid as of 2021	Estimated progress of fund utilization								
				Y2022				Y2023				Y2024
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Purchase of machinery and equipment and related installation works	Q1 2024	960,187	122,286	52,937	173,824	119,281	267,836	65,153	62,950	58,720	18,600	18,600
Total		960,187	122,286	52,937	173,824	119,281	267,836	65,153	62,950	58,720	18,600	18,600
OVERVIEW OF EXPECTED POSSIBLE BENEFITS		The company intends to use the raised funds to purchase machinery and equipment and related installation works. The purchased machinery and equipment are mainly for the production capacity required for semiconductor epitaxial silicon wafers such as compounds and silicon wafers, which belong to the expansion of existing production lines.According to past experience, considering the time of delivery, installation, acceptance and customer certification of machinery and equipment, it is expected to be put into operation from the fourth quarter of 2022 to 2023. It is estimated that the output will increase by 32,900 pieces in 2022.It is estimated that the production can be increased to 288,600 pieces in fiscal 2023, and it is estimated that the annual production will increase to 440,400 pieces after fiscal 2024.；In terms of sales value, considering that only some machines have completed acceptance inspection and customer certification and started										

	mass production in 2022, the sales amount in 2022 is conservatively estimated to increase by NT$233,096 thousand.Due to factors such as the adjustment of the epitaxial foundry product mix of different materials and the market supply and demand situation, it is reasonable to estimate that the new sales value in 2023~2024 will be NT$1,211,321 thousand and NT$1,921,662 thousand respectively.The new sales value in 2025~2026 is NT$1,883,229 thousand and NT$1,845,565 thousand respectively；In terms of operating gross profit, it is reasonably estimated that the newly increased operating gross profit from 2022 to 2026 is NT$20,745 thousand, NT$170,571 thousand, NT$229,393 thousand, NT$222,217 thousand and NT$215,184 thousand respectively; In terms of operating benefits, it is reasonable to estimate that the new operating benefits from 2022 to 2026 will be NT$9,091 thousand, NT$110,005 thousand, NT$133,310 thousand, NT$128,056 thousand and NT$122,906 thousand, respectively.

Five. Business overview

I、Business Content:

(I) Scope

1. Main content: 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. 2021 Consolidated operating proportion：

Unit: NT$ Thousand ; %

Year / Major Divisions	Y2020		Y2021	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Epitaxial silicon wafer	4,039,180	100.00	5,043,332	100.00
Total	4,039,180	100.00	5,043,332	100.00

3. Current portfolios: production and foundry of Silicon Epitaxy, Silicon Carbide Epitaxy and Gallium Nitride Epitaxy.

4. New products planned to be developed

   (1) Gen 2 High Grade SiC-on-SiC epitaxy mass production technologies
   (2) RF GaN (GaN-on-Si) epitaxy technologies
   (3) Gen 2 650V GaN-on-Si epitaxy mass production technologies

(II)Industrial overview

1. Current status of the industry

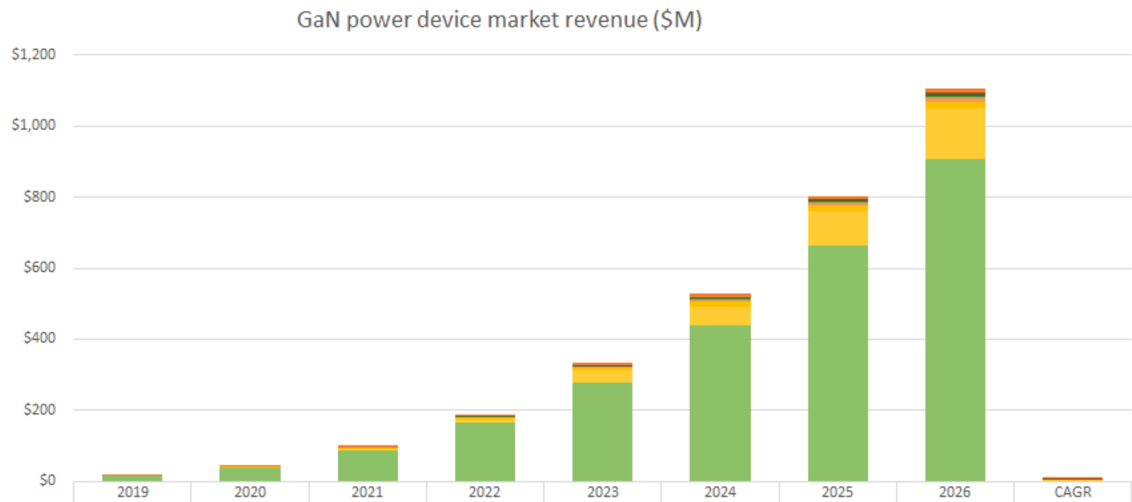
Fall 2021 Q4 Update	Amounts in US$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	**121,481**	**141,386**	21.3	27.4	16.4
Europe	37,520	**47,757**	**52,918**	-5.8	27.3	10.8
Japan	36,471	**43,687**	**47,928**	1.3	19.8	9.7
Asia Pacific	271,032	**342,967**	**371,291**	5.1	26.5	8.3
Total World - $M	440,389	**555,893**	**613,523**	6.8	26.2	10.4
Discrete Semiconductors	23,804	**30,337**	**33,275**	-0.3	27.4	9.7
Optoelectronics	40,397	**43,404**	**46,844**	-2.8	7.4	7.9
Sensors	14,962	**19,149**	**22,442**	10.7	28.0	17.2
Integrated Circuits	361,226	**463,002**	**510,962**	8.4	28.2	10.4
Analog	55,658	74,105	84,539	3.2	33.1	14.1
Micro	69,678	80,221	89,709	4.9	15.1	11.8
Logic	118,408	154,837	181,257	11.1	30.8	17.1
Memory	117,482	153,838	155,458	10.4	30.9	1.1
Total Products - $M	440,389	**555,893**	**613,523**	6.8	26.2	10.4

Source: WSTS, March 2022

According to the March 2022 report of World Semiconductor Trade Statistics (WSTS), the global semiconductor market grew in 2021, with a scale of $555.893 billion dollars, an annual increase of 26.2% from $440.389 billion in 2020. In 2022, the overall semiconductor market is expected to continued growth by 10.4%, while the analogic IC and discrete device markets, which are more closely related to the epitaxy material, will grow by 14.1% and 9.7% respectively.

In addition, GaN-on-Si wafers and GaN-on-SiC wafers, which have higher performance than silicon materials and have been successfully developed by Episil-Precision, are expected to be more widely adopted in Power discrete market.

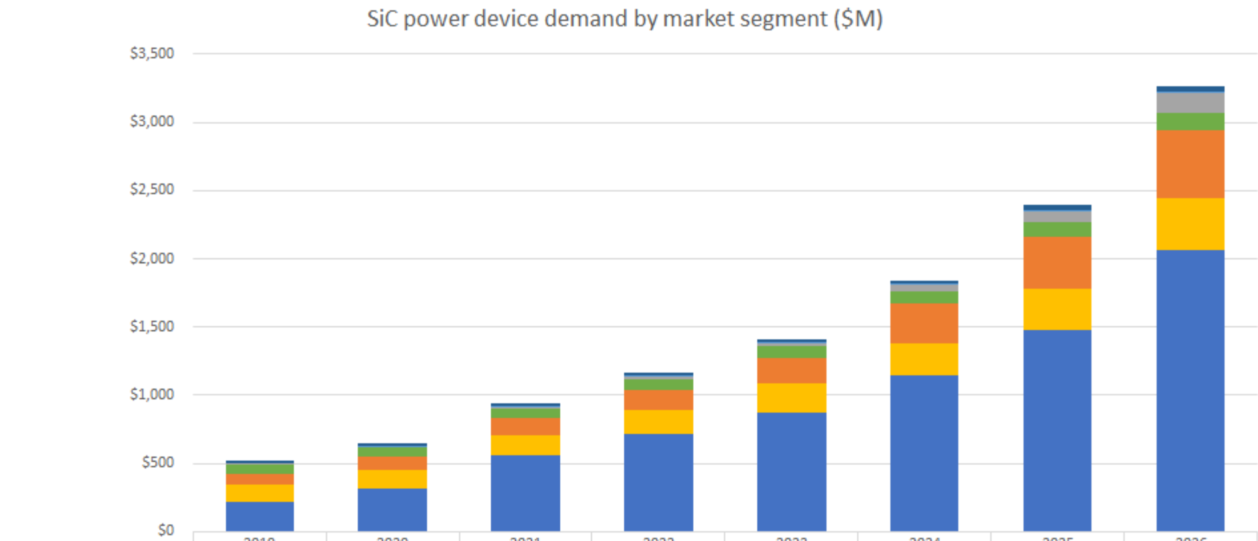
About WBG (wide band gate), according to Yole's 2021 forecast, the GaN power device market size will be from $21 million in 2019 to $1.1 billion in 2026 which expected to reach 70% CAGR (2019-2026). Fast charger adoption in mobile phone, data center, and 5G base station will be the main driven application.



	2019	2020	2021	2022	2023	2024	2025	2026	CAGR
Others	4.1	4.7	5.2	5.9	6.8	8.0	9.3	10.8	15%
PV	0.4	0.5	0.6	0.9	1.0	1.5	1.8	2.2	28%
Motor Drive	0.1	0.1	0.2	0.4	0.6	0.9	1.7	3.3	77%
UPS	0.1	0.4	1.0	1.5	2.6	3.4	3.8	5.3	57%
Wireless Power	0.3	0.6	1.0	1.5	2.2	3.7	4.8	6.5	48%
Mobility (e-bike, e-moto..)	0.0	0.0	0.2	0.4	1.4	4.7	7.1	10.2	132%
LiDAR	0.8	1.8	2.9	5.5	8.1	12.1	14.3	16.9	45%
Automotive EV/HEV	0.0	0.3	1.0	8.2	32.6	53.8	96.7	145.4	182%
Power Supply	15.0	38.2	88.2	165.1	278.9	439.3	664.8	906.0	69%

Sources：Yole, Q2 2021; Episil-Precision organized

In terms of SiC, Yole predicted a market size will be from $520 million in 2019 to $3.27 billion in 2026 which expected to reach 30% CAGR (2019-2026), and will play an important role in the EV, PV, and industrial sectors.

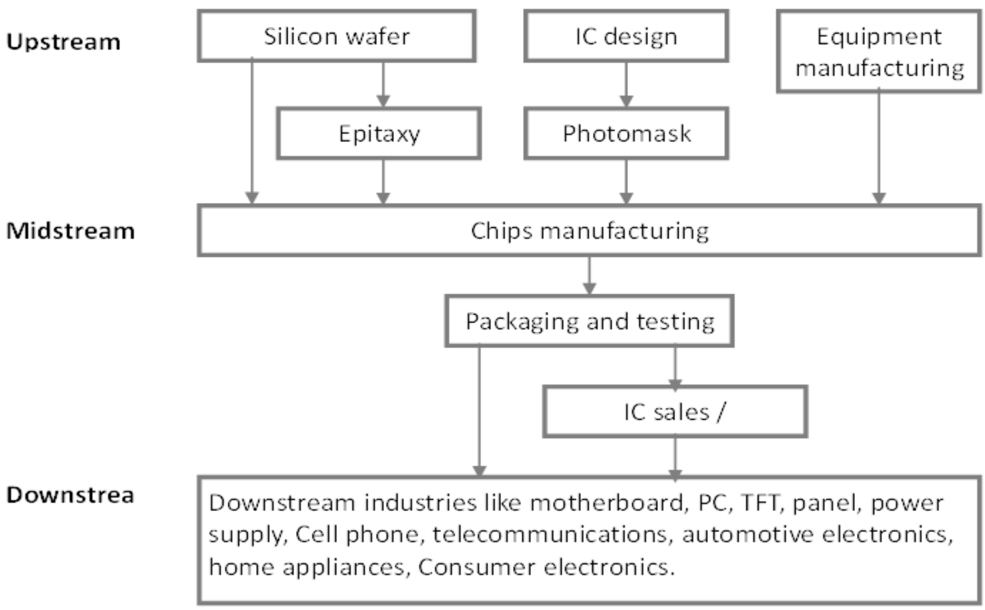


	2019	2020	2021	2022	2023	2024	2025	2026
Others	15	16	17	19	22	26	33	44
Comsumer	8	7	8	7	8	8	8	9
Transportation	3	5	8	14	23	43	80	150
Telecom & Infrastructure	69	68	74	78	86	95	106	120
Industrial	77	101	123	154	192	290	389	505
Energy	129	136	148	175	207	238	301	373
Automotive	220	313	560	714	876	1142	1475	2068

Sources：Yole, Q2 2021; Episil-Precision organized

2. Relevance of the industry

Relevance of the industry are shown in the figure below, the upstream industries include: wafer manufacturing or reclaiming, IC design, chemical manufacturing, equipment manufacturing, lead frame manufacturing and mask manufacturing, etc. The downstream industries are: packaging and testing, IC sales, system manufacturers. Episil-Precision belongs to the upstream wafer related industry.



With the evolution of vertical integration of semiconductor industry, the upstream are IC design companies and silicon wafer manufacturing companies. IC design companies design the circuit diagrams base on customers' request, and silicon wafer manufacturing companies use polysilicon as raw materials to produce silicon wafers. For the midstream, The IC wafer manufacturer companies follows the circuit diagram designed by IC design Companies and prints the basic circuit pattern on the wafer with photo mask, and then produces the circuit and device on the wafer by oxidation, diffusion, CVD, etching, ion implantation and other methods. The finished wafers are then sent to downstream IC packaging and testing companies, the dice are coated with plastic, ceramic or metal to protect from contamination and easy assembly, and attain the effect of electrical connection and heat dissipation between the chip and electronic system. Lastly testing process including function, electrical and heat dissipation tests. Episil-Precision's silicon and compound semiconductor (SiC and GaN) epitaxy belong to the upstream industry.

The major business of Episil-Precision and subsidiary are manufacture of Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, GaN Epitaxial Wafer, SiC Epitaxial Wafer, for semiconductor process on Bipolar IC, Power MOSFET, mixed type integrated circuit (logic device), high-voltage CMOS and high-voltage BCD. Among them, Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer are upstream products in the semiconductor industry. Silicon Epitaxial Wafers are essential materials for power transistors, small signal transistors, complementary metal oxide semiconductors, and VLSI. There are many applications of its downstream products, such as consumer electronics, automotive electronics, industrial control, telecommunications and computers, etc.

3. Industrial trend

Moving into the future, emerging technologies such as IoTs, wireless charging, and autopilot will increase the semiconductor content in end products, which can be expected to increase the production value of the semiconductor industry. Epitaxy technology, due to the superior electrical properties, it can be widely applied to discrete devices and ICs, such as power management, driver, optoelectronic, and protective devices s to meet ESG concept. Current mainstream power devices use 6 inches and 8 inches epitaxial wafers, but major IDMs have begun pushing production towards 12 inches power devices. In some application that beyond silicon's limit, there are increasing companies adopting wide band gap semiconductor devices. Episil-Precision is also working on SiC and GaN /Si epitaxy development.

4. Competition

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

Episil-Precision's epitaxial technology has recognized by domestic and foreign customers. We will go on developing new processes to provide quality, costly and competitive products to our customers.

(III)Overview of technology and R&D

1. Technical level and research development of the business

Episil-Precision has developed key epitaxial technologies for quality improvements such as gas supply stability monitoring technology, equipment improving for parameter stabilization and decompression growth technology. Our 6, 8 inch epitaxial silicon wafers, 6, 8 inch buried layer epitaxial silicon wafer and 8 inch super-junction epitaxial silicon wafers have been certified and adopted by large semiconductor manufacturers. In addition to legacy silicon materials, our new developed GaN and SiC epitaxy technologies are also certified and in mass production.

2. Research and Development Expenses by the Central Research Institute (CRI) in the Past year

Unit；NT$ thousands

Year	Y2021	2022/03/31
Total Expenses	68,520	11,505
Total Sales	5,043,332	1,472,570
%	1.36%	0.78%

3. Successfully developed technology or product

(1)Recent developed technologies or products

1) RF GaN (GaN-on-SiC) epitaxy mass production technologies
2) Ultra High resistance silicon epitaxy mass production technologies.

(2)Patents

Up to now, 7 ROC patents, 2 US patents, 2 China patents and 1 Japan patent have been filed and approved.

(IV)Long-term and short-term business plan

(1)Short-term business pla

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

(2)Long-term business plan

Due to long-term effort in business internationalization, service and quality improvement, we has been recognized by customers. In recent years, Episil-Precision develops China and emerging markets in response to the growing needs of Asian and China semiconductor market, and produce various types of epitaxy such as SOI, SiC and GaN/Si to expand the epitaxy business.

II、Market and Sales Overview:

(I) Market analysis

1. Sales (Service) Region

Unit；NT$ thousands

Area	Year	2020		2021	
		Amount	(%)	Amount	(%)
Domestic sales	Taiwan	2,340,255	57.94	2,791,166	55.34
Export sales	Japan	865,768	21.43	1,068,995	21.20
	Mainland China	478,424	11.85	629,903	12.49
	Other	354,733	8.78	553,268	10.97
Total Sales		4,039,180	100.00	5,043,332	100.00

2. The future demand and growth of the market

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

3. Niche of Competition

A. With a complete product line and market reputation

Episil-Precision has excellent epitaxial production technology, R&D capabilities, and market reputation. It is an important supplier for global silicon epitaxial material which can provide complete services in response to the needs of different customers. Market position is small amount of variety, and customer orders are all customized products.

B. Key technologies through strategic alliances

In addition to our own research and development, Episil-Precision also cooperates with customers and allied companies to develop processes technology. To reduce production costs, increase product yield, we also upgraded the transferred technology by our own technology and established a long-term relationship. In the other hand, employees are rewarded to apply patents with their research results for intellectual property protection.

C. Independent research and development capabilities

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

D. A robust portion of vertically integrated IC industry in Taiwan

For Taiwan stands a key position in the global semiconductor industry, Episil-Precision is an integral part of this value chain and has been closely integrated with upstream and downstream, and share mutual benefits. Therefore, Episil-Precision is not only internationally competitive, but also effective in developing new markets.

E. High-quality product is highly recognized by customers

About quality, Episil-Precision is ISO 9001:2015 and ISO/TS16949:2016 certified.

In terms of environmental safety and health, Episil-Precision is ISO 14001:2015 and ISO 45001:2018 certified.

4. Advantages and disadvantages of development prospects and countermeasures

A. Advantages

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

(B) Episil-Precision 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 human resource. The complete foundry service enables well-known domestic and foreign companies 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 China markets, to become a diversified market.

(C) Silicon wafer materials market grows as global semiconductor demand continues to grow. Devices like smart phones, tablets, computers are in strong demand, making memory, processors, communications chips and other IC components in short supply, also makes semiconductor materials market continued growth.

B. Disadvantages

(A) New competitors are coming into the market, squeezing margins. In addition, China government actively supports there domestic semiconductor industry, and the market competition becomes more fierce.

Countermeasures

a. Episil-Precision works with customers to develop new processes and products, and work on yield improvement to enhance the competitiveness of products. In recent years, epitaxial silicon wafer technologies have been applied in many products, including energy-saving products. Episil-Precision will continue to upgrade new manufacturing processes to face competition.

b. To develop business, adjust product portfolio, and establish strategic alliances to reduce impact from industry competition and economic.

c. To develop the epitaxial materials and device manufacturing technologies for next generation power semiconductors, and expend mass production lines, increase product value, and avoid price competition.

(B) Silicon wafers are essential materials for semiconductor devices. They are part of the semiconductor industry and are subject to semiconductor booms and booms..

Countermeasures

To carefully evaluate investment plans and schedule for personnel, machinery, capital and technology. Reduce the impact of business fluctuations by flexibility.

(II)Important use and production process of main products

(1)Important use of main products

The major business of Episil-Precision are manufacturing of Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer, GaN Epitaxial Wafer, SiC Epitaxial Wafer, for semiconductor process on Bipolar IC, Power MOSFET, mixed type integrated circuit (logic device), high-voltage CMOS and high-voltage BCD. Among them, Silicon Epitaxial Wafer, Buried Layer Epitaxial Wafer are upstream products in the semiconductor industry. Silicon Epitaxial Wafers are essential materials for power transistors, small signal transistors, complementary metal oxide semiconductors, and VLSI. There are many applications of its downstream derivative products, such as consumer electronics, automotive electronics, industrial control, telecommunications and computers, etc..

Product	Function	Use
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	Suitable for applications on communication,

Product	Function	Use
	10 times better than silicon wafer, and increase the operating frequency	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

(2)Process flow

Raw material

Epitaxy growth

Epitaxy film — Thickness/uniformity/resistance

Clean

Surface inspection — Particle /Metal

Package

Shipment

(III)Raw materials supply chain

EPi 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.

In recent years, EPi has developed energy-saving products and has been certified by major IDMs, which has resulted in stable revenue. In addition, EPi is also constantly develop products application and customer, to avoid the risk of market concentration.

(IV)Names of customers with 10% or more purchases or sales and the value of purchases or sales in the past two years and their ratios: please describe the reason for the increase or decrease

1. Major Suppliers in the Last Two Calendar Years：

Unit:NT$ thousands

Item	2020				2021			
	Company Name	Amount	Percent %	Relation with Issuer	Company Name	Amount	Percent %	Relation with Issuer
1	B	517,140	24.37	None	B	687,823	26.27	None
2	A	459,304	21.65	None	A	504,056	19.25	None
3	C	242,117	11.41	None	C	364,582	13.92	None
4	Others	903,317	42.57		Others	1,062,069	40.56	
	Net Total Supplies	2,121,878	100.00		Net Total Supplies	2,618,530	100.00	

2. Major Clients in the Last Two Calendar Years：

The company and its subsidiaries did not have customers who accounted for more than 10% of the total sales in the last two years.

(V) Production in the Last Two Years

Unit: floor; NT $ thousands

Year / Output / Major Products	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Epitaxial Wafer	4,976,000	4,129,821	4,022,450	4,976,000	4,887,977	5,057,601

Note: production capacity refers to the quantity that the company can produce under normal operation by using existing production equipment after measuring factors such as necessary downtime and holidays. Different product mix will affect the conversion of total capacity.

(VI) Shipments and Sales in the Last Two Years

Unit: Piece;NT$ thousands

Year / Shipments & Sales / Major Products	2019				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Epitaxial Wafer	2,604,650	2,340,255	1,433,418	1,698,925	2,955,781	2,791,166	1,751,516	2,252,166

III、Human Resources：

Employees information in the most recent two years and as of the publication date of the annual report

Year		2020	2021	As of 2022/4/23
Numbers Of Employees	Operators	273	258	262
	Indirect	365	353	406
	Total	638	611	668
Average Age		38.14	38.95	38.97
Average Years of Employment		9.44	10.19	10.03
Level of Education(%)	Ph.D.	0.63%	0.82%	0.90%
	Master's Degree	11.75%	12.76%	13.17%
	Bachelor's& Associate's Degree	65.52%	64.81%	66.02%
	Senior High School	20.69%	19.97%	18.56%
	Other	1.41%	1.64%	1.35%

IV、Environmental Protection Expenditure：

(I)Amount of losses and penalties for environmental pollution in the most recent year and up to the date of publication of the annual report: none.

(II)Future countermeasures and possible expenditures:

The company is committed to protecting the earth and the environment and providing safe and healthy workplaces. In the planning of the plant, we have carefully considered the pollution prevention and control facilities and treatment methods. After being reviewed by the Environmental Protection Bureau of Hsinchu County / city and the Administration Bureau of Hsinchu Science and Industry Park, we have met the statutory discharge standards and obtained the air, water, waste and poison permits. According to the law, the company has a special person responsible for the supervision and management of relevant environmental protection business, all of whom have relevant certificates. In December, 2001, the company obtained the certification of ISO 140001, and the new version of ISO 140001:2010 was issued by the international health and safety management organization. Both the environmental management system and the occupational safety and health management system have been reviewed and revised regularly. In the future, continuous improvement actions will be taken to strengthen pollution prevention, risk control, and reduce the impact on the environment and the risk of safety and health.

(III)Protection measures for working environment and personal safety of employees:

1. The company has set up an industrial safety department, which is responsible for the planning, implementation and audit of the safety and health management work in the plant area, continuously improving

various safety and health measures, and creating a safe and healthy working environment.

2. In order to make the colleagues have a correct understanding of the hazards and preventive measures in the operation, the safety and health education, training, propaganda and drills should be carried out regularly or irregularly, so as to enhance the safety awareness and emergency response ability of the colleagues.

3. Conduct staff health examination and health promotion activities (such as health weight loss, health lecture, etc.), and provide the latest health information to take care of and improve staff's physical and mental health.

4. A professional organization shall be entrusted to monitor the working environment every half a year, divide the similar exposure groups and establish their exposure status. According to the results of exposure assessment, chemicals shall be classified and managed, and relevant protective measures and operation control shall be taken to provide a safe and comfortable working environment for employees, so as to maintain their physical and mental health.

5. Formulate annual automatic inspection schedule, formulate inspection items covering hazard prevention of machinery and equipment according to the requirements of each unit, and implement the supervision and audit mechanism to prevent accidents and meet the requirements of laws and regulations.

V、Labor and Management Relationship：

(I) Employees welfare、 further Study and training、 retirement system and its implementation， as well as labor-management agreements and employee rights：

1. Employees welfare：

(1)All employees participate in labor insurance and national health insurance：
Employees from the day they officially start to work participate in labor insurance, national health insurance and accident insurance to ensure their rights.

(2)Employees regular health check：
In order to ensure the health of employees, in addition to providing regular free health check-ups, the company also adds other specific item health check-ups for special operators.

(3) Staff training ：

A. Staff training and training methods

Employees are the company's most important asset. In order to cultivate talents, the company has established complete training procedures and implemented various training courses based on the employees functions. The company's training covers orientation training, on-the-job training, external training, self-development, and certification and appraisal methods to improve the work efficiency of employees and provide customers with better product quality and services.

B. Staff training and expenditure information

Year 2021 current employees training as follows:

Items	Total	Class	Total hours	Cost($NT)
Function Professional Training	530	241	306.5	217,200
Class Management Training	15	5	5.5	36,625
Others	1,005	86	109.5	25,042
Total	1,550	332	421.5	278,867

(4) Employees welfare：

The Employee Welfare Committee provides subsidies for birthdays, marriages, childbirth, funeral ceremonies and organizes employee tours and a number of club activities to enhance the friendship of employees and relax their bodies and minds.

2. Employee Retirement System：

In order to take care of employee’s retirement life and promote labor-management harmony, the company has implemented a retirement system in accordance with the “Labor Standards Act” and the “Labor Pension Act”. For employees who choose the old pension system, the company will allocate retirement funds in accordance with the provisions of the Ministry of the Interior’s Retirement Reserve and Management Measures, and transfer them to the special account designated by the competent authority; employees who choose the new pension system, the company every month allot 6% of the average monthly salary of the worker to the individual employee pension account. The rest of the retirement matters shall be handled in accordance with the relevant provisions of the” Labor Standards Act” and “Labor Pension Act”.

3. Other important agreements：

The company has always spared no effort in protecting the rights of employees and caring for employees’ body and mind. The labor-management relationship is very harmonious. The company has established an employee welfare committee to be responsible for the planning of employee welfare matters.

Use more communication and coordination methods for labor and management to ensure that both labor and management can obtain a common understanding, so that all tasks can be promoted smoothly. In addition to strengthening the communication between labor and management and cooperation team, it also attaches importance to the opinions and complaints of employees.

Labor-management meetings are held regularly, and no labor-management disputes have occurred so far.

4. Other important information that helps to understand the operation of corporate social responsibility：
The company' s labor relations policy has always adhered to the philosophy of sincerity, cooperation, and sharing, constantly strives to create a harmonious happy working atmosphere and living environment through internal communication, with the hope to establish a satisfactory relationship of mutual trust between employees and management to allow all employees to enjoy the company, prosperity and growth together; Implementation of external social responsibilities is in the planning and execution of the company' s various employee relationship activities, such as:

Item		Donation / Order
2017/5/20	Social Welfare Foundation 「LOVE FLIES ～ Enlightenment and Environmental Love Garden Party」	$50,000
2017/12/2	Social Welfare Foundation 「LOVE LIGHTS UP」 Presentation of Disable Learning Results	$50,000
2017/1/11	Corporate Encouragement Voice Social Welfare Foundation Workshop	Order 600 boxes of chocolates for a total of $60,000 for company events
2017/12/29	Corporate World Peace Association 「Live a Good Year with Hungry Children」	$30,000
2017/12/29	Eden Social Welfare Foundation「2018 Love Around the Stove Charitable Works」	$30,000
2018/3/30	Hsinchu Catholic Charity Social Welfare Foundation 「Fun Flash ~ Development ~ Special Education ~ Sanitation. Environmental Love Garden Party 」	$50,000
2018/5/25	World Peace Organisation 「2018 Children' s Drama Charity Performance Event」	$20,000
2018/10/12	Eden Social Welfare Foundation 「2018 Service Plan for Developmental Delay Children」	$30,000
2019/4/12	Hsinchu Catholic Charity Social Welfare Foundation 「2019/5/18 Young Happiness ~ Development & Environmental Love Garden Party」	$30,000
2019/5/3	Corporate World Peace Association 「Rescue Children from Starvation 2019 Children' s Drama Charity Performance」	$20,000
2019/9/6	Eden Social Welfare Foundation 「Eden-Elderly Care Service Plan (Spend a Quality life with Them」	$30,000。
2020/1/17	Corporate World Peace Association 「Happy	$20,000

Item		Donation / Order
	Chinese New Year for hungry children 」	
2020/12/4	Hsinchu Catholic Charity Social Welfare Foundation, 「Christmas Happiness, Learning Achievement Parent-Child Activity」	$50,000
2020/11/6	Eden Social Welfare Foundation「2020 The disabled Service Program」	$30,000
2021/11/19	Eden Social Welfare Foundation 「2021 Service Plan for Persons with Disabilities」	$30,000
2021/10/23	Happiness Painted Pottery Music and Grassland Concert-Joint Exhibition of Art Creation for the Disabled	$50,000

(II)Losses suffered due to labor disputes in the most recent year and as of publication date of the annual report, the estimated amount and corresponding measures that may occur at present and in the future are disclosed： None

(III)Employee Code of Conduct:

1. In order to comply with the relevant regulations of listed companies such as the Securities Exchange Law, to protect the rights and interests of employees, customers and shareholders, the company has formulated a code of conduct for employees, as summarized below：

A. Corporate governance standards

Be truthful with shareholders, customers, suppliers, competitors, at all levels of government agencies and other persons or organizations that will be affected by the company's activities. Strictly abide the various laws and regulations, commit to the transparency of the company's response to external disclosure as well and respect social culture.

Uphold the principle of fair competition as the foundation of business operations, and aim to continuously provide high-quality products and services. To maintain profitability as the company's operation goal for a long time to ensure shareholder's remuneration rights.

B. Maintain the trading order and fairness of the securities market

The company has established a code of conduct for employees. Any information that may affect the market price of the company's stocks should be disclosed by the company's spokesperson. Before the authority and responsible unit announced according to law, employees should keep confidential the information learned due to their duties. Prohibited to disclose without authorization.

If an employee is an insider as defined by the stock exchange, the person must comply with the "Insider Equity Transition Reporting Operation" to handle equity changes.

C. Maintain an excellent working environment

Within the company, propaganda for political parties or politicians is not allowed, nor allowed to spread religion or recruit for charitable organizations.

Department heads above employees should avoid relatives within third-degree relatives (including) to work in the company. Employees performing non-official services should be approved by their superiors.

D. Promote social harmony

No employee of the company shall accept any form of bribery. If there is a gift for the holidays and festivals, it should be shared by all departments or given to the Welfare Committee for use in activities.

Employees shall not introduce illegal software to the company's computer system for use.

2. In order to establish an accurate concept of gender equality among colleagues and protect employee's rights and interests at work, the company provides a working environment free from sexual harassment, and formulates sexual harassment prevention, complaints and punishment measures.
3. In order to promote workplace harmony, protect all employees' workplace safety and work rights, prevent employees while performing their duties encounters internal and external workplace violence incidents. There is a 「Workplace Violence Prevention Measures」 to prevent unlawful violations.

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) Infocom Security Risk Management Framework：

A. The company's information department is responsible for information security policy management and planning, and an information security team is responsible for information security-related incident handling and reporting.

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

(2) Information Security Policy：

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

(3)specific management plan：

A. Endpoint device protection and control: install antivirus software, keep operating system updated, import DLP mechanisms, and file encryption security solutions。

B. Central external control: establish a security protection platform such as Firewall, Mail Gateway, Proxy Gateway, etc.

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

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

(4) Infocom Security 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 compiled and continuously invested in accordance with protection needs.

(II) In the most recent year and as of the date of publication of the annual report, losses, possible impacts and countermeasures due to major information security incidents: None.

VII、Important contracts：

Nature of contract	Parties	Contract start and end date	Main contents	Restrictions and remarks
Sales contract	Company A	From 2020 to 2022	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company B	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company C	From 2019 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company D	From 2018 to 2024	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company E	From 2015 to 2025	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company F	From 2019 to 2029	To formulate the relevant conditions, rights and obligations of both parties	None
Sales contract	Company G	From 2020 to 2030	To formulate the relevant conditions, rights and obligations of both parties	None

Six. Financial Information

I、Condensed Balance Sheet and Consolidated Income Statement

(I) Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT$ thousands

Item	Year	Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		2,830,595	3,080,313	2,933,641	3,306,410	4,237,835
Property, Plant and Equipment		1,729,977	2,603,048	2,495,653	2,059,306	1,799,031
Intangible assets		68,658	64,398	58,639	55,096	53,245
Other assets		171,920	262,004	534,286	544,752	523,424
Total assets		4,801,150	6,009,763	6,022,219	5,965,564	6,613,535
Current liabilities	Before distribution	1,142,385	1,641,576	1,044,706	1,103,174	1,530,855
	After distribution	1,279,586	1,915,977	1,113,306	1,173,184	1,872,107(Note)
Non-current liabilities		141,280	312,000	1,157,811	816,851	472,601
Total liabilities	Before distribution	1,283,665	1,953,576	2,202,517	1,920,025	2,003,456
	After distribution	1,420,866	2,227,977	2,271,117	1,990,035	2,344,708(Note)
Equity attributable to shareholders of the parent		3,517,485	4,056,187	3,819,702	4,045,539	4,610,079
Capital stock		2,444,013	2,744,013	2,744,013	2,796,356	2,843,767
Advance share capital		639,931	0	0	0	0
Capital surplus		255,415	846,718	875,577	1,104,180	1,313,939
Retained earnings	Before distribution	177,837	464,935	199,631	144,555	453,283
	After distribution	40,636	190,534	131,031	74,545	112,031(Note)
Other equity interest		289	521	481	448	(910)
Total equity	Before distribution	3,517,485	4,056,187	3,819,702	4,045,539	4,610,079
	After distribution	3,380,284	3,781,786	3,751,102	3,975,529	4,268,827(Note)

Source:Financial report audited and certified by accountants.

Note： The 2021 profit distribution plan was approved by the resolution of the board of directors on February 14, 2022.

(II) Individual Condensed balance sheet – Based on IFRS

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		2,820,916	3,074,354	2,927,749	3,295,949	4,226,837
Property, Plant and Equipment		1,729,977	2,603,048	2,495,653	2,059,306	1,799,031
Intangible assets		68,658	64,398	58,639	55,096	53,245
Other assets		174,813	266,442	539,863	554,221	532,965
Total assets		4,794,364	6,008,242	6,021,904	5,964,572	6,612,078
Current liabilities	Before distribution	1,135,599	1,640,055	1,044,391	1,102,182	1,529,398
	After distribution	1,272,800	1,914,456	1,112,991	1,172,192	1,870,650(Note)
Non-current liabilities		141,280	312,000	1,157,811	816,851	472,601
Total liabilities	Before distribution	1,276,879	1,952,055	2,202,202	1,919,033	2,001,999
	After distribution	1,414,080	2,226,456	2,270,802	1,998,043	2,343,251(Note)
Equity attributable to shareholders of the parent		3,517,485	4,056,187	3,819,702	4,045,539	4,610,079
Capital stock		2,444,013	2,744,013	2,744,013	2,796,356	2,843,767
Advance share capital		639,931	0	0	0	0
Capital surplus		255,415	846,718	875,577	1,104,180	1,313,939
Retained earnings	Before distribution	177,837	464,935	199,631	144,555	453,283
	After distribution	40,636	190,534	131,031	74,545	112,031(Note)
Other equity interest		289	521	481	448	(910)
Total equity	Before distribution	3,517,485	4,056,187	3,819,702	4,045,539	4,610,079
	After distribution	3,380,284	3,781,786	3,751,102	3,975,529	4,268,827(Note)

Source:Financial report audited and certified by accountants.

Note： The 2021 profit distribution plan was approved by the resolution of the board of directors on February 14, 2022.

(III)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	3,342,938	4,524,026	3,854,729	4,039,180	5,043,332
Gross profit	463,513	769,988	245,406	243,959	726,433
Income from operations	221,399	499,480	6,399	11,488	464,113
Non-operating income & expenses	(9,393)	29,817	4,082	8,371	16,556
Income before tax	212,006	529,297	10,481	19,859	480,669
Continue with the business unit Net (loss) profit for the current period	180,310	430,119	10,478	25,693	380,530
Net income (Loss)	180,310	430,119	10,478	25,693	380,530
Other comprehensive income (income after tax)	(6,943)	(5,588)	(1,421)	(12,202)	(3,150)
Total comprehensive income	173,367	424,531	9,057	13,491	377,380
Net income attributable to shareholders of the parent	180,310	430,119	10,478	25,693	380,530
Net income attributable to non-controlling interest	0	0	0	0	0
Comprehensive income attributable to Shareholders of the parent	173,367	424,531	9,057	13,491	377,380
Comprehensive income attributable to non-controlling interest	0	0	0	0	0
Earnings per share	0.74	1.57	0.04	0.09	1.35

Source:Financial report audited and certified by accountants.

(IV) Individual 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	3,326,529	4,504,898	3,838,154	4,022,775	5,027,125
Gross profit	453,997	759,423	235,334	233,311	718,625
Income from operations	221,902	498,025	4,766	6,902	462,154
Non-operating income & expenses	(9,920)	30,940	5,212	12,284	18,234
Income before tax	211,982	528,965	9,978	19,186	480,388
Continue with the business unit Net (loss) profit for the current period	180,310	430,119	10,478	25,693	380,530
Net income (Loss)	180,310	430,119	10,478	25,693	380,530
Other comprehensive income (income after tax)	(6,943)	(5,588)	(1,421)	(12,202)	(3,150)
Total comprehensive income	173,367	424,531	9,057	13,491	377,380
Earnings per share	0.74	1.57	0.04	0.09	1.35

Source:Financial report audited and certified by accountants.

(V)Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2017	PricewaterhouseCoopers Taiwan	Dian-Yi Li Ya-Huei Jheng	Clean audit opinion
2018	PricewaterhouseCoopers Taiwan	Ya-Huei Jheng Dian-Yi Li	Clean audit opinion
2019	PricewaterhouseCoopers Taiwan	Dian-Yi Li Ya-Huei Jheng	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

II、Financial analysis

(1) Consolidated Financial Analysis - Based on IFRS

Item	Year	Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	26.74	32.51	36.57	32.19	30.29
	Ratio of long-term capital to property, plant and equipment	211.49	167.81	199.45	236.12	282.52
Solvency (%)	Current ratio	247.78	187.64	280.81	299.72	276.83
	Quick ratio	200.56	136.14	193.27	221.55	216.35
	Interest earned ratio (times)	51.53	66.77	1.59	2.04	38.96
Operating performance	Accounts receivable turnover (times)	4.09	4.15	3.55	4.24	4.37
	Average collection period	89	88	103	86	83
	Inventory turnover (times)	6.38	6.00	4.19	4.23	4.77
	Accounts payable turnover (times)	10.71	9.03	8.30	9.71	9.42
	Average days in sales	57	61	87	86	77
	Property, plant and equipment turnover (times)	2.12	2.09	1.51	1.77	2.61
	Total assets turnover (times)	0.81	0.84	0.64	0.67	0.80
Profitability	Return on total assets (%)	4.43	8.08	0.41	0.68	6.21
	Return on stockholders' equity (%)	5.80	11.36	0.27	0.65	8.79
	Pre-tax income to paid-in capital (%)	8.67	19.29	0.38	0.71	16.90
	Profit ratio (%)	5.39	9.51	0.27	0.64	7.55
	Earnings per share (NT$)	0.74	1.57	0.04	0.09	1.35
Cash flow	Cash flow ratio (%)	14.77	36.42	37.80	44.98	45.23
	Cash flow adequacy ratio (%)	103.20	55.72	64.18	70.88	74.38
	Cash reinvestment ratio (%)	2.61	6.20	1.48	5.15	6.94
Leverage	Operating leverage (Note)	1.88	1.59	63.14	40.24	2.01
	Financial leverage	1.02	1.02	(0.56)	(1.50)	1.03

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

1. Increase in interest earned ratio (times):The increase was mainly due to increase in revenue in 2021，led to the increase in operating gross profit and operating profit, and the increase in net profit before tax compared with 2020.
2. Property, plant and equipment turnover (times):The increase was mainly due to increase in revenue in 2021.
3. Increase in Increase in profitability related ratios:The increase was mainly due to increase in operating gross profit and operating profit due to the growth of revenue in 2021,and the increase in pre-tax and after-tax net profit, resulting in increase in various profitability indicators.
4. Increase in the cash reinvestment ratio: The increase was due to increase in revenue and net cash flow from operating activities in 2021.
5. Decrease in operating leverage:The decrease was due to increase in revenue and operating profit in 2021.
6. Increase in financial leverage:The increase was due to increase in revenue and operating profit in 2021.

Source:Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

(2) Individual Financial Analysis – Based on IFRS

Item	Year	Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	26.63	32.49	36.57	32.17	30.28
	Ratio of long-term capital to property, plant and equipment	211.49	167.81	199.45	236.12	285.52
Solvency (%)	Current ratio	248.41	187.45	280.33	299.04	276.37
	Quick ratio	201.41	135.92	192.78	220.81	215.84
	Interest earned ratio (times)	51.53	66.73	1.56	2.00	38.95
Operating performance	Accounts receivable turnover (times)	3.97	4.04	3.46	4.14	4.29
	Average collection period	92	90	105	88	85
	Inventory turnover (times)	6.37	5.98	4.18	4.22	4.76
	Accounts payable turnover (times)	10.68	9.01	8.29	9.70	9.42
	Average days in sales	57	61	87	86	77
	Property, plant and equipment turnover (times)	2.11	2.08	1.51	1.77	2.61
	Total assets turnover (times)	0.8	0.83	0.64	0.67	0.80
Profitability	Return on total assets (%)	4.44	8.08	0.41	0.68	6.21
	Return on stockholders' equity (%)	5.80	11.36	0.27	0.65	8.79
	Pre-tax income to paid-in capital (%)	8.67	19.28	0.36	0.69	16.89
	Profit ratio (%)	5.42	9.55	0.27	0.64	7.57
	Earnings per share (NT$)	0.74	1.57	0.04	0.09	1.35
Cash flow	Cash flow ratio (%)	14.92	36.03	38.52	45.04	44.51
	Cash flow adequacy ratio (%)	102.26	55.10	55.30	68.75	72.14
	Cash reinvestment ratio (%)	2.62	6.12	1.57	5.16	6.81
Leverage	Operating leverage (Note)	1.88	1.59	84.43	66.31	2.02
	Financial leverage	1.02	1.02	(0.36)	(0.56)	1.03

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

1. Increase in interest earned ratio (times): The increase was mainly due to increase in revenue in 2021，led to the increase in operating gross profit and operating profit. The net profit also increased, resulting in increase in equity at the end of 2021.
2. Increase in Property, plant and equipment turnover (times): The increase was mainly due to increase in revenue in 2021，led to the increase in operating gross profit and operating profit, and the increase in net profit before tax compared with 2020.
3. Increase in profitability related ratios:The increase was mainly due to increase in revenue compared with 2020..
4. Increase in the cash reinvestment ratio: The increase was due to increase in operating gross profit and operating profit due to the growth of revenue in 2021,and the increase in pre-tax and after-tax net profit, resulting in increase in various profitability indicators.
5. Decrease in operating leverage:The decrease was due to increase in revenue and operating profit in 2021.
6. Increase in financial leverage:The increase was due to increase in revenue and operating profit in 2021.

Source:Financial report audited and certified by accountants.

Note: Depreciation and amortization are deducted from operating costs and operating expenses as variable operating costs and expenses.

Note ：The calculation formula for financial analysis is as follows：

1. Financial structure:
   (1)Debt of long fund to bank property and equipment=total liabilities/total assets
   (2)Ratio of liabilities to assets=(net shareholder's equity+long-term liabilities)/net fixed assets
2. Solvency:
   (1)Current ratio=current assets/current liabilities
   (2)Quick ratio=(current assets-inventory-prepaid expense)/current liabilities
   (3)Times interest earned ratio=net income before tax and interest expense/interest expense
3. Operating ability:
   (1)Account receivable turnover (including accounts receivable and notes receivable resulted from businessoperation)=net sales/average balance of account receivable (including accounts receivable and notes receivable resulted from business operation)
   (2)Days sales in account receivable=365/account receivable turnover
   (3)Inventory turnover=cost of goods sold/average inventory
   (4)Account payable turnover (including accounts payable and notes payable resulted from business operation)=operating costs/average balance of account payable (including accounts payable and notes payable resulted from business operation)
   (5)Average days in sales=365/inventory turnover
   (6)Fixed property and equipment turnover=net sales/net fixed assets
   (7)Total assets turnover=net sales/average total assets
4. Profitability:
   (1)Ratio or return on total assets=[net income+interest expense*(1-tax rate)] / average total assets
   (2)Ratio or return on shareholder's equity=net income/average net shareholder's equity
   (3)Profit ratio=net income/net sales
   (4)Earnings per share=(net income-preferred stock dividend)/weighted average stock shares issued
5. Cash flow:
   (1)Cash flow ratio=net cash flow from operating activity/current liabilities
   (2)Cash flow adequacy ratio=(net cash flow from operating activities within five year/(capital expenditure+inventory increase +cash dividend) within five year
   (3)Cash re-investment ratio=(net cash flow from operating activity -cash dividend)/(total fixed assets+long-term investment+other assets+working capital)
6. Balance：
   (1)Operation balance=(net operating income-operating variable cost and expense) / operating income
   (2)Financial balance= operating income/(operating income-interest expense)

III、Audit Committee' s Report

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
2021Annual Meeting of Shareholders, Episil-Precision Ine.

Chairman of the Audit Committee: Tzer Pemg Chen

Date: February 14,2022

IV、Financial report including accountant's audit report:

EPISIL-PRECISION 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 entities that are required to be included in the consolidated financial statements of the affiliates, are the same as the entities required to be included in the consolidated financial statements of Episil-Precision Inc. and subsidiary in accordance with International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of the affiliates has all been disclosed in the consolidated financial statements of Episil-Precision Inc. and subsidiary, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Episil-Precision Inc.

Representative: Xu, Jian-Hua

February 14, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000383

To the Board of Directors and Shareholders of Episil-Precision Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Episil-Precision Inc. and its subsidiary (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 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.

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 Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the these reguirments. 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

<u>Description</u>

Please refer to Note 4(12) 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$926,547 thousand and NT$58,087 thousand, respectively.

The Group primarily engages in research and development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafers. 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 financial statements, we identified allowance for inventory valuation losses a key audit matter.

<u>How our audit addressed the matter</u>

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.
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-Precision 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 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, 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 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 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 14, 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-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,550,172	24	$ 1,369,084	23
1136	Current financial assets at amortised cost	6(2) and 8	407,858	6	-	-
1150	Notes receivable, net	6(3)	-	-	1,733	-
1170	Accounts receivable, net	6(3)	1,127,566	17	870,968	15
1180	Accounts receivable due from related parties, net	7	192,438	3	113,149	2
1200	Other receivables		16,159	-	12,629	-
1210	Other receivables due from related parties	7	11,850	-	12,642	-
1220	Current income tax assets		-	-	49,912	1
130X	Inventories	6(4)	868,460	13	795,543	13
1410	Prepayments	9	57,446	1	66,739	1
1470	Other current assets		5,886	-	14,011	-
11XX	**Total current assets**		4,237,835	64	3,306,410	55
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income		17	-	17	-
1600	Property, plant and equipment	6(5)	1,799,031	27	2,059,306	35
1755	Right-of-use assets	6(6)	253,681	4	265,767	4
1760	Investment property - net	6(8)	169,579	3	174,628	3
1780	Intangible assets	6(9)	53,245	1	55,096	1
1840	Deferred income tax assets	6(27)	34,014	-	38,125	1
1920	Refundable guarantee deposits	7	66,133	1	66,215	1
15XX	**Total non-current assets**		2,375,700	36	2,659,154	45
1XXX	**Total assets**		$ 6,613,535	100	$ 5,965,564	100

(Continued)

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 446,283	7	$ 300,067	5
2130	Current contract liabilities	6(20)	38,395	1	71,160	1
2170	Accounts payable	6(11)	483,114	7	430,168	7
2180	Accounts payable to related parties	7	1,616	-	1,859	-
2200	Other payables	6(12)	350,315	5	231,868	4
2220	Other payables to related parties	7	38,181	1	36,205	1
2230	Current income tax liabilities		96,188	1	3,325	-
2280	Current lease liabilities		9,894	-	9,699	-
2300	Other current liabilities		66,869	1	18,823	-
21XX	**Total current liabilities**		1,530,855	23	1,103,174	18
	Non-current liabilities					
2527	Non-current contract liabilities	6(20)	95,298	1	113,401	2
2530	Bonds payable	6(13)	-	-	300,556	5
2570	Deferred income tax liabilities	6(27)	36,549	1	38,721	1
2580	Non-current lease liabilities		251,452	4	261,346	4
2640	Net defined benefit liability, non-current	6(14)	81,012	1	94,537	2
2645	Guarantee deposits received		8,290	-	8,290	-
25XX	**Total non-current liabilities**		472,601	7	816,851	14
2XXX	**Total liabilities**		2,003,456	30	1,920,025	32
	Equity attributable to owners of parent					
	Share capital	6(16)				
3110	Share capital - common stock		2,843,767	43	2,796,356	47
	Capital surplus	6(17)				
3200	Capital surplus		1,313,939	20	1,104,180	18
	Retained earnings	6(18)				
3310	Legal reserve		63,445	1	62,093	1
3350	Unappropriated retained earnings		389,838	6	82,462	2
	Other equity interest	6(19)				
3400	Other equity interest		(910)	-	448	-
3XXX	**Total equity**		4,610,079	70	4,045,539	68
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 6,613,535	100	$ 5,965,564	100

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

EPISIL-PRECISION 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(20) and 7	$ 5,043,332	100	$ 4,039,180	100
5000	Operating costs	6(4) and 7	(4,316,899)	(86)	(3,795,221)	(94)
5900	Gross profit from operation		726,433	14	243,959	6
	Operating expenses	6(25)(26) and 7				
6100	Selling and marketing expenses		(54,408)	(1)	(46,343)	(1)
6200	General and administrative expenses		(139,392)	(3)	(124,798)	(3)
6300	Research and development expenses		(68,520)	(1)	(61,344)	(2)
6450	Expected credit impairment gain	12(2)	-	-	14	-
6000	Total operating expenses		(262,320)	(5)	(232,471)	(6)
6900	Operating profit		464,113	9	11,488	-
	Non-operating income and expenses					
7100	Interest income	6(21)	4,956	-	3,842	-
7010	Other income	6(22)	45,513	1	41,058	1
7020	Other gains and losses	6(23)	(21,249)	(1)	(17,397)	-
7050	Finance costs	6(24)	(12,664)	-	(19,132)	(1)
7000	Total non-operating income and expenses		16,556	-	8,371	-
7900	**Profit before income tax**		480,669	9	19,859	-
7950	Income tax (expense) benefit	6(27)	(100,139)	(2)	5,834	-
8200	**Profit for the year**		$ 380,530	7	$ 25,693	-
	Other comprehensive income, net					
8311	Gains (losses) on remeasurements of defined benefit plans	6(14)	($ 1,792)	-	($ 12,169)	-
	Items may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations	6(19)	(1,358)	-	(33)	-
8300	**Other comprehensive loss, net**		($ 3,150)	-	($ 12,202)	-
8500	**Total comprehensive income for the year**		$ 377,380	7	$ 13,491	-
	Profit, attributable to:					
8610	Owners of the parent		$ 380,530	7	$ 25,693	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 377,380	7	$ 13,491	-
	Basic earnings per share	6(28)				
9750	Basic earnings per share(in dollars)		$	1.35	$	0.09
	Diluted earnings per share	6(28)				
9850	Diluted earnings per share(in dollars)		$	1.35	$	0.09

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

EPISIL-PRECISION 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									
			Capital Reserves					Retained Earnings			
	Notes	Share capital - common stock	Additional paid-in capital	Employee stock options	Warrants	Restricted stocks	Others	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Equity
2020											
Balance at January 1, 2020		$2,744,013	$ 836,224	$ 10,494	$ 28,547	$ 312	$ -	$ 61,183	$ 138,448	$ 481	$3,819,702
Profit for the year		-	-	-	-	-	-	-	25,693	-	25,693
Other comprehensive loss	6(19)	-	-	-	-	-	-	-	(12,169)	(33)	(12,202)
Total comprehensive income (loss)		-	-	-	-	-	-	-	13,524	(33)	13,491
Appropriation of 2019 earnings	6(18)										
Legal reserve		-	-	-	-	-	-	910	(910)	-	-
Cash dividends		-	-	-	-	-	-	-	(68,600)	-	(68,600)
Share-based payments	6(15)	-	-	-	-	358	-	-	-	-	358
Conversion of corporate bonds	6(13)(16)(17)	52,343	242,071	-	(13,826)	-	-	-	-	-	280,588
Expired employee stock options		-	-	(10,494)	-	-	10,494	-	-	-	-
Balance at December 31, 2020		$2,796,356	$1,078,295	$ -	$ 14,721	$ 670	$ 10,494	$ 62,093	$ 82,462	$ 448	$4,045,539
2021											
Balance at January 1, 2021		$2,796,356	$1,078,295	$ -	$ 14,721	$ 670	$ 10,494	$ 62,093	$ 82,462	$ 448	$4,045,539
Profit for the year		-	-	-	-	-	-	-	380,530	-	380,530
Other comprehensive loss	6(19)	-	-	-	-	-	-	-	(1,792)	(1,358)	(3,150)
Total comprehensive income (loss)		-	-	-	-	-	-	-	378,738	(1,358)	377,380
Appropriation of 2020 earnings	6(18)										
Legal reserve		-	-	-	-	-	-	1,352	(1,352)	-	-
Cash dividends		-	-	-	-	-	-	-	(70,010)	-	(70,010)
Conversion of corporate options	6(13)(16)(17)	47,411	222,220	-	(12,461)	-	-	-	-	-	257,170
Balance at December 31, 2021		$2,843,767	$1,300,515	$ -	$ 2,260	$ 670	$ 10,494	$ 63,445	$ 389,838	($ 910)	$4,610,079

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 480,669	$ 19,859
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(5)(6)(8)(25)	466,502	465,174
Amortisation expense	6(9)(25)	3,518	3,543
Expected credit impairment gain	12(2)	-	(15)
Finance costs	6(24)	12,664	19,132
Interest income	6(21)	(5,116)	(3,842)
Dividend income	6(22)	(1)	(1)
Share-based payments	6(15)	-	358
Gain on disposal of property, plant and equipment	6(23)	-	(9,904)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,733	(1,733)
Accounts receivable		(256,598)	(30,205)
Accounts receivable due from related parties		(79,289)	(32,715)
Other receivables		(3,530)	(3,357)
Other receivables due from related parties		792	1,256
Inventories		(72,917)	51,158
Prepayments		9,293	1,067
Other current assets		364	(1,889)
Other non-current assets		-	48,298
Changes in operating liabilities			
Contract liabilities		(50,868)	(60,745)
Notes payable		-	(945)
Accounts payable		52,946	81,898
Accounts payable to related parties		(243)	129
Other payables		104,118	(9,359)
Other payables to related parties		1,976	(833)
Other current liabilities		1,169	(18,125)
Net defined benefit liability		(15,317)	(10,616)
Cash inflow generated from operations		651,865	507,588
Interest received		5,116	3,850
Dividends received		1	1
Interest paid		(9,093)	(12,664)
Income taxes received (paid)		44,573	(2,544)
Net cash flows from operating activities		692,462	496,231

(Continued)

EPISIL-PRECISION INC. AND SUBSIDIARIES
CONSOLIDATED 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
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at fair value through profit or loss	6(2)	($ 400,000)	$ -
Acquisition of property, plant and equipment	6(29)	(174,842)	(84,580)
Proceeds from disposal of property, plant and equipment	6(23)	-	9,904
Acquisition of intangible assets	6(9)	(1,667)	-
Decrease (increase) in refundable guarantee deposits		83	(89)
Increase in other current financial assets	8	(97)	(724)
Net cash flows used in investing activities		(576,523)	(75,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(30)	1,770,233	1,229,082
Decrease in short-term borrowings	6(30)	(1,624,017)	(1,221,780)
Payments of lease liabilities	6(30)	(9,699)	(9,554)
Increase in guarantee deposits received		-	419
Cash dividends paid	6(18)	(70,010)	(68,600)
Net cash flows from (used in) financing activities		66,507	(70,433)
Effect of exchange rate changes		(1,358)	(33)
Net increase in cash and cash equivalents		181,088	350,276
Cash and cash equivalents at beginning of year	6(1)	1,369,084	1,018,808
Cash and cash equivalents at end of year	6(1)	$ 1,550,172	$ 1,369,084

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

EPISIL-PRECISION INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED 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-Precision Inc. (the "Company") was incorporated as a company limited by shares on October 15, 1998 and was approved by the regulatory authority on November 9, 1998. The primary business activities have been started since December 1999.

The Company merged with Episil Semiconductor Wafer, Inc. on January 11, 2016 in accordance with the Business Mergers and Acquisitions Act and other related regulations. The Company issued new shares to Episil Semiconductor Wafer, Inc. as consideration for assuming all rights and obligations of Episil Semiconductor Wafer, Inc. The conversion ratio for this merger was one common share of Episil Semiconductor Wafer, Inc. converting to 1.867876 common shares of the Company, totalling 149,523,473 shares, and the Company was the surviving company. This merger was a reverse takeover under comprehensive assessment. Therefore, the consolidated financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc.

The Company and its subsidiary (collectively referred herein as the "Group") are primarily engaged in development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafers.

Episil Technologies Inc. (former name: Episil Holding Inc. holds) 58.44% of the Company's outstanding shares. Episil Technologies Inc. is the Company's ultimate parent company.

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 14, 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, reused 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 at fair value through other comprehensive income.

(b) 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) The subsidiary is included in the Group's consolidated financial statements. Subsidary is the entity (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 the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

(b) Inter-company transactions, balances and unrealised gain or loses on transactions between companies within the Group are eliminated.

B. Subsidiary included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2021	December 31, 2020
Episil-Precision Inc.	PRECISION SILICON JAPAN CO., LTD.	Sales of silicon epitaxial wafer	100%	100%

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: None.

(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

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

i. Assets and liabilities for each balance sheet presented are translated at the exchange rates prevailing at the balance sheet date;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b)When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control, such transaction should be accounted for as disposal of all interest in the foreign operation.

(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) Assets 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) 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.

(9) 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 or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) 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, and the Group has not retained control of the financial asset.

(11) 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.

(12) 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. 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.

(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 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 ~ 61 years
Machinery and equipment	3 ~ 16 years
Other equipment	2 ~ 11 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 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.

(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 40 ~ 51 years.

(16) 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.

(17) 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.

(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 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 Group 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.

(21) Derecognition of financial liabilities

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 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.

(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. 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 not 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 at the date of dividends declared.

(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.

(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 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. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(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 Group manufactures and sells silicon epitaxy wafers and compound semiconductor epitaxial wafers. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods to external customers in the ordinary course of the Group's activities. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, 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. 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.

C. 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) 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

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Therefore, there might be material changes to the inventory valuation in the future.

As of December 31, 2021, the carrying amount of inventories was $868,460.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	$ 394	$ 327
Checking accounts and demand deposits	578,381	265,167
Time deposits	683,897	759,090
Bonds sold under repurchase agreements	287,500	344,500
	$ 1,550,172	$ 1,369,084

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 were reclassified to other current assets. For the details, please refer to Note 8.

(2) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits-maturing in over three months	$ 400,000	$ -
Pledged time deposits	7,858	-
	$ 407,858	$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	$ 2, 311	$ –

B. 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 amortised cost held by the Group was $407,858 and $0, respectively.

C. The counterparties of the Group’s investments have good credit risk.

(3) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ -	$ 1,733
Accounts receivable	$ 1,127,718	$ 871,120
Less: Loss allowance	(152)	(152)
	$ 1,127,566	$ 870,968

A. The ageing analysis of accounts receivabl is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,035,150	$ -	$ 807,781	$ 1,733
Up to 30 days	90,828	-	62,944	-
31 to 90 days	1,740	-	395	-
91 to 180 days	-	-	-	-
	$ 1,127,718	$ -	$ 871,120	$ 1,733

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $921,182

C. As of December 31, 2021 and 2020, collaterals held by the Group as security for accounts receivable both amounted to $5,000.

D. As of 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 accounts receivable was $1,127,566 and $870,968, respectively.

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

(4) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 490,324	($ 32,281)	$ 458,043
Supplies	279,944	(22,048)	257,896
Work in progress	81,804	(963)	80,841
Finished goods	74,475	(2,795)	71,680
	$ 926,547	($ 58,087)	$ 868,460

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 458,466	($ 36,602)	$ 421,864
Supplies	291,379	(37,562)	253,817
Work in progress	70,350	(3,573)	66,777
Finished goods	63,509	(10,424)	53,085
	$ 883,704	($ 88,161)	$ 795,543

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of goods sold	$ 4,331,281	$ 3,769,823
(Reversal of) inventory valuation loss	(30,074)	24,035
Inventory scrapped	15,692	1,363
	$ 4,316,899	$ 3,795,221

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 because of the sale of certain inventories which were previously provided with allowance.

(5) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2021					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
2021					
At January 1	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
Additions	31,685	22,694	6,586	128,127	189,092
Reclassifications	2,800	17,575	-	(20,375)	-
Depreciation expense	(84,313)	(361,342)	(3,712)	-	(449,367)
At December 31	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
At December 31, 2021					
Cost	$ 2,084,553	$ 3,919,301	$ 69,469	$ 128,127	$ 6,201,450
Accumulated depreciation and impairment	(1,325,785)	(3,017,606)	(59,028)	-	(4,402,419)
	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2020					
Cost	$ 2,109,455	$ 3,852,642	$ 62,617	$ 126,390	$ 6,151,104
Accumulated depreciation and impairment	(1,171,034)	(2,432,268)	(52,149)	-	(3,655,451)
	$ 938,421	$ 1,420,374	$ 10,468	$ 126,390	$ 2,495,653
2020					
At January 1	$ 938,421	$ 1,420,374	$ 10,468	$ 126,390	$ 2,495,653
Additions	27,093	41,918	333	12,614	81,958
Reclassifications	(70,054)	117,120	504	(118,629)	(71,059)
Depreciation expense	(86,864)	(356,644)	(3,738)	-	(447,246)
At December 31	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
At December 31, 2020					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306

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

B. As of December 31, 2021 and 2020, there was no property, plant and equipment pledged to others as collateral.

(6) Lease transactions－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	$ 245,199	$ 253,286
Buildings and structures	7,887	11,440
Machinery and equipment	595	1,041
	$ 253,681	$ 265,767

	Year ended December 31	
	2021	2020
	Depreciation expense	Depreciation expense
Land	$ 8,087	$ 8,086
Buildings and structures	3,553	3,579
Machinery and equipment	446	448
	$ 12,086	$ 12,113

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $0 and $3,943, respectively.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 6,029	$ 6,190
Expense on short-term lease agreements	6,942	6,697

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were $22,670 and $22,441, 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. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Leasing arrangements – lessor

A. The Group leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 to 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. For the years ended December 31, 2021 and 2020, the Group recognised rental revenue in the amounts of $43,774 and $40,957, respectively, based on the operating lease agreements, which do not include variable lease payments.

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 40,673
2022	42,181	40,195
2023	41,511	39,525
2024	41,415	39,429
2025	41,092	39,105
2026	32,078	30,092
After 2027	92,894	73,033
	$ 291,171	$ 302,052

(8) Investment property

	2021
	Buildings and Structures
At January 1	
Cost	$ 211,322
Accumulated depreciation and impairment	(36,694)
	$ 174,628
At January 1	$ 174,628
Depreciation expense	(5,049)
At December 31	$ 169,579
At December 31	
Cost	$ 211,322
Accumulated depreciation and impairment	(41,743)
	$ 169,579

		2020
		Buildings and Structures
At January 1		
Cost	$	132,436
Accumulated depreciation and impairment	(	23,052)
	$	109,384
At January 1	$	109,384
Transfer		71,059
Depreciation expense	(	5,815)
At December 31	$	174,628
At December 31		
Cost	$	211,322
Accumulated depreciation and impairment	(	36,694)
	$	174,628

A. Rental revenue from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31, 2021		Year ended December 31, 2020	
Rental revenue from investment property	$	42,656	$	39,858
Direct operating expenses arising from the investment property that generated rental revenue during the year	$	9,799	$	10,968

B. The fair value of the investment property held by the Group as at December 31, 2021 and 2020 was $221,272 and $201,650, 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		11.21%		11.62%
Annual rent (net income)	$	37,896	$	35,134
Duration		10 years		10 years

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

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

(9) Intangible assets

	2021			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096
At January 1	$ -	$ 48,369	$ 6,727	$ 55,096
Additions	-	-	1,667	1,667
Amortisation expense	-	-	(3,518)	(3,518)
At December 31	$ -	$ 48,369	$ 4,876	$ 53,245
At December 31				
Cost	$ 2,653	$ 48,369	$ 39,104	$ 90,126
Accumulated amortisation and impairment	(2,653)	-	(34,228)	(36,881)
	$ -	$ 48,369	$ 4,876	$ 53,245

	2020			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(27,167)	(29,820)
	$ -	$ 48,369	$ 10,270	$ 58,639
At January 1	$ -	$ 48,369	$ 10,270	$ 58,639
Amortisation expense	-	-	(3,543)	(3,543)
At December 31	$ -	$ 48,369	$ 6,727	$ 55,096
At December 31				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096

A.Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Operating costs	$ 3,518	$ 3,543
Selling and marketing expenses	-	-
	$ 3,518	$ 3,543

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

C.As of December 31, 2021 and 2020, the Group has no intangible assets pledged to others as collateral.

(10) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 446,283	0.61% ~ 1.06%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 300,067	0.67% ~ 1.1%	None

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 $2,959 and $5,268, respectively.

(11) Accounts payable

	December 31, 2021	December 31, 2020
Accounts payable	$ 435,563	$ 406,305
Estimated accounts payable	47,551	23,863
	$ 483,114	$ 430,168

(12) Other payables

	December 31, 2021	December 31, 2020
Accrued expenses-expendables	$ 119,114	$ 103,826
Accrued expenses-bonus	81,286	50,917
Employees' compensation and directors' remuneration payable	59,374	1,903
Payables for equipment	33,681	19,431
Accrued expenses-others	56,860	55,791
	$ 350,315	$ 231,868

(13) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	$ 600,000	$ 600,000
Less: Bonds payable converted	(552,500)	(290,600)
Less: Discount on bonds payable	(622)	(8,844)
	46,878	300,556
Less: Current portion (shown as "Other current liabilities")	(46,878)	-
	$ -	$ 300,556

A. The domestic unsecured convertible bonds issued by the Group

The issuance terms of the Group'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 Group. 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 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 the Company'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 the Group 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.

B. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in "Capital surplus-warrants" in accordance with IAS 32. As of December 31, 2021 and 2020, the carrying amounts were $2,260 and $14,721, repectively.

C. As of December 31, 2021, the bonds totaling $552,500 (face value) had been converted into 9,975 thousand shares of common stock.

(14) Pensions

A. (a) The Group (excluding overseas subsidiary) has a defined benefit pension plan 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 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 month prior to retirement. The Group 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 Group (excluding overseas subsidiary) 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	$ 182,232	$ 185,996
Fair value of plan assets	(101,220)	(91,459)
Net defined benefit liability	$ 81,012	$ 94,537

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

2021	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 185,996	($ 91,459)	$ 94,537
Current service cost	156	-	156
Interest expense (income)	558	(274)	284
	186,710	(91,733)	94,977
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,364)	(1,364)
Change in demographic assumptions	6,144	-	6,144
Change in financial assumptions	(2,040)	-	(2,040)
Experience adjustments	(948)	-	(948)
	3,156	(1,364)	1,792
Pension fund contribution	-	(11,864)	(11,864)
Paid pension	(7,634)	3,741	(3,893)
At December 31	$ 182,232	($ 101,220)	$ 81,012

2020	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 169,736	($ 76,752)	$ 92,984
Current service cost	150	-	150
Interest expense (income)	1,358	(614)	744
	171,244	(77,366)	93,878
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,583)	(2,583)
Change in financial assumptions	9,864	-	9,864
Experience adjustments	4,888	-	4,888
	14,752	(2,583)	12,169
Pension fund contribution	-	(11,510)	(11,510)
At December 31	$ 185,996	($ 91,459)	$ 94,537

(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:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	0.60%	0.30%
Future salary increases	3.25%	3.00%

For the years ended December 31, 2021 and 2020, future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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	($ 4,976)	$ 5,166	$ 4,566	($ 4,431)
December 31, 2020				
Effect on present value of defined benefit obligations	($ 5,023)	$ 5,214	$ 4,599	($ 4,465)

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 liability 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 amount to $2,577.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years.

B. (a) Effective July 1, 2005, the Group has 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 Group contributes 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 Group for the years ended December 31, 2021 and 2020 were $23,342 and $23,082, respectively.

(15) 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
The first issuance of employee stock option in 2013	2014.3.2	7,500	6 years	Notes 1, 2 and 3
Episil Technologies Inc.'s first restricted stocks to employees in 2019	2019.8.6	64	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 stock swap, Episil Holding Inc. assumed the performance obligation from those employee stock options that were initially issued by Episil Technologies Inc. starting from the effective date of the stock swap. Therefore, the underlying shares were changed from Episil Technologies Inc. to Episil Holding Inc., and the conversion price and granted quantity were adjusted based on the stock swap ratio. The number of shares subscription per unit and conversion price per share were adjusted by 2:1 stock swap ratio, the granted quantity was changed from 15 million shares to 7.5 million shares and the subscription price after stock swap was changed from $15.9 (in dollars) to $31.8 (in dollars) per share.

Note 3: On January 5, 2015, Episil Technologies Inc. split and transferred its operational assets and liabilities of epitaxial 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 fellow company, 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 (Episil Holding Inc.'s share is the underlying shares)

	2021		2020	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	-	$ -	525	$ 30.8
Expired	-	-	(525)	30.8
Forfeited	-	-	-	-
Outstanding at December 31	-	-	-	-
Exercisable at December 31	-	-	-	-

C. Restricted stocks to employees

Quantity information of the restricted stocks to employees is as follows:

	2021	2020
	No. of restricted stocks (in thousand shares)	No. of restricted stocks (in thousand shares)
Outstanding at January 1/December 31	$ -	$ 74

D. The expiry date and exercise price of stock options outstanding at the balance sheet dates: None.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Equity-settled	$ -	$ 358

(16) Share capital

As of December 31, 2021, the Company's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was $2,843,767 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Unit: thousand shares)

	2021	2020
At January 1	279,635	274,401
Conversion of convertible bonds	4,741	5,234
At December 31	284,376	279,635

(17) 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.

(18) Retained earnings

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 as dividends or the reserve of the remaining earnings 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.

The Company's dividend policy is summarised below: 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 30% of total cash and stock dividends to be distributed.

B. 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.

C. On March 8, 2021 and March 16, 2020, the shareholders resolved that total dividends for the distribution of earnings for the year of 2021 and 2020 was $ 70,010 and $68,600 at $0.25 (in dollars) and $0.25 (in dollars) per share, respectively.

D. (a)The Company passed the remaining distribution case on resolution of the shareholders' meeting on August 19, 2021.

(b)The Company passed the remaining distribution case on resolution of the shareholders' meeting on June 12, 2020.

E. On February 14, 2022, the Board of Directors proposed for the distribution of dividends for the year 2020 earnings in the amount of $ 341,252 at $ 1.2 (in dollars) per share.

(19) Other equity items

	Year ended December 31	
	2021	2020
	Financial statements translation difference of foreign operations	Financial statements translation difference of foreign operations
At January 1	$ 448	$ 481
Currency translation differences:		
–Group	(1,358)	(33)
At December 31	($ 910)	$ 448

(20) Operating revenue

	Year ended December 31	
	2021	2020
Revenue from contracts with customers	$ 5,043,332	$ 4,039,180

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	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 5,008,833	$ 34,499	$ 5,043,332
Timing of revenue recognition			
At a point in time	$ 5,008,833	$ 34,499	$ 5,043,332

Year ended December 31, 2020	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 4,012,518	$ 26,662	$ 4,039,180
Timing of revenue recognition			
At a point in time	$ 4,012,518	$ 26,662	$ 4,039,180

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liability– advance sales receipts	$ 133,693	$ 184,561	$ 245,306

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

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	$ 76,047	$ 57,813

(21) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	$ 4,956	$ 3,842

(22) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Rental revenue	$ 43,774	$ 40,957
Dividend income	1	1
Other income, others	1,738	100
	$ 45,513	$ 41,058

(23) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
Gains on disposals of property, plant and equipment	$ -	$ 9,904
Net currency exchange losses	(7,191)	(14,443)
Depreciation on investment property	(5,049)	(5,815)
Other losses	(9,009)	(7,043)
	($ 21,249)	($ 17,397)

(24) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense：		
Bank borrowings	$ 2,959	$ 5,268
Bonds payable	3,492	7,444
Lease liabilities	6,029	6,190
Others	91	50
Finance expenses	93	180
	$ 12,664	$ 19,132

(25) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expense	$ 683,976	$ 581,575
Depreciation expenses on property, plant and equipment	466,502	465,174
Amortisation expenses on intangible assets	3,518	3,543

(26) Employee benefit expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	$ 564,660	$ 471,239
Share-based payments	-	358
Labour and health insurance fees	47,045	44,045
Pension costs	23,782	23,976
Other personnel expenses	48,489	41,957
	$ 683,976	$ 581,575

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 in affiliate companies.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $53,976 and $1,687, respectively; while directors' remuneration was accrued at $5,398 and $211, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 10%, 1%, 8% and 1% of earnings for the years ended December 31, 2021 and 2020, respectively.

Employees' compensation of $1,687 and directors' remuneration of $211 for the year ended December 31, 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. Abovementioned employees' compensation of 2020 will be distributed in the form of cash.

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".

(27) Income taxes

A. Income tax benefit expenses

(1) Components of income tax benefit expense:

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax:		
Current tax on profits for the year	$ 98,449	$ 3,450
Prior year income tax overestimation	(249)	(3,090)
Total current tax	98,200	360
Deferred tax:		
Origination and reversal of temporary differences	1,939	(6,194)
Total deferred tax	1,939	(6,194)
Income tax expense (benefit)	$ 100,139	($ 5,834)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	$ 96,358	$ 3,972
Expenses disallowed by tax regulation	699	1,488
Change in assessment of realisation of deferred tax assets	3,331	(8,204)
Prior year income tax overestimation	(249)	(3,090)
Income tax expense (benefit)	$ 100,139	($ 5,834)

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

	2021		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 17,632	($ 1,340)	$ 16,292
Pension liability	18,907	(1,926)	16,981
Others	1,586	(845)	741
	$ 38,125	($ 4,111)	$ 34,014
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)
	($ 596)	($ 1,939)	($ 2,535)

	2020		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 12,825	$ 4,807	$ 17,632
Pension liability	18,597	310	18,907
Others	5,101	(3,515)	1,586
	$ 36,523	$ 1,602	$ 38,125
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)
	($ 6,790)	$ 6,194	($ 596)

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

(28) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 380,530	281,253	$ 1.35
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	380,530	281,253	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	414	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 380,530	281,667	$ 1.35

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 25,693	276,543	$ 0.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	25,693	276,543	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	27	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 25,693	276,570	$ 0.09

For the years ended December 31, 2021 and 2020, the Company's convertible bonds had anti-dilutive effect, thus, it was not included in the calculation of diluted earnings per share.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31, 2021	Year ended December 31, 2020
Acquisition of property, plant and equipment	$ 189,092	$ 81,958
Add: Opening balance of payable on equipment	19,431	22,053
Less: Ending balance of payable on equipment	(33,681)	(19,431)
Cash paid during the year	$ 174,842	$ 84,580

B. Financing activities with no cash flow effects:

	Year ended December 31, 2021	Year ended December 31, 2020
Convertible bonds being converted to capital stocks	$ 257,170	$ 280,588

(30) Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 300,067	$ 271,045	$ 8,290	$ 300,556	$ 879,958
Changes in cash flow from financing activities	146,216	(9,699)	-	-	136,517
Interest paid	-	(6,029)	-	-	(6,029)
Interest expense	-	6,029	-	3,492	9,521
Option exercised	-	-	-	(257,170)	(257,170)
At December 31	$ 446,283	$ 261,346	$ 8,290	$ 46,878	$ 762,797

	2020				
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 292,765	$ 276,656	$ 7,871	$ 573,700	$ 1,150,992
Changes in cash flow from financing activities	7,302	(9,554)	419	-	(1,833)
Interest paid	-	(6,190)	-	-	(6,190)
Interest expense	-	6,190	-	7,444	13,634
Option exercised	-	-	-	(280,588)	(280,588)
Changes in other non-cash items	-	3,943	-	-	3,943
At December 31	$ 300,067	$ 271,045	$ 8,290	$ 300,556	$ 879,958

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company’s ultimate parent company is Episil Technologies Inc. (former name: Episil Holding Inc.) holds 58.44% of the Company’s outstanding shares.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Episil Technologies Inc. (Note 1)	The parent company
Episil Technologies Inc. (Shanghai)	The parent company's indirect wholly-owned subsidiary
Hermes-Epitek Corp.	The parent company’s director is the Hermes-Epitek Corp.'s chairman
Taiwan Hi-Tech Corp.	Investee of the parent company accounted for using equity method
Iberlin Technology Co., Ltd.(Note 2)	A subsidiary which has 95.94% of shares indirectly owned by the parent company

Note 1: Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. Afterthe merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date was set on September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Note 2: Iberlin Technology Co., Ltd. merged with Episil Technologies Inc. (dissolved after the merger with its parent company, Episil Holding Inc., on September 1, 2021) on February 20, 2021.

(3) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods:		
-Parent company	$ 181,594	$ -
-Affiliate companies	297,702	281,743
-Other related parties	2,461	2,600
	$ 481,757	$ 284,343

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	Year ended December 31, 2020
Purchases of goods:		
-Parent company	$ 2,280	$ -
-Affiliate companies	7,982	9,994
-Other related parties	-	118
Purchases of services:		
-Parent company	71,050	65,557
-Affiliate companies	1,189	-
	$ 82,501	$ 75,669

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 receivable:		
-Parent company	$ 191,860	$ -
-Affiliate companies	578	113,149
	192,438	113,149
Other receivables:		
-Parent company	$ 11,850	$ 9
-Episil Technologies Inc.	-	12,633
	11,850	12,642
	$ 204,288	$ 125,791

The receivables from related parties arise mainly from sales of goods transactions. The receivables are due 3 months after the date of sale.

D. Payables to related parties

	December 31, 2021	December 31, 2020
Accounts payable:		
-Parent company	$ 1,616	$ -
-Affiliate companies	-	1,859
	1,616	1,859
Other payables:		
-Parent company	$ 15,729	$ 11,478
-Affiliate companies	-	3,520
-Other related parties	22,452	21,207
	38,181	36,205
	$ 39,797	$ 38,064

The payables to related parties arise mainly from purchase of services, and the payment terms are made under mutual agreement.

Other payables mainly refer to payables for service fees and processing fees.

E. Refundable guarantee deposits

	December 31, 2021	December 31, 2020
Refundable guarantee deposits:		
-Other related parties	$ 65,000	$ 65,000

F. Lease transactions

(a) For the years ended December 31, 2021 and 2020, rental revenue arising from leasing certain buildings and structures to affiliate companies amounted to $9,663 and $7,677, respectively, which is collected monthly.

(b) For the years ended December 31, 2021 and 2020, rental expense due to leasing certain buildings and structures from affiliate companies amounted to $6,760 and $6,500, respectively, which is paid monthly.

G. Others (Shown as “Operating costs” and “Operating expenses”)

	Year ended December 31, 2021	Year ended December 31, 2020
Testing fee:		
-Other related parties	$ 119,271	$ 124,223

(4) Key management personnel compensation

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries and other short-term employee benefits	$ 12,879	$ 7,660
Post-employment benefits	216	216
	$ 13,095	$ 7,876

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	$ 7,858	$ 7,761	Customs deposits and guarantee deposits for leases

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	$ 109,060	$ 5,885

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

	December 31, 2021	December 31, 2020
Long-term material purchase agreement (shown as "Prepayments")	$ -	$ 27,115

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2021 earnings is provide in Note 6(18).

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 meet the needs of plant expansion and equipment enhancement. The Group's capital management is to ensure it has sufficient financial resources and operating plans to maintain or adjust capital structure and to meet operational capital for future needs, capital expenditure, research and development expenses, obligation repayment and dividend distribution within the next year.

(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				
Designation of equity instrument	$	17	$	17
Financial assets at amortised cost				
Financial assets at amortised cost	$	407,858	$	-
Cash and cash equivalents		1,550,172		1,369,084
Notes receivable		-		1,733
Accounts receivable		1,127,566		870,968
Accounts receivable due from related parties		192,438		113,149
Other receivables		16,159		12,629
Other receivables due from related parties		11,850		12,642
Refundable guarantee deposits		66,133		66,215
Other financial assets		-		7,761
	$	3,372,176	$	2,454,181
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	446,283	$	300,067
Accounts payable		483,114		430,168
Accounts payable to related parties		1,616		1,859
Other payables		350,315		231,868
Other payables to related parties		38,151		36,205
Bonds payable (including current portion)		46,878		300,556
Guarantee deposits received		8,290		8,290
	$	1,374,677	$	1,309,013
Lease liability	$	261,346	$	271,045

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. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(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 exchange rate risk arising from the transactions of the Company and its subsidiary using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

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. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Borrowing liabilities denominated in foreign currencies that are adopted to minimise the volatility of the foreign exchange.

iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD and the subsidiary's functional currency: 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	$ 29,948	27.690	$	829,260
JPY:NTD	25,028	0.2406		6,022
RMB:NTD	19,628	4.347		85,323
USD:JPY	1,264	115.087		35,000
Non-monetary items: None.				
Financial liabilities				
Monetary items				
USD:NTD	$ 24,312	27.690	$	673,199
JPY:NTD	78,548	0.2406		18,899
RMB:NTD	25,222	4.347		109,640
USD:JYP	47	115.087		1,312
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	$ 22,202	28.480	$ 632,301
JPY:NTD	56,271	0.2763	15,548
RMB:NTD	18,735	4.377	82,002
USD:JPY	815	103.076	23,211
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 18,640	28.480	$ 530,870
JPY:NTD	65,498	0.2763	18,097
RMB:NTD	20,915	4.377	91,544
Non-monetary items: None.			

iv. The total exchange 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 $7,191 and $14,443, respectively.

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 8,293	$ -
JPY:NTD	1%	60	-
RMB:NTD	1%	853	-
USD:JPY	1%	350	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 6,732)	$ -
JPY:NTD	1%	(189)	-
RMB:NTD	1%	(1,096)	-
USD:JYP	1%	(13)	-

	Year ended December 31, 2020		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 6,323	$ -
JPY:NTD	1%	155	-
RMB:NTD	1%	820	-
USD:JPY	1%	232	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 5,309)	$ -
JPY:NTD	1%	(181)	-
RMB:NTD	1%	(915)	-

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 a domestic company. The prices of equity securities would change due to the change of the future value of investee company. If the prices of these equity securities had increased /decreased by 10% with all other variables held constant, fair value adjustment would have increased/decreased both by $2, as a result of the price change on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from short-term borrowings with floating rates, which expose the Group to cash flow interest rate risk. During 2021 and 2020 the Group's borrowings at floating rates were mainly denominated in New Taiwan dollars, US dollars and Japanese yen.

ii. If the borrowing interest rate of New Taiwan dollars, US dollars or Japanese yen had increased/decreased by 0.25% with all other variables held constant, profit after tax for the years ended December 31, 2021 and 2020 would have decreased /increased by $1,116 and $750, 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 and financial institutes with an optimal rating are accepted. According to the Group's credit policy, each local 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 as 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 applies 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 180 days past due	Individual	Total
December 31, 2021							
Expected loss rate	0.01%	0.01%	0.15%	0.88%	100%	0.12~6%	
Total book value	$ 908,200	$ 66,110	$ 1,740	$ -	$ -	$ 151,669	$1,127,719
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)
December 31, 2020							
Expected loss rate	0.01%	0.01%	0.17%	1.04%	100%	0.12~7.14%	
Total book value	$ 693,978	$ 20,252	$ 395	$ -	$ -	$ 156,495	$ 871,120
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)

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	$ 152
Reversal of loss allowance	-
At December 31	$ 152

	2020
	Accounts receivable
At January 1	$ 167
Reversal of loss allowance	(15)
At December 31	$ 152

(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 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 are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Group held money market position of $1,549,778 and $1,368,757, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	$ 756,110	$ 909,933
Expiring beyond one year	-	-
	$ 756,110	$ 909,933

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities				
December 31, 2021				
Short-term borrowings	$ 446,283	$ -	$ -	$ -
Accounts payable (including related parties)	484,730	-	-	-
Other payables (including related parties)	388,496	-	-	-
Lease liabilities	15,728	15,144	35,818	295,212
Bonds payable	47,500	-	-	-
Deposits received	195	-	8,095	-

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Non-derivative financial liabilities				
December 31, 2020				
Short-term borrowings	$ 300,067	$ -	$ -	$ -
Accounts payable (including related parties)	432,027	-	-	-
Other payables (including related parties)	268,073	-	-	-
Lease liabilities	15,728	15,728	39,387	306,786
Bonds payable	-	-	309,400	-
Deposits received	-	195	-	8,095

(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. The fair value of the Group's convertible bonds payable is included in Level 2.

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(7).

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, refundable guarantee deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 46,878	$ -	$ 46,973	$ -

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 300,556	$ -	$ 302,439	$ -

(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.

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	$ -	$ -	$ 17	$ 17

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	$ -	$ -	$ 17	$ 17

(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	Closed-end fund
Market quoted price	Closing 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. 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.

iv. 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:

	2021	2020
	Equity instruments	Equity instruments
At January 1 / December 31	$ 17	$ 17

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 stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher 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 stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher the fair value

J. The Group has carefully assessed the valuation model and assumption 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	±10%	$ -	$ -	$ 2	($ 2)

	Input	Change	December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±10%	$ -	$ -	$ 2	($ 2)

(4) Others

Impact to the Group's operations due to COVID-19: The Group's certain customers located in Mainland China. In response to COVID-19, the local government issued stay-at-home orders in the first half of 2020, and the Group's operating revenue was affected accordingly. However, the local government gradually has loosen its stay-at-home orders. Local COVID-19 cases starting from May 2021 in Taiwan were gradually under control and the Group adopted split teams and followed government polit 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: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

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) Measurement of segment information

The Group is a single reportable segment, related segment profit (loss) before tax, assets and liabilities are consistent with consolidated profit (loss), assets and liabilities.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segment is as follows:

	Year ended December 31			
	2021		2020	
Revenue from external customers	$	5,043,332	$	4,039,180
Inter-company revenue	$	188,375	$	175,229
Segment income	$	480,669	$	19,859
Segment assets	$	6,613,535	$	5,965,564

(4) Reconciliation for segment income (loss)

None.

(5) Information on products and services

Revenue from external customers is mainly from silicon epitaxy wafers and epitaxy wafer foundry. Details of revenue balance are as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
Sales revenue from silicon epitaxy wafer	$	4,072,408	$	3,289,702
Epitaxy wafer foundry		936,425		722,816
Others		34,499		26,662
	$	5,043,332	$	4,039,180

(6) 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	Non-current assets	Revenue	Non-current assets
Taiwan	$ 2,791,166	$ 2,275,536	$ 2,340,255	$ 2,554,797
Japan	1,068,995	-	865,768	-
China	629,903	-	478,424	-
Others	553,268	-	354,733	-
	$ 5,043,332	$ 2,275,536	$ 4,039,180	$ 2,554,797

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021			Year ended December 31, 2020	
	Revenue	Segment		Revenue	Segment
D	$ 464,050	All segment	D	$ 366,934	All segment
B	$ 440,150	All segment	B	$ 255,525	All segment
C	$ 369,300	All segment	C	$ 369,618	All segment

Episil-Precision Inc. and Subsidiaries

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 Finance Corp.-common stock	None	Financial assets at fair value through other comprehensive income-non-current	1,109	$ 17	-	$ 17	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financal 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-Precision Inc. and Subsidiaries

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

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-Precision Inc.	Episil Technologies Inc.	Parent company	(Sales)	$ 181,594	9.47%	30-90 days after monthly billings	$ -	Gerneral terms	$ 191,860	14.53%	Note 4
Episil-Precision Inc.	Episil Technologies Inc.	Affiliate company	(Sales)	296,164	5.87%	30-90 days after monthly billings	-	Gerneral terms	-	-	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	184,507	3.66%	90-180 days after monthly billings	-	Gerneral terms	46,636	3.53%	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. After the merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date was set on September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Episil-Precision Inc. and Subsidiaries

Significant inter-company transactions during the reporting period

December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 3)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 4)
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	$ 184,507	Gerneral terms	3.66%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	3,869	Gerneral terms	0.06%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	46,636	90~180 days after monthly billings	0.71%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts payable	269	Gerneral terms	0.00%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Other payables	450	Gerneral terms	0.00%

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.

Episil-Precision Inc. and Subsidiaries

Information on investees

December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee (Note 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2021	Initial investment amount: Balance as at December 31, 2020	Shares held as at December 31, 2020: Number of shares	Shares held as at December 31, 2020: Ownership (%)	Shares held as at December 31, 2020: Book value	Net profit (loss) of the investee for the year ended December 31, 2021 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of silicon epitaxy wafer	$ 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, 2020' 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, 2020' 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, 2020' 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.

Episil-Precision Inc. and Subsidiaries
Major shareholders information
December 31, 2021

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Episil Technologies Inc.	166,200,000	58.44%

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000382

To the Board of Directors and Shareholders of Episil-Precision Inc.

Opinion

We have audited the accompanying parent company only balance sheets of Episil-Precision 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 Accountants 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

Please refer to Note 4(11) 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$926,547 thousand and NT$58,087 thousand, respectively.

The Company primarily engages in research and development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafer. 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 Company'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 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 Company'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's inventory aging report is appropriate and in accordance with the Company's policies.
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 Preparation 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 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 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 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 14, 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-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,517,349	23	$ 1,346,688	23
1136	Current financial assets at amortised cost	6(2) and 8	407,858	6	-	-
1150	Notes receivable, net	6(3)	-	-	1,733	-
1170	Accounts receivable, net	6(3)	1,104,893	17	853,743	14
1180	Accounts receivable due from related parties, net	7	239,074	4	143,864	3
1200	Other receivables		14,116	-	11,171	-
1210	Other receivables due from related parties	7	11,850	-	12,642	-
1220	Current income tax assets		-	-	49,912	1
130X	Inventories	6(4)	868,460	13	795,543	13
1410	Prepayments	9	57,351	1	66,642	1
1470	Other current assets		5,886	-	14,011	-
11XX	**Total current assets**		4,226,837	64	3,295,949	55
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income		17	-	17	-
1550	Investments accounted for using equity method	6(5)	10,095	-	10,105	-
1600	Property, plant and equipment	6(6)	1,799,031	27	2,059,306	35
1755	Right-of-use assets	6(7)	253,681	4	265,767	4
1760	Investment property - net	6(9)	169,579	3	174,628	3
1780	Intangible assets	6(10)	53,245	1	55,096	1
1840	Deferred income tax assets	6(28)	34,014	-	38,125	1
1920	Refundable guarantee deposits	7	65,579	1	65,579	1
15XX	**Total non-current assets**		2,385,241	36	2,668,623	45
1XXX	**Total assets**		$ 6,612,078	100	$ 5,964,572	100

(Continued)

EPISIL-PRECISION INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 446,283	7	$ 300,067	5
2130	Current contract liabilities	6(21)	38,395	1	71,160	1
2170	Accounts payable	6(12)	482,599	7	429,755	7
2180	Accounts payable to related parties	7	573	-	1,829	-
2200	Other payables	6(13)	350,217	5	231,787	4
2220	Other payables to related parties	7	38,631	1	36,732	1
2230	Current income tax liabilities		96,180	1	2,638	-
2280	Current lease liabilities		9,894	-	9,699	-
2300	Other current liabilities		66,626	1	18,515	-
21XX	**Total current liabilities**		1,529,398	23	1,102,182	18
	Non-current liabilities					
2527	Non-current contract liabilities	6(21)	95,298	1	113,401	2
2530	Bonds payable	6(14)	-	-	300,556	5
2570	Deferred income tax liabilities	6(28)	36,549	1	38,721	1
2580	Non-current lease liabilities		251,452	4	261,346	4
2640	Net defined benefit liability, non-current	6(15)	81,012	1	94,537	2
2645	Guarantee deposits received		8,290	-	8,290	-
25XX	**Total non-current liabilities**		472,601	7	816,851	14
2XXX	**Total liabilities**		2,001,999	30	1,919,033	32
	Equity attributable to owners of parent					
	Share capital	6(17)				
3110	Share capital - common stock		2,843,767	43	2,796,356	47
	Capital surplus	6(18)				
3200	Capital surplus		1,313,939	20	1,104,180	18
	Retained earnings	6(19)				
3310	Legal reserve		63,445	1	62,093	1
3350	Unappropriated retained earnings		389,838	6	82,462	2
	Other equity interest	6(20)				
3400	Other equity interest		(910)	-	448	-
3XXX	**Total equity**		4,610,079	70	4,045,539	68
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	**Total liabilities and equity**		$ 6,612,078	100	$ 5,964,572	100

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

EPISIL-PRECISION 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	%
4000	Operating revenue	6(21) and 7	$ 5,027,125	100	$ 4,022,775	100
5000	Operating costs	6(4) and 7	(4,308,500)	(86)	(3,789,464)	(94)
5900	Gross profit from operation		718,625	14	233,311	6
	Operating expenses	6(26)(27) and 7				
6100	Selling and marketing expenses		(48,559)	(1)	(40,281)	(1)
6200	General and administrative expenses		(139,392)	(3)	(124,798)	(3)
6300	Research and development expenses		(68,520)	(1)	(61,344)	(2)
6450	Expected credit impairment gain		-	-	14	-
6000	Total operating expenses		(256,471)	(5)	(226,409)	(6)
6900	Operating profit		462,154	9	6,902	-
	Non-operating income and expenses					
7100	Interest income	6(22)	4,955	-	3,832	-
7010	Other income	6(23) and 7	45,513	1	41,047	1
7020	Other gains and losses	6(24)	(20,925)	-	(17,390)	-
7050	Finance costs	6(25)	(12,658)	-	(19,128)	(1)
7070	Share of profit/(loss) of associates and joint ventures accounted for using equity method	6(5)	1,349	-	3,923	-
7000	Total non-operating income and expenses		18,234	1	12,284	-
7900	**Profit before income tax**		480,388	10	19,186	-
7950	Income tax (expense) benefit	6(28)	(99,858)	(2)	6,507	-
8200	**Profit for the year**		$ 380,530	8	$ 25,693	-
	Other comprehensive income, net					
	Components of other comprehensive income that may not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(15)	($ 1,792)	-	($ 12,169)	-
	Components of other comprehensive income that may be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations	6(20)	(1,358)	-	(33)	-
8300	**Other comprehensive loss, net**		($ 3,150)	-	($ 12,202)	-
8500	**Total comprehensive income for the period**		$ 377,380	8	$ 13,491	-
	Basic earnings per share	6(29)				
9750	Basic earnings per share(in dollars)			$ 1.35		$ 0.09
	Diluted earnings per share	6(29)				
9850	Basic earnings per share(in dollars)			$ 1.35		$ 0.09

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

EPISIL-PRECISION 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)

			Capital Reserves					Retained Earnings			
	Notes	Share capital - common stock	Additional paid-in capital	Employee share options	Warrants	Restricted stock	Others	Legal reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
2020											
Balance at January 1, 2020		$2,744,013	$ 836,224	$ 10,494	$ 28,547	$ 312	$ -	$ 61,183	$ 138,448	$ 481	$3,819,702
Profit for the year		-	-	-	-	-	-	-	25,693	-	25,693
Other comprehensive loss	6(20)	-	-	-	-	-	-	-	(12,169)	(33)	(12,202)
Total comprehensive income (loss)		-	-	-	-	-	-	-	13,524	(33)	13,491
Appropriation of 2019 earnings											
Legal reserve	6(19)	-	-	-	-	-	-	910	(910)	-	-
Cash dividends	6(19)	-	-	-	-	-	-	-	(68,600)	-	(68,600)
Share-based payments	6(16)	-	-	-	-	358	-	-	-	-	358
Conversion of corporate bonds	6(14)(17)	52,343	242,071	-	(13,826)	-	-	-	-	-	280,588
Expired employee stock options		-	-	(10,494)	-	-	10,494	-	-	-	-
Balance at December 31, 2020		$2,796,356	$1,078,295	$ -	$ 14,721	$ 670	$ 10,494	$ 62,093	$ 82,462	$ 448	$4,045,539
2021											
Balance at January 1, 2021		$2,796,356	$1,078,295	$ -	$ 14,721	$ 670	$ 10,494	$ 62,093	$ 82,462	$ 448	$4,045,539
Profit for the year		-	-	-	-	-	-	-	380,530	-	380,530
Other comprehensive loss	6(20)	-	-	-	-	-	-	-	(1,792)	(1,358)	(3,150)
Total comprehensive income (loss)		-	-	-	-	-	-	-	378,738	(1,358)	377,380
Appropriation of 2020 earnings											
Legal reserve	6(19)	-	-	-	-	-	-	1,352	(1,352)	-	-
Cash dividends	6(19)	-	-	-	-	-	-	-	(70,010)	-	(70,010)
Conversion of corporate bonds	6(14)(17)	47,411	222,220	-	(12,461)	-	-	-	-	-	257,170
Balance at December 31, 2021		$2,843,767	$1,300,515	$ -	$ 2,260	$ 670	$ 10,494	$ 63,445	$ 389,838	($ 910)	$4,610,079

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

EPISIL-PRECISION 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 480,388	$ 19,186
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(26)	466,502	465,174
Amortisation expense	6(26)	3,518	3,543
Expected credit impairment gain	12	-	(14)
Finance costs	6(25)	12,658	19,128
Interest income	6(22)	(4,955)	(3,832)
Dividend income	6(23)	(1)	(1)
Share-based payments	6(16)	-	358
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(1,349)	(3,923)
Gain on disposal of property, plan and equipment	6(24)	-	(9,904)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		1,733	(1,733)
Accounts receivable		(251,150)	(32,205)
Accounts receivable due from related parties		(95,210)	(23,604)
Other receivables		(3,106)	(5,611)
Other receivables due from related parties		792	1,256
Inventories		(72,917)	51,158
Prepayments		9,291	1,021
Other current assets		364	(1,889)
Other non-current assets		-	48,298
Changes in operating liabilities			
Contract liabilities		(50,868)	(60,745)
Notes payable		-	(945)
Accounts payable		52,844	81,945
Accounts payable to related parties		(1,256)	(363)
Other payables		104,102	(9,373)
Other payables to related parties		1,899	(524)
Other current liabilities		1,233	(18,129)
Net defined benefit liability		(15,317)	(10,616)
Cash inflow generated from operations		639,195	507,656
Interest received		5,116	3,840
Dividends received		1	1
Interest paid		(9,087)	(12,662)
Income taxes received (paid)		45,535	(2,394)
Net cash flows from operating activities		680,760	496,441

(Continued)

EPISIL-PRECISION 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	Year ended December 31 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial asset at amortised cost		($ 400,000)	$ -
Acquisition of property, plant and equipment	6(30)	(174,842)	(84,580)
Proceeds from disposal of property, plant and equipment	6(24)	-	9,904
Acquisition of intangible assets	6(10)	(1,667)	-
Increase in refundable guarantee deposits		-	(90)
Increase in other current financial assets		(97)	(724)
Net cash flows used in investing activities		(576,606)	(75,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(31)	1,770,233	1,229,082
Decrease in short-term borrowings	6(31)	(1,624,017)	(1,221,780)
Increase in guarantee deposits received		-	419
Payment of lease liabilities	6(31)	(9,699)	(9,554)
Cash dividends paid	6(19)	(70,010)	(68,600)
Net cash flows from (used in) financing activities		66,507	(70,433)
Net increase in cash and cash equivalents		170,661	350,518
Cash and cash equivalents at beginning of year	6(1)	1,346,688	996,170
Cash and cash equivalents at end of year	6(1)	$ 1,517,349	$ 1,346,688

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

EPISIL-PRECISION 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-Precision Inc. (the "Company") was incorporated as a company limited by shares on October 15, 1998 and was approved by the competent authority on November 9, 1998. The primary business activities have been started since December 1999.

   The Company merged with Episil Semiconductor Wafer, Inc. on January 11, 2016 in accordance with the Business Mergers and Acquisitions Act and other related regulations. The Company issued new shares to Episil Semiconductor Wafer, Inc. as consideration for assuming all rights and obligations of Episil Semiconductor Wafer, Inc.. The conversion ratio for this merger was one common share of Episil Semiconductor Wafer, Inc. converting to 1.867876 common shares of the Company, totalling 149,523,473 shares, and the Company was the surviving company. This merger was a reverse takeover under comprehensive assessment. Therefore, the parent company only financial statements were issued under the name of the Company, which was an extension of the subject of Episil Semiconductor Wafer, Inc..

   The Company is primarily engaged in development, manufacture and sales of silicon epitaxy wafers and compound semiconductor epitaxial wafers.

   Episil Technologies Inc. (former name: Episil Holding Inc. holds) 58.44% of the Company's outstanding shares. Episil Holding Inc. is the Company's ultimate parent company.

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 14, 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 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
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 Company's financial position and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company'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

(a)The operating results and financial position of all the company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the exchange rates prevailing at the balance sheet date;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control, such transaction should be accounted for as disposal of all interest in the foreign operation.

(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) Assets 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 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 Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company 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.

(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 debt instruments measured at fair value through other comprehensive income and 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 or contract assets 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, and 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. 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 / 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. 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.

E. 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.

F. 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 change in ownership interests in the associate in “Capital surplus” in proportion to its ownership.

G. 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.

H. 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.

I. 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 be equal to equity attributable to owners of the parent in the consolidated financial statements.

(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 ~ 61 years
Machinery and equipment	3 ~ 16 years
Other equipment	2 ~ 11 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 40 ~ 51 years.

(16) 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.

(17) Impairment of non-financial assets

A. 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. 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.

(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 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.

(21) Derecognition of financial liabilities

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' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(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. 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 not 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.

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(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 silicon epitaxy wafer and compound semiconductor epitaxial wafers. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods to external customers in the ordinary course of the Company's activities. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, 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. 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.

C. 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.

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

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Therefore, there might be material changes to the inventory valuation in the future.

As of December 31, 2021, the carrying amount of inventories was $868,460.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and revolving funds	$ 360	$ 303
Checking accounts and demand deposits	545,592	242,795
Time deposits	683,897	759,090
Bonds sold under repurchase agreements	287,500	344,500
	$ 1,517,349	$ 1,346,688

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 were reclassified to other current assets. For the detail, please refer to Note 8.

(2) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits-maturing in over three months	$ 400,000	$ -
Pledged time deposits	7,858	-
	$ 407,858	$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	2021	2020
Interest income	$ 2,311	$ -

B. 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 amortised cost held by the Company was $407,858 and $0, respectively.

C. The counterparties of the Company's investments have good credit risk.

(3) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ -	$ 1,733
Accounts receivable	$ 1,105,045	$ 853,895
Less: Loss allowance	(152)	(152)
	$ 1,104,893	$ 853,743

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,012,477	$ -	$ 790,556	$ 1,733
Up to 30 days	90,828	-	62,944	-
31 to 90 days	1,740	-	395	-
91 to 180 days	-	-	-	-
	$ 1,105,045	$ -	$ 853,895	$ 1,733

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts and notes receivable (including due from related parties) were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $941,784.

C. As of December 31, 2021 and 2020, collaterals held by the Company as security for accounts receivable both amounted to $5,000.

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 accounts receivable was $1,104,893 and $855,476, respectively.

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

(4) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 490,324	($ 32,281)	$ 458,043
Supplies	279,944	(22,048)	257,896
Work in progress	81,804	(963)	80,841
Finished goods	74,475	(2,795)	71,680
	$ 926,547	($ 58,087)	$ 868,460

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 458,466	($ 36,602)	$ 421,864
Supplies	291,379	(37,562)	253,817
Work in progress	70,350	(3,573)	66,777
Finished goods	63,509	(10,424)	53,085
	$ 883,704	($ 88,161)	$ 795,543

The cost of inventories recognised as expense for the year:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of goods sold	$ 4,322,882	$ 3,764,066
(Reversal of) inventory valuation loss	(30,074)	24,035
Inventory scrapped	15,692	1,363
	$ 4,308,500	$ 3,789,464

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 because of the sale of certain inventories which were previously provided with allowance.

(5) Investments accounted for using equity method

	December 31, 2021	December 31, 2020
Subsidiary		
Precision Silicon Japan Co., Ltd.	$ 10,095	$ 10,105

A. 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 subsidiary.

B. The Company recognised investment gain for the investments accounted for using equity method for the years ended December 31, 2021 and 2020, amounted to $ 1,349 and $3,923, respectively.

(6) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2021					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
2021					
At January 1	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
Additions	31,685	22,694	6,586	128,127	189,092
Reclassifications	2,800	17,575	-	(20,375)	-
Depreciation expense	(84,313)	(361,342)	(3,712)	-	(449,367)
At December 31	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031
At December 31, 2021					
Cost	$ 2,084,553	$ 3,919,301	$ 69,469	$ 128,127	$ 6,201,450
Accumulated depreciation and impairment	(1,325,785)	(3,017,606)	(59,028)	-	(4,402,419)
	$ 758,768	$ 901,695	$ 10,441	$ 128,127	$ 1,799,031

	Buildings and structures	Machinery and equipment	Other equipment	Construction in process and equipment to be inspected	Total
At January 1, 2020					
Cost	$ 2,109,455	$ 3,852,642	$ 62,617	$ 126,390	$ 6,151,104
Accumulated depreciation and impairment	(1,171,034)	(2,432,268)	(52,149)	-	(3,655,451)
	$ 938,421	$ 1,420,374	$ 10,468	$ 126,390	$ 2,495,653
2020					
At January 1	$ 938,421	$ 1,420,374	$ 10,468	$ 126,390	$ 2,495,653
Additions	27,093	41,918	333	12,614	81,958
Reclassifications	(70,054)	117,120	504	(118,629)	(71,059)
Depreciation expense	(86,864)	(356,644)	(3,738)	-	(447,246)
At December 31	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306
At December 31, 2020					
Cost	$ 2,054,484	$ 3,899,029	$ 63,190	$ 20,375	$ 6,037,078
Accumulated depreciation and impairment	(1,245,888)	(2,676,261)	(55,623)	-	(3,977,772)
	$ 808,596	$ 1,222,768	$ 7,567	$ 20,375	$ 2,059,306

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

B. As of December 31, 2021 and 2020, there was no property, plant and equipment pledged to others as collateral.

(7) Lease transactions－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	$ 245,199	$ 253,286
Buildings and structures	7,887	11,440
Machinery and equipment	595	1,041
	$ 253,681	$ 265,767

	Year ended December 31	
	2021	2020
	Depreciation expense	Depreciation expense
Land	$ 8,087	$ 8,086
Buildings and structures	3,553	3,579
Machinery and equipment	446	448
	$ 12,086	$ 12,113

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $0 and $3,943, respectively.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 6,029	$ 6,190
Expense on short-term lease agreements	6,942	6,697

F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were $22,670 and $22,441, 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. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Leasing arrangements – lessor

A. The Company leases various assets, including buildings and structures. Lease agreements are typically made for periods of 1 to 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 leases.

B. For the years ended December 31, 2021 and 2020, the Company recognised rental revenue in the amounts of $43,774 and $40,957, respectively, based on the operating lease agreements, which do not include variable lease payments.

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 40,673
2022	42,181	40,195
2023	41,511	39,525
2024	41,415	39,429
2025	41,092	39,105
2026	32,078	30,092
After 2027	92,894	73,033
	$ 291,171	$ 302,052

(9) Investment property

	2021
	Buildings and structures
At January 1	
Cost	$ 211,322
Accumulated depreciation and impairment	(36,694)
	$ 174,628
At January 1	$ 174,628
Depreciation expense	(5,049)
At December 31	$ 169,579
At December 31	
Cost	$ 211,322
Accumulated depreciation and impairment	(41,743)
	$ 169,579

	2020
	Buildings and structures
At January 1	
Cost	$ 132,436
Accumulated depreciation and impairment	(23,052)
	$ 109,384
At January 1	$ 109,384
Transfer	71,059
Depreciation expense	(5,815)
At December 31	$ 174,628
At December 31	
Cost	$ 211,322
Accumulated depreciation and impairment	(36,694)
	$ 174,628

A. Rental revenue from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December 31	
	2021	2020
Rental revenue from investment property	$ 42,656	$ 39,858
Direct operating expenses arising from the investment property that generated rental revenue	$ 9,799	$ 10,968

B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 was $221,272 and $201,650, 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	11.21%	11.62%
Annual rent (net income)	$ 37,896	$ 35,134
Duration	10 Years	10 Years

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

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

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

(10) Intangible assets

	2021			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096
At January 1	$ -	$ 48,369	$ 6,727	$ 55,096
Additions	-	-	1,667	1,667
Amortisation expense	-	-	(3,518)	(3,518)
At December 31	$ -	$ 48,369	$ 4,876	$ 53,245
At December 31				
Cost	$ 2,653	$ 48,369	$ 39,104	$ 90,126
Accumulated amortisation and impairment	(2,653)	-	(34,228)	(36,881)
	$ -	$ 48,369	$ 4,876	$ 53,245

	2020			
	Computer software	Goodwill	Others	Total
At January 1				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(27,167)	(29,820)
	$ -	$ 48,369	$ 10,270	$ 58,639
At January 1	$ -	$ 48,369	$ 10,270	$ 58,639
Amortisation expense	-	-	(3,543)	(3,543)
At December 31	$ -	$ 48,369	$ 6,727	$ 55,096
At December 31				
Cost	$ 2,653	$ 48,369	$ 37,437	$ 88,459
Accumulated amortisation and impairment	(2,653)	-	(30,710)	(33,363)
	$ -	$ 48,369	$ 6,727	$ 55,096

A. Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
Operating costs	$	3,518	$	3,543
Selling and marketing expenses		-		-
	$	3,518	$	3,543

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

C. As of December 31, 2021 and 2020, the Company has no intangible assets pledged to others as collateral.

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 446,283	0.61%～1.06%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 300,067	0.67% ~ 1.1%	None

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 $2,959 and $5,268, respectively.

(12) Accounts payable

	December 31, 2021		December 31, 2020	
Accounts payable	$	435,048	$	405,892
Estimated accounts payable		47,551		23,863
	$	482,599	$	429,755

(13) Other payables

	December 31, 2021		December 31, 2020	
Accrued expenses-expendables	$	119,114	$	103,826
Accrued expenses-bonus		81,286		50,917
Employees' bonus and directors' remuneration payable		59,374		1,903
Payables for equipment		33,681		19,431
Accrued expenses-others		56,762		55,710
	$	350,217	$	231,787

(14) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	$ 600,000	$ 600,000
Less: Bond payable converted	(552,500)	(290,600)
Less: Discount on bonds payable	(622)	(8,844)
	46,878	300,556
Less: Current portion (shown as "Other current liabilities")	(46,878)	-
	$ -	$ 300,556

A. The domestic unsecured convertible bonds issued by the Company

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 October 31, 2019 to October 31, 2022, and will be redeemed in cash at fare 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 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 October 23, 2019. 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 $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 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.

B. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in “Capital surplus-warrants” in accordance with IAS 32. As of December 31, 2021 and 2020, the carrying amounts were $2,260 and $14,721, respectively.

C. As of December 31, 2021, the bonds totaling $552,500 (face value) had been converted into 9,975 thousand shares of common stock.

(15) Pensions

A. (a) The Company has a defined benefit pension plan 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 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 month 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	$ 182,232	$ 185,996
Fair value of plan assets	(101,220)	(91,459)
Net defined benefit liability	$ 81,012	$ 94,537

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

2021	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 185,996	($ 91,459)	$ 94,537
Current service cost	156	-	156
Interest expense (income)	558	(274)	284
	186,710	(91,733)	94,977
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,364)	(1,364)
Change in demographic assumptions	6,144	-	6,144
Change in financial assumptions	(2,040)	-	(2,040)
Experience adjustments	(948)	-	(948)
	3,156	(1,364)	1,792
Pension fund contribution	-	(11,864)	(11,864)
Paid pension	(7,634)	3,741	(3,893)
At December 31	$ 182,232	($ 101,220)	$ 81,012

2020	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 169,736	($ 76,752)	$ 92,984
Current service cost	150	-	150
Interest expense (income)	1,358	(614)	744
	171,244	(77,366)	93,878
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(2,583)	(2,583)
Change in financial assumptions	9,864	-	9,864
Experience adjustments	4,888	-	4,888
	14,752	(2,583)	12,169
Pension fund contribution	-	(11,510)	(11,510)
At December 31	$ 185,996	($ 91,459)	$ 94,537

(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:

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	0.60%	0.30%
Future salary increases	3.25%	3.00%

For the years ended December 31, 2021 and 2020, future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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	($ 4,976)	$ 5,166	$ 4,566	($ 4,431)
December 31, 2020				
Effect on present value of defined benefit obligations	($ 5,023)	$ 5,214	$ 4,599	($ 4,465)

The sensitivity analysis above is based on a change of 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 liability 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 amount to $2,577.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years.

B. (a) Effective July 1, 2005, the Company has 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 contributes 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 $23,342 and $23,082, respectively.

(16) 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
The first issuance of employee stock option in 2013	2014.3.2	7,500	6 years	Notes 1, 2 and 3
Episil Technologies Inc.'s first issuance of restricted stocks to employees in 2019	2019.8.6	64	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 stock swap, Episil Holding Inc. assumed the performance obligation from those employee stock options that were initially issued by Episil Technologies Inc. starting from the effective date of the stock swap. Therefore, the underlying shares were changed from Episil Technologies Inc. to Episil Holding Inc., and the conversion price and granted quantity were adjusted based on the stock swap ratio. The number of shares subscription per unit and conversion price per share were adjusted by 2:1 stock swap ratio, the granted quantity was changed from 15 million shares to 7.5 million shares and the subscription price after stock swap was changed from $15.9 (in dollars) to $31.8 (in dollars) per share.

Note 3 : On January 5, 2015, Episil Technologies Inc. split and transferred its operational assets and liabilities of epitaxial 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 fellow company, 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 (Episil Holding Inc.'s share is the underlying shares)

	2021		2020	
	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)	No. of options (in thousand shares)	Weighted-average exercise price (in dollars)
Outstanding at January 1	-	$ -	525	$ 30.8
Expired	-	-	(525)	30.8
Forfeited	-	-	-	-
Outstanding at December 31	-	-	-	-
Exercisable at December 31	-	-	-	-

C. Restricted stocks to employees

Quantity information of the restricted stocks to employees is as follows:

	2021	2020
	No. of restricted stocks (in thousand shares)	No. of restricted stocks (in thousand shares)
Outstanding at January 1/December 31	-	74

D. The expiry date and exercise price of stock options outstanding at the balance sheet dates: None.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Equity-settled	$ -	$ 358

(17) Share capital

As of December 31, 2021, the Company's authorised capital was $5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was $ 2,843,767 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Unit: thousand shares)

	2021	2020
At January 1	279,635	274,401
Conversion of convertible bonds	4,741	5,234
At December 31	284,376	279,635

(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.

(19) Retained earnings

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 as dividends or the reserve of the remaining earnings 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.

The Company's dividend policy is summarised below: 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 30% of total cash and stock dividends to be distributed.

B. 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.

C. On March 8, 2021 and March 16, 2020, the shareholders resolved that total dividends for the distribution of earnings for the year of 2021 and 2020 was $ 70,010 and $68,600 at $0.25 (in dollars) and $0.25 (in dollars) per share, respectively.

D. (a)The Company passed the remaining distribution case on resolution of the shareholders' meeting on August 19, 2021.

(b)The Company passed the remaining distribution case on resolution of the shareholders' meeting on June 12, 2020.

E. On February 14, 2022, the Board of Directors proposed for the distribution of dividends for the year 2020 earnings in the amount of $ 341,252 at $ 1.2 (in dollars) per share.

(20) Other equity items

	Year ended December 31	
	2021	2020
	Financial statements translation difference of foreign operations	Financial statements translation difference of foreign operations
At January 1	$ 448	$ 481
Currency translation differences:		
–Subsidiary	(1,358)	(33)
At December 31	($ 910)	$ 448

(21) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 5,027,125	$ 4,022,775

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	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 4,993,581	$ 33,544	$ 5,027,125
Timing of revenue recognition			
At a point in time	$ 4,993,581	$ 33,544	$ 5,027,125

Year ended December 31, 2020	Sales of silicon epitaxy wafer	Others	Total
Revenue from external customer contracts	$ 3,996,304	$ 26,471	$ 4,022,775
Timing of revenue recognition			
At a point in time	$ 3,996,304	$ 26,471	$ 4,022,775

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liability - advance sales receipts	$ 133,693	$ 184,561	$ 245,306

(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	$ 76,047	$ 57,813

(22) Interest income

	Year ended December 31	
	2021	2020
Interest income from bank deposits	$ 4,955	$ 3,832

(23) Other income

	Year ended December 31	
	2021	2020
Rental revenue	$ 43,774	$ 40,957
Dividend income	1	1
Other income, others	1,738	89
	$ 45,513	$ 41,047

(24) Other gains and losses

	Year ended December 31	
	2021	2020
Gains on disposals of property, plant and equipment	$ -	$ 9,904
Net currency exchange losses	(6,867)	(14,436)
Depreciation on investment property	(5,049)	(5,815)
Other losses	(9,009)	(7,043)
	($ 20,925)	($ 17,390)

(25) Finance costs

	Year ended December 31	
	2021	2020
Interest expense:		
Bank borrowings	$ 2,959	$ 5,268
Bonds payable	3,493	7,444
Lease liabilities	6,029	6,190
Others	84	46
Finance expenses	93	180
	$ 12,658	$ 19,128

(26) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense	$ 680,196	$ 577,808
Depreciation expenses on property, plant and equipment	466,502	465,174
Amortisation expenses on intangible assets	3,518	3,543

(27) Employee benefit expenses

	Year ended December 31	
	2021	2020
Wages and salaries	$ 560,901	$ 467,495
Share-based payments	-	358
Labour and health insurance fees	47,045	44,045
Pension costs	23,782	23,976
Other personnel expenses	48,468	41,934
	$ 680,196	$ 577,808

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 in affiliate companies.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $53,976 and $1,687, respectively; while directors' and supervisors' remuneration was accrued at $5,398 and $211, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on 10%, 1%, 8% and 1% of earnings for the years ended December 31, 2021 and 2020, respectively.

Employees' compensation of $1,687 and directors' remuneration of $211 for the year ended December 31, 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. Abovementioned employees' compensation of 2020 will be distributed in the form of cash.

Information about employees' compensation and directors' and supervisors' 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 taxes

A. Components of income tax benefit:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	$ 98,169	$ 2,777
Prior year income tax overestimation	(250)	(3,090)
Total current tax	97,919	(313)
Deferred tax:		
Origination and reversal of temporary differences	1,939	(6,194)
Total deferred tax	1,939	(6,194)
Income tax expense (benefit)	$ 99,858	($ 6,507)

B. Reconciliation between income tax benefit and accounting profit

	Year ended December 31	
	2021	2020
Income tax calculated based on profit before tax and statutory tax rate	$ 96,078	$ 3,837
Expenses disallowed by tax regulation	699	1,488
Change in assessment of realisation of deferred tax assets	3,331	(8,742)
Prior year income tax overestimation	(250)	(3,090)
Income tax expense (benefit)	$ 99,858	($ 6,507)

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

	2021		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 17,632	($ 1,340)	$ 16,292
Pension liability	18,907	(1,926)	16,981
Others	1,586	(845)	741
	$ 38,125	($ 4,111)	$ 34,014
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)
	($ 596)	($ 1,939)	($ 2,535)

	2020		
	At January 1	Recognised in profit or loss	At December 31
Temporary differences:			
Deferred income tax assets:			
Unrealised loss on inventory valuation loss	$ 12,825	$ 4,807	$ 17,632
Pension liability	18,597	310	18,907
Others	5,101	(3,515)	1,586
	$ 36,523	$ 1,602	$ 38,125
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)
	($ 6,790)	$ 6,194	($ 596)

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

(29) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 380,530	281,253	$ 1.35
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	380,530	281,253	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	414	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 380,530	281,667	$ 1.35

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 25,693	276,543	$ 0.09
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	25,693	276,543	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	27	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 25,693	276,570	$ 0.09

For the years ended December 31, 2021 and 2020, the Company's convertible bonds had anti-dilutive effect, thus, it was not included in the calculation of diluted earnings 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	$ 189,092	$ 81,958
Add: Opening balance of payable on equipment	19,431	22,053
Less: Ending balance of payable on equipment	(33,681)	(19,431)
Cash paid during the year	$ 174,842	$ 84,580

B. Financing activities with no cash flow effects:

	Year ended December 31	
	2021	2020
Convertible bonds being converted to capital stocks	$ 257,170	$ 280,588

(31) Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 300,067	$ 271,045	$ 8,290	$ 300,556	$ 879,958
Changes in cash flow from financing activities	146,216	(9,699)	-	-	136,517
Interest paid	-	(6,029)	-	-	(6,029)
Interest expense	-	6,029	-	3,492	9,521
Option exercised	-	-	-	(257,170)	(257,170)
At December 31	$ 446,283	$ 261,346	$ 8,290	$ 46,878	$ 762,797

	2020				
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Bonds payable	Liabilities from financing activities
At January 1	$ 292,765	$ 276,656	$ 7,871	$ 573,700	$ 1,150,992
Changes in cash flow from financing activities	7,302	(9,554)	419	-	(1,833)
Interest paid	-	(6,190)	-	-	(6,190)
Interest expense	-	6,190	-	7,444	13,634
Option exercised	-	-	-	(280,588)	(280,588)
Changes in other non-cash items	-	3,943	-	-	3,943
At December 31	$ 300,067	$ 271,045	$ 8,290	$ 300,556	$ 879,958

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company’s ultimate parent company is Episil Technologies Inc. (former name: Episil Holding Inc.) holds 58.44% of the Company’s outstanding shares.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
Episil Technologies Inc. (Note 1)	The parent company
Episil Technologies Inc. (Shanghai)	The parent company's indirect wholly-owned subsidiary
Hermes-Epitek Corp.	The parent company’s director is the Hermes-Epitek Corp.'s chairman
Taiwan Hi-Tech Corp.	Investee of the parent company accounted for using equity method
Precision Silicon Japan Co., Ltd.	A subsidiary 100% owned by the parent company
Iberlin Technology Co., Ltd. (Note 2)	A subsidiary which has 95.94% of shares indirectly owned by the parent company

Note 1: Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. After the merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date was set on September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Note 2: Iberlin Technology Co., Ltd. merged with Episil Technologies Inc. (dissolved after the merger with its parent company, Episil Holding Inc., on September 1, 2021) on February 20, 2021.

(3) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Sales of goods:		
-Parent company	$ 181,594	$ -
-Affiliate companies	297,702	281,743
-Subsidiary	184,507	184,462
-Other related parties	2,461	2,600
	$ 666,264	$ 468,805

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:		
-Parent company	$ 2,280	$ -
-Affiliate companies	7,982	6,379
-Subsidiary	3,869	3,379
-Other related parties	-	118
Purchases of services:		
-Parent company	71,050	65,557
-Affiliate companies	1,189	-
	$ 86,370	$ 75,433

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 receivable:		
-Parent company	$ 191,860	$ -
-Subsidiary	46,636	30,715
-Affiliate companies	578	113,149
	239,074	143,864
Other receivables:		
-Episil Technologies Inc. (former name: Episil Holding Inc.)	$ 11,850	$ 9
-Episil Technologies Inc.	-	12,633
	11,850	12,642
	$ 250,924	$ 156,506

The receivables from related parties arise mainly from sales of goods transactions. The receivables are due 3 months after the date of sale.

D. Payables to related parties

	December 31, 2021	December 31, 2020
Accounts payable:		
-Parent company	$ 304	$ -
-Affiliate companies	-	1,829
-Subsidiary	269	-
	573	1,829
Other payables:		
-Affiliate companies	$ -	$ 3,520
-Parent company	15,729	11,478
-Other related parties	22,452	21,207
-Subsidiary	450	527
	38,631	36,732
	$ 39,204	$ 38,561

The payables to related parties arise mainly from purchase of services, and the payment terms are made under mutual agreement.

Other payables mainly refer to payables for service fees and processing fees.

E. Refundable guarantee deposits

	December 31, 2021	December 31, 2020
Refundable guarantee deposits:		
-Other related parties	$ 65,000	$ 65,000

F. Lease transactions

(a) For the years ended December 31, 2021 and 2020, rental income arising from leasing certain buildings and structures to affiliate companies amounted to $9,663 and $7,677, respectively, which is collected monthly.

(b) For the years ended December 31, 2021 and 2020, rental expense due to leasing certain buildings and structures from affiliate companies amounted to $6,760 and $6,500, respectively, which is paid monthly.

G. Others (Shown as "Operating costs" and "Operating expenses")

	Year ended December 31	
	2021	2020
Testing fee:		
-Other related parties	$ 119,271	$ 124,223

(4) Key management personnel compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	$ 12,879	$ 7,660
Post-employment benefits	216	216
	$ 13,095	$ 7,876

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 "Other current assets")	$ 7,858	$ 7,761	Customs deposits and guarantee deposits for leases

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	$ 109,060	$ 5,885

B. To expand the Company's long-term business and build a long-term strategic alliance with the specified supplier, the Company 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 Company, which can be utilised to offset future procurements.

	December 31, 2021	December 31, 2020
Long-term material purchase agreement (shown as "Prepayments")	$ -	$ 27,115

10. Significant Disaster Loss

None.

11. Significant Events after the Reporting Period

The information regarding the appropriations of 2021 earnings is provide in Note 6(19).

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 meet the needs of plant expansion and equipment enhancement. The Company's capital management is to ensure it has sufficient financial resources and operating plans to maintain or adjust capital structure and to meet operational capital for future needs, capital expenditure, research and development expenses, obligation repayment and dividend distribution within the next year.

(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		
Designation of equity instrument	$ 17	$ 17
Financial assets at amortised cost		
Current finantial assets at amortised cost	$ 407,858	$ -
Cash and cash equivalents	1,517,349	1,346,688
Notes receivable	-	1,733
Accounts receivable	1,104,893	853,743
Accounts receivable due from related parties	239,074	143,864
Other receivables	14,116	11,171
Other receivables due from related parties	11,850	12,642
Refundable guarantee deposits	65,579	65,579
Other financial assets	-	7,761
	$ 3,360,719	$ 2,443,181
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 446,283	$ 300,067
Accounts payable	482,599	429,755
Accounts payable to related parties	573	1,829
Other payables	350,217	231,787
Other payables to related parties	38,631	36,732
Bonds payable (including current portion)	46,878	300,556
Guarantee deposits received	8,290	8,290
	$ 1,373,471	$ 1,309,016
Lease liability	$ 261,346	$ 271,045

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. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(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

<u>Exchange rate risk</u>

i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up policies to manage its foreign exchange risk against their functional currencies. The Company is are required to hedge its entire foreign exchange risk exposure through coordination 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 that 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	$ 31,223	27.690	$ 864,564
JPY:NTD	72,188	0.2406	17,368
RMB:NTD	19,628	4.347	85,323
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 24,312	27.690	$ 673,199
JPY:NTD	81,542	0.2406	19,619
RMB:NTD	25,222	4.347	109,640
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	$ 22,993	28.480	$ 654,845
JPY:NTD	85,847	0.2763	23,719
RMB:NTD	18,735	4.377	82,002
Non-monetary items: None.			
Financial liabilities			
Monetary items			
USD:NTD	$ 18,640	28.480	$ 530,870
JPY:NTD	67,406	0.2763	18,624
RMB:NTD	20,915	4.377	91,544
Non-monetary items: None.			

iv. The total exchange 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 $6,867 and $14,436, respectively.

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 8,646	$ -
JPY:NTD	1%	174	-
RMB:NTD	1%	853	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 6,732)	$ -
JPY:NTD	1%	(196)	-
RMB:NTD	1%	(1,096)	-

	Year ended December 31, 2020		
	Sensitivity analysis		
	Change in exchange rate	Effect on profit (loss)	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 6,548	$ -
JPY:NTD	1%	237	-
RMB:NTD	1%	820	-
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 5,309)	$ -
JPY:NTD	1%	(186)	-
RMB:NTD	1%	(915)	-

Price risk

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

ii. The Company’s investments in equity securities comprise shares issued by a domestic company. The prices of equity securities would change due to the change of the future value of investee company. If the prices of these equity securities had increased/ decreased by 10% with all other variables held constant, fair value adjustment would have increased/decreased both by $2, as a result of the price change on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

i. The Company’s interest rate risk arises from short-term borrowings with floating rates, which expose the Company to cash flow interest rate risk and partially offset by cash and cash equivalents held at floating rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are with floating rates. During the years ended December 31, 2021 and 2020, the Company’s borrowings at floating rates were denominated in USD.

ii. If the borrowing interest rate of New Taiwan dollars, US dollars or Japanese yen had increased/decreased by 0.25% with all other variables held constant, profit after tax for the years ended December 31, 2021 and 2020 would have decreased /increased by $1,116 and $750, 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 and financial institutes with an optimal rating are accepted. According to the Company’s credit policy, each local 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 as 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 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 applies 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 180 days past due	Individual	Total
December 31, 2021							
rate	0.01%	0.01%	0.15%	0.88%	100%	0.12%~6%	
Total book value	$ 885,526	$ 66,110	$ 1,740	$ -	$ -	$ 151,669	$1,105,045
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)
December 31, 2020							
rate	0.01%	0.01%	0.17%	1.04%	100%	0.12%~7.14%	
Total book value	$ 676,753	$ 20,252	$ 395	$ -	$ -	$ 156,495	$ 853,895
Loss allowance	$ -	$ -	$ -	$ -	$ -	($ 152)	($ 152)

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	$	152
Reversal of loss allowance		-
At December 31	$	152

		2020
		Accounts receivable
At January 1	$	167
Reversal of loss allowance	(	15)
At December 31	$	152

(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 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 are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Company held money market position of $1,516,989 and $1,346,385, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2021		December 31, 2020	
Floating rate:				
Expiring within one year	$	756,110	$	909,933
Expiring beyond one year		-		-
	$	756,110	$	909,933

iv. The table below analyses the Company’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2021				
Short-term borrowings	$ 446,283	$ -	$ -	$ -
Accounts payable (including related parties)	483,172	-	-	-
Other payables (including related parties)	388,848	-	-	-
Lease liabilities	15,728	15,144	35,818	295,212
Bonds payable	47,500	-	-	-
Deposits received	195	-	8,095	-

Non-derivative financial liabilities

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
December 31, 2020				
Short-term borrowings	$ 300,067	$ -	$ -	$ -
Accounts payable (including related parties)	431,584	-	-	-
Other payables (including related parties)	268,519	-	-	-
Lease liabilities	15,728	15,728	39,387	306,786
Bonds payable	-	-	309,400	-
Deposits received	-	195	-	8,095

(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. The fair value of the Company's convertible bonds payable is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company’s investment in unlisted stocks is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

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, refundable guarantee deposits, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 46,878	$ -	$ 46,973	$ -

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	$ 300,556	$ -	$ 302,439	$ -

(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.

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	$ -	$ -	$ 17	$ 17

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	$ -	$ -	$ 17	$ 17

(b) The methods and assumptions the Company used to measure fair value are as follows:

i. The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund
Market quoted price	Closing 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 parent company only balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company'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 Company'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 parent company only balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Company 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 Company'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:

	2021	2020
	Equity instruments	Equity instruments
At January 1 / December 31	$ 17	$ 17

G. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

H. Company 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 stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher 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 stocks	$ 17	Market comparable companies	Price to book ratio multiple	1	The higher the multiple, the higher the fair value

J. The Company has carefully assessed the valuation model and assumption 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	±10%	$ -	$ -	$ 2	($ 2)

			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	±10%	$ -	$ -	$ 2	($ 2)

(3) Others

Impact to the Group’s operations due to COVID-19: Some of the Group’s customers are located in Mainland China. In response to the COVID-19 pandemic, 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 has gradually loosened 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 Group’s going concern, assets impairment and financing risk due to COVID-19.

13. Supplementary Disclosures

The disclosures on investee companies were based on investees' financial statements audited by independent auditors.

(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: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

14. Segment Information

Not applicable.

Episil-Precision Inc. and Subsidiaries

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)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021 Number of shares (in thousands)	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Episil-Precision Inc.	Dah Chung Bills Finance Corp.-common stock	None	Financial assets at fair value through other comprehensive income-non-current	1,109	$ 17	-	$ 17	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financal 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-Precision 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-Precision Inc.	Episil Technologies Inc.	Affiliate company	(Sales)	$ 181,594	3.60%	30-90 days after monthly billings	$ -	Gerneral terms	$ 191,860	14.28%	Note 4
Episil-Precision Inc.	Episil Technologies Inc.	Parent company	(Sales)	296,164	5.87%	30-90 days after monthly billings	-	Gerneral terms	-	-	
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Subsidiary	(Sales)	184,507	3.66%	30-90 days after monthly billings	-	Gerneral terms	46,636	3.47%	

Note 1: If terms of related-party transactions are different from third-party transactions, explain the differences and reasons in the ‘Unit price’ and ‘Credit term’ columns.

Note 2: In case related-party transaction terms involve advance receipts (prepayments) transactions, explain in the footnote the reasons, contractual provisions, related amounts, and differences in types of transactions compared to third-party transactions.

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: Episil Holding Inc. (former name) merged with its subsidiary, Episil Technologies Inc. After the merger, Episil Holding Inc. was the surviving company while Episil Technologies Inc. was the dissolved company. The merger effective date was set on September 1, 2021. Meanwhile, Episil Holding Inc. was renamed to Episil Technologies Inc.

Episil-Precision 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 (Note 2)	General ledger account	Amount (Note 3)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Sales revenue	$ 184,507	Gerneral terms	3.66%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Purchase	3,869	Gerneral terms	0.06%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts receivable	46,636	90~180 days after monthly billings	0.71%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Accounts payable	269	Gerneral terms	0.00%
0	Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	1	Other payables	450	Gerneral terms	0.00%

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.

Episil-Precision 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, 2020					
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) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
Episil-Precision Inc.	Precision Silicon Japan Co., Ltd.	Japan	Sales of silicon epitaxy wafer	$ 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, 2020' 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, 2020' 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, 2020' 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.

Episil-Precision Inc. and Subsidiaries
Major shareholders information
December 31, 2021

Table 5

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Episil Technologies Inc.	166,200,000	58.44%

V、In the most recent fiscal year and up to the date of publication of the annual report, if the company and its related enterprises have financial difficulties and their impact on the financial position of the company: None.

Seven. Review of Financial Conditions, Operating Results, and Risk Management

I、Financial situation：

(I) Analysis of Financial Status

Unit: NT$ thousands

Item \ Year	2021	2020	Difference Amount	Difference %
Current Assets	4,237,835	3,306,410	931,425	28.17
Property, Plant and Equipment	1,799,031	2,059,306	(260,275)	(12.64)
Intangible assets	53,245	55,096	(1,851)	(3.36)
Other Assets	523,424	544,752	(21,328)	(3.92)
Total Assets	6,613,535	5,965,564	647,971	10.86
Current Liabilities	1,530,855	1,103,174	427,681	38.77
Long-term Liabilities	472,601	816,851	(344,250)	(42.14)
Total Liabilities	2,003,456	1,920,025	83,431	4.35
Capital stock	2,843,767	2,796,356	47,411	1.70
Capital surplus	1,313,939	1,104,180	209,759	19.00
Retained Earnings	453,283	144,555	308,728	213.57
Other Adjustments	(910)	448	(1,358)	(303.13)
Total Stockholders' Equity	4,610,079	4,045,539	564,540	13.95

1. The main reasons for the major changes in assets, liabilities and stockholders' equity in the last two years (those with changes of more than 20 percent in the previous and late periods and the amount of change amounting to NT$10 million) and their impact and future response plans
   1. Increase in Current Assets: The increse was mainly due to increase in revenue of the Company and its subsidiaries in the fourth quarter of 2021 compared with 2019 to increase in accounts receivable and cash.
   2. Increase in Current Liabilities: The increase was mainly due to in response to the demand for operating turnover, the increase in short-term borrowings .and increased in Bonuses payable, employee dividends and remuneration for directors and supervisors in 2021.
   3. Decrease in Long-term Liabilities:The decrese was mainly due to some of the third unsecured conversion of corporate bonds was issued in 2019 had converted in 2021, and transfer long-term borrowings of less than one year.
   4. Iecrease in retained earnings: The increse was mainly due to net profit in 2021.
2. Future Response Plan: The above changes have no significant impact on the Company.

II、Financial performance：

(I) Analysis of Financial Performance：

Unit: NT$ thousands

Year / Item	2021	2020	Difference Amount	Difference %
Net Sales	5,043,332	4,039,180	1,004,152	24.86
Cost of Sales	4,316,899	3,795,221	521,678	13.75
Gross Profit	726,433	243,959	482,474	197.77
Operating Expenses	262,320	232,471	29,849	12.84
Operating Income	464,113	11,488	452,625	3,939.98
Non-operating Income and Loss	16,556	8,371	8,185	97.78
Income Before Tax	480,669	19,859	460,810	2,320.41
Income tax (cost) benefits	(100,139)	5,834	(105,973)	(1,816.47)
Net income	380,530	25,693	354,837	1,381.06

(I) The main reasons for the significant changes in net sales, operating income and income befor tax in the last two years (those who changed by more than 20 percent in the previous and late periods and the amount of change amounted to NT$10 million)

1. Increase in Net Sales and Gross Profit : The increase was due to the continuation of remote business opportunities such as laptops in the 2021 epidemic, coupled with emerging terminal applications such as 5G data centers, new energy, AI, Internet of Things and automotive electronics, the demand for semiconductor-related products has increased, driving the demand for crystalline silicon wafer products of the company and its subsidiaries to rise, pushing up the overall revenue growth compared with the 109 year, and the operating gross profit has increased accordingly.
2. Increase in Operating Income: The increase was due to increase in revenue and operating gross profit in 2021,led to operating net profit increased.
3. Increase in Income Before Tax, Income tax and Net incom: The increase was due to increase in operating income,gross profit and net profit for the period, and increased non-operating income due to rent increases. Net profit before tax, income tax expense and net profit for the period were enhanced as a result.

(II) Expected sales volume and basis for the coming year, possible impact on the company's future financial business and corresponding plan:

The company according to the industrial environment and the future supply and demand of the market and consider the R & D plans, business development and other related information for evaluation, set the annual sales target, the company belongs to the industry is still in the growth stage, the future will be based on the market demand changes, expand the market share, enhance the company's profitability. Due to the low profit margin of the silicon crystal industry, in addition to stabilizing production quality and reducing production costs, the company is actively expanding its customer base and continuing to lay out large customer (IDM) cooperation projects in the field of compound semiconductors to open up the blue ocean of the market.

III 、Cash Flow Analysis for the Current Year：

Unit: NT$ thousands

Cash and Cash Equivalents, Beginning of Year(A)	Net Cash Flow from Operating Activities (B)	Cash Outflow (C)	Cash Surplus (Deficit) (A)+(B)-(C)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,369,084	692,459	(511,371)	1,550,172	-	-

Analysis of change in cash flow in the current year:
1. Cash Shortage Improvement Plan: The Company is expected to be not cash-free for the current year, sufficient to meet normal operating requirements.
2. Cash liquidity analysis for the coming year: not applicable.

IV、Major Capital Expenditure Items: None

V、The reinvestment policy for the most recent year, the main reason for its profit or loss, improvement plan and investment plan for the next year：

The company's reinvestment under the equity method focuses on long-term strategic purposes. In the future, the company will continue to prudently evaluate reinvestment plans based on the principle of long-term strategic investment.

VI、Analysis of Risk Management：

(I)Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures：

Unit: NT$ thousands

Item	Export %	Exchange (profit) and loss	Total Sales	(%) of Total Sales
2021	44.66%	(7,191)	5,043,332	(0.14%)

1、The company regularly evaluates the bank loan interest rate, monitors the change of market interest rate at any time, and keeps close contact with the bank to strive for preferential loan interest rate. As a result, the change of interest rate has little impact on the company's profit and loss.

2、In terms of foreign exchange management, the company regularly evaluates and monitors the adjustment of net foreign exchange position, and when necessary, conducts derivative financial commodity transactions for the purpose of hedging. Therefore, the exchange gains and losses are within the controllable range, which has limited impact on the company's overall profits and losses.

3、Inflation is a change in the overall economic environment that has a limited impact on the company's profits and losses.

(II) For the most recent fiscal year and up to the date of publication of the annual report, the policies, main reasons for profit or loss, and future countermeasures for engaging in high-risk, highly leveraged investment, loan of funds to others, endorsement and guarantee, and derivatives trading are as follows:

1. The company and its subsidiaries are not engaged in derivatives trading.

2. The company and its subsidiaries are not engaged in capital lending to others or external endorsement and guarantee transactions.

3. The company and its subsidiaries are not engaged in high-risk and highly leveraged investment.

(III) Future R&D plan and expected R&D Expenditure:

1. Future R&D plan:

(1)Gen 2 High Grade SiC/SiC epitaxy technologies

(2) RF GaN (GaN-on-Si) epitaxy technologies

(3) Gen 2 650V GaN on Si epitaxy technologies

2. The estimated R & D cost in the year of 2022 is NT$86.349 million.

3. In recent years, our company has actively researched and developed silicon epitaxy and wide band gap component epitaxy related technologies, and invested in research and development for epitaxy equipment optimization. At present, these R & D activities have achieved initial results. The company will continue to improve its characteristics and expand its R&D field in order to obtain more international IDM certification.

(IV) The impact of major domestic and foreign policy and legal changes on the company's financial business in the most recent year and up to the date of publication of the annual report and the corresponding measures: the company and its subsidiaries continue to pay attention to the changing trend of domestic and foreign situations and the changes of policies and laws, and take various corresponding measures. In the most recent fiscal year and up to the date of publication of the annual report, there were no significant changes in policies and laws at home and abroad, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.

(V) Impact of technological changes and industrial changes on the company's financial business in the most recent fiscal year and up to the date of publication of the annual report and corresponding measures: the company and its subsidiaries shall keep abreast of the industrial changes and market trends, and pay attention to the development and changes of relevant technologies. During the most recent fiscal year and up to the date of publication of the annual report, there were no significant technological and industrial changes, the results of which were sufficient to have a significant impact on the financial business of the company and its subsidiaries.

(VI) In the most recent year and up to the date of publication of the annual report, the impact of corporate image change on corporate crisis management and Countermeasures: since the establishment of the company and its subsidiaries, the company has actively strengthened the operation and management of the company and its subsidiaries, and abided by relevant laws and regulations, so as to maintain a good corporate image. During the most recent fiscal year and up to the date of publication of the annual report, there was no major change in the corporate image that led to a crisis.

(VII) Expected benefits, possible risks and Countermeasures of M & A in the most recent year and up to the date of publication of the annual report: During the most recent year and up to the date of publication of the annual report, the company and its subsidiaries did not conduct merger and acquisition.

(VIII) Expected benefits, possible risks and Countermeasures of plant expansion in the most recent year and up to the publication date of the annual report: the company and its subsidiaries did not expand their plant in the most recent year and up to the publication date of the annual report.

(IX) In the most recent financial year and up to the date of publication of the annual report, the risks faced by the centralized purchase or sale of goods and the corresponding measures:

1. Purchase risk and Countermeasures: the main purchase manufacturers account for 57% of the net purchase amount. Considering the factors of product quality, purchase cost and cooperation with manufacturers, in addition to manufacturers with good long-term cooperative relationship, they also actively develop other new purchase sources to avoid the risk caused by purchase concentration.
2. In recent years, the company has actively researched and developed energy-saving products, which have been certified by international manufacturers, and the revenue has been growing steadily. The company will also continue to develop product applications and expand customers at home and abroad, in order to avoid the risk caused by the concentration of sales.

(X) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the substantial transfer or replacement of shares by directors or major shareholders holding more than 10% of the shares on the company: none.

(XI) For the most recent fiscal year and up to the date of publication of the annual report, the impact, risks and Countermeasures of the change of management right on the company: not applicable.

(XII) In the most recent fiscal year and up to the date of publication of the annual report, the company and its directors, general managers, substantial responsible persons, major shareholders holding more than 10% of the shares, and subordinate companies have decided or are still in the process of major litigation, non litigation, or administrative litigation, the results of which may have a significant impact on shareholders' equity or securities prices: none.

(XIII)Other important risks and Countermeasures:

1.Risk management policy

The company and its subsidiaries have always adopted preventive policies for risk management. Strict internal control system is established in accordance with the law, and the implementation is checked by auditors. In addition, relevant insurance for specific projects, such as property insurance and cargo insurance, is insured to reduce the loss caused by risks. In addition, the company and its subsidiaries are not engaged in high-risk, highly leveraged investment and other businesses, and the subsidiaries are not allowed to lend funds to others or provide endorsement and guarantee by resolution of the board of directors.

The company and its subsidiaries shall, in accordance with the operation policy, reduce possible losses within the scope of acceptable risk exposure. On the premise of achieving a balance between risk and reward, we should achieve the operation goal, improve the shareholders' wealth and optimize the capital allocation.

2.Organizational structure of risk management

The company adopts a comprehensive risk management and control system to identify all risks (including market risk, credit risk and operational risk) and measure the value at risk of all kinds of risks, so that the management of the company can effectively control and measure the market risk, credit risk and operational risk. Therefore, a risk management team is set up, which is responsible for Responsible for risk management, the team sets limits and carries out risk management in accordance with relevant laws and regulations and the company's relevant regulations.

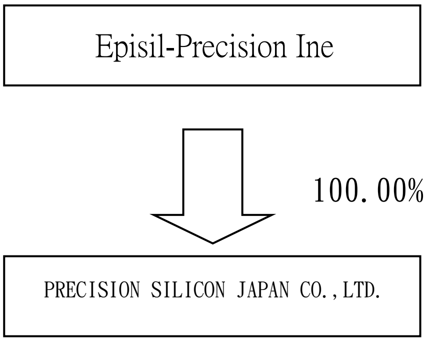
VII、Other important matters: None

Eight. Special Disclosure

I 、 Related information of related enterprises:

(I) Business report on merger of related enterprises:

1. Relationship enterprise organization chart:



2. The company is not presumed to have control and subordination in accordance with article 369-3 of the company law, and there is no controlled subsidiary company or mutual investment company specified in article 369-2, paragraph 2 and article 369-9 of the company law.

3. Basic information of related enterprises

Unit: NT $1000

Enterprise name	Date of establishment	Address	Paid in capital	Main business or production items
PRECISION SILICON JAPAN CO.,LTD.	18 January 2002	2 / F, Ho Ho building, 1-32-6, Toyoshima, Tokyo	$2,740 (exchange rate 0.2740)	Business of epitaxial silicon wafer

4. The information of the same shareholder who is presumed to have control and subordination

Unit: NT $1000；Shares%

Subsidiary company	Presumptive cause	Name (Note1)	Shares held (Note2)		Date of establishment	address	Paid in capital	Main business items
			shares	%				
		None						

Note 1:if the shareholders are the same as legal person, fill in the name of legal person; if the shareholders are the same as natural person, fill in the name of natural person. Natural person shareholders only fill in the presumption reason, name and shares held.

Note 2:the holding of shares refers to the information of shareholders holding shares in the controlling company.

5. Industries covered by the business of the overall relationship enterprise
The business scope of the company and its related enterprise, PRECISION SILICON JAPAN CO.,LTD., includes R & D, manufacturing and sales of epitaxial silicon wafers.
6. Information of directors, supervisors and general managers of related enterprises

Enterprise name	Title (Note 2)	Name or representative	Shares held (Note 3)(Note 4) shares	Shareholding ratio (%)
PRECISION SILICON JAPAN CO.,LTD.	Chairman	Ching-Tzong Sune (Representative of episil precision ine)	200	100%
	Director	Ming-zhe lu (Representative of episil precision ine)		
	Director	Huei-Fen KangG, (Representative of episil precision ine)		
	Supervisor	Pei-Yuan chen (Representative of episil precision ine)		
	General manager	Ming-zhe lu		

Note 1:as of December 31, 2021.
Note 2:if the related enterprise is a foreign company, its position is equivalent.
Note 3:if the invested company is a joint-stock company, please fill in the number of shares and shareholding ratio, and others please fill in the amount and proportion of capital contribution and indicate it.
Note 4:when a director or supervisor is a legal person, the relevant information of the representative shall be disclosed.

7. An overview of the operation of the relationship enterprise

The financial position and operating results of each relationship enterprise：

Unit: NT $1000

Company	Capital	Total Assets	Total Liabilities	Total Equity	Sales	Operating Income	Net income	Earnings per share
PRECISION SILICON JAPAN CO.,LTD.	$2,740	58,908	48,813	10,095	204,583	1,959	1,349	6.74

Note 1: As of December 31, 2021.
Note 2: All related enterprises, regardless of size, should be exposed.
Note 3: If the related enterprise is a foreign company, the relevant figures shall be shown in NTD at the exchange rate at the reporting date.

(II) Consolidated financial statements of related enterprises for the most recent year: please refer to page 97 of the company's annual report.

(III) Latest annual relationship report: not applicable.

II 、Private placement of Securities for the most recent year and up to the date of publication of the annual report: none.

III 、Shares held or disposed of by subsidiaries in the most recent year and up to the date of publication of the annual report: none.

IV 、Other necessary supplementary notes: none.

Nine. Matters Affecting Shareholders' Equity or Stock Price：None