

Stock Code : 3016

Episil-Precision Inc.

2022 Annual Shareholders' Meeting

Meeting Agenda

(Translation)

Convening method: entity shareholders meeting

Time: 9:00 a.m.(Thursday), June 21, 2022

Place: at No.17, Innovation Rd.1, Hsinchu Science Park

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Episil-Precision Inc.
2021 Annual Shareholders' Meeting
Meeting Agenda
(Translation)

Convening method: entity shareholders meeting

Time: 9:00 a.m. (Thursday), June 21, 2022

Place: at No.17, Innovation Rd.1, Hsinchu Science Park

I、Call Meeting to Order

II、Chairman's Address

III、Report items

(1)2021 Annual Business Report

(2)Audit Committee's review report

(3)Status reports of 2021 employees and directors compensation distribution

(4)To report 2021 earnings distribution

(5)To report on the execution of convertible corporate bonds

IV、Approval Items

(1)Adoption of the 2021 Business Report and Financial Statements

(2)Adoption of the Proposal for Distribution of 2021 Profits

V、Electoral Items

(1)Election of directors

VI、Other Items

(1)Proposal of Release the Prohibition on Directors from Participation in Competitive Business

The chairman may order the case to be put to the vote or the whole or part of the motion to be voted on by poll before the provisional motion is moved.

VII、Other Business and Special Motion

VIII、Meeting Adjourned

Report Items

No. 1

Proposal:2021 Annual Business Report

Explanatory : Please refer to Attachment 1.

No. 2

Proposal:Audit Committee's review report

Explanatory : Please refer to Attachment 2.

No. 3

Proposal:Status reports of 2021 employees and directors compensation distribution.

Explanation :

1. According to Company's Articles of Incorporation article 25, "The Company shall allocate no less than 5% of profit as employees' compensation and no more than 2% of profit as directors' compensation for each profitable fiscal year."
2. Company to distribute NT\$ 53,976,166 as employees' cash compensation and NT\$ 5,397,617 as directors' compensation and there is no difference from the estimated amount in the annual financial report for the recognition of expenses..

No. 4

Proposal:To report 2021 earnings distribution.

Explanation :

1. In accordance with Article 25-1 of the articles of association, the board of directors is authorized to present more than two-thirds of the directors and the resolution of more than half of the directors to distribute all or part of the dividends and bonus in the form of cash and report to the shareholders' meeting.
2. It is proposed to allocate NT \$341,252,075 for shareholders' dividends and distribute cash dividends, with NT \$1.2 per share. The dividend base date, payment date and other related matters of cash dividends shall be separately prescribed by the chairman of the board of directors. When paying cash dividends, the total amount of dividends distributed to individual shareholders is mainly calculated as yuan, and less than yuan is rounded off. The abnormal amount of cash dividend less than 1 yuan will be transferred to

other income of the company. If the company has the right to participate in the change of the number of shares to be distributed, which affects the distribution rate of each share of shareholders, the chairman of the board of directors shall be authorized to deal with it.

No. 5

Proposal: To report on the execution of convertible corporate bonds

Explanation :

- (I) The report on the implementation of the third domestic unsecured convertible corporate bonds issued by the company in 2019, with the following explanations:
- (1) In order to repay bank loan, the company has been approved by the Financial Supervisory Commission on October 9, 2019, No. 1080331440, and issuing the third domestic unsecured convertible corporate bonds with a total face value of NT\$600 million. The convertible bonds were raised and listed on October 31, 2019.
 - (2) For the main conditions of the third unsecured conversion of corporate bonds, the conversion situation and the implementation of the capital utilization plan, please refer to page 35 of the Procedural Manual (Attachment 5).
- (II) The report on the implementation of the fourth domestic unsecured conversion of corporate bonds issued by the company in 2022, with the following explanations:
- (1) In order to purchase machinery and equipment and related installation projects, the company has been approved by the Financial Supervisory Commission on March 15, 2022, No. 11103342621, and issued the fourth domestic unsecured convertible corporate bonds with a total face value of NT\$500 million. The convertible bonds were raised and listed on March 29, 2022.
 - (2) For the main conditions of the fourth unsecured conversion of corporate bonds, the conversion situation and the implementation

of the capital utilization plan, please refer to page 35 of the Procedural Manual (Attachment 5).

Approval Items

No. 1 (Proposed by the Board of Directors)

Proposal: Adoption of the 2021 Business Report and Financial Statements.

Explanation:

1. 2021 Business Report and Financial Statements have been reviewed by the Audit Committee, and approved by the board of directors. For the related Business Report and Financial Statements, please refer to Attachments 1 and 3~4, Handbook, 2021 Annual Meeting of Shareholders.
2. Adoption is respectively requested.

Resolution:

No. 2 (Proposed by the Board of Directors)

Proposal: Adoption of the Proposal for Distribution of 2021 Profits.

Explanation:

1. 2021 Profit Distribution Table have been reviewed by the Audit Committee, and approved by the board of directors.
2. The company's after tax surplus in 2021 is NT \$380,530,492. The profit distribution statement is as follows

EPISIL-PRECISION INC.
Profit Distribution Table
Year 2021

Unit: NTD

Item	Amount
Beginning retained earnings	11,099,612
Add: Profit for the year	380,530,492
Less: actuarial losses on defined benefit plans	(1,791,909)
Less: Legal reserve	(37,873,858)
Less: Special reserve	(909,939)
Distributable net profit	351,054,398
Cash Dividends to Shareholders (\$1.20 per share)	(341,252,075)
Stock Dividends to Shareholders (\$0.00 per share)	0
Unappropriated retained earnings	9,802,323

3. Adoption is respectively requested.

Resolution:

Electoral Items

No. 1 (Proposed by the Board of Directors)

Proposal: Election of directors.

Explanation:

1. The tenure of the eighth term of directors (including independent directors) of the company will expire on June 13, 2022. It is proposed that the general meeting of shareholders in 2022 will be fully re-elected, and nine directors (three of them are independent directors) will be re-elected. The term of office is three years from June 21, 2022 to June 20, 2025.
2. According to Articles 15 and 16 of the company's articles of association, the election of directors (including independent directors) adopts the candidate nomination system. The list of candidates has been reviewed and approved by the company's board of directors on February 14, 2022. The relevant information is as follows. The candidate, Mr. Ze-Peng Chen, has served as the independent director of the company for three consecutive terms. Because of his rich experience in the semiconductor-related industry, he can provide important suggestions for the development of the company's technology strategy. Although he has been re-elected as an independent director of the company for three terms, the company needs to continue to rely on his expertise so that in addition to exercising the duties of an independent director, he can still exert his expertise, supervise the board of directors and provide professional advice. Therefore, it is proposed to nominate him as an independent director of the Company in this election.
3. This election is handled in accordance with the company's "Director Election Measures"

Type	Account numbers or ID	Name	Education	experience	independent director for three consecutive terms	number of shares
Director	64443	Episil Technologies Inc. representative : Jian-Hua Syu	Master's degree in chemical engineering , National Cheng Kung University	Chairman of Episil-Precision Inc.	NA	166,200,000
Director	64443	Episil Technologies Inc. representative : Hsi-Hsin Chen	Academic degree in Solid State Physics from University of Texas, USA	Director of Episil-Precision Inc	NA	166,200,000
Director	64443	Episil Technologies Inc. representative : Ching-Tzong Sune	Doctor's degree in Electrical Engineering, North Carolina State University	Director of Episil-Precision Inc	NA	166,200,000
Director	64443	Episil Technologies Inc. representative : Guei-Rong Fan	Master's degree in MBA, University of Leicester	Director of Episil-Precision Inc	NA	166,200,000
Director	41368	NAN YA PHOTONICS INCORPORATION representative : Rong-Huang Luo	Bachelor's Degree in Industrial Engineering, Chung Yuan Christian University	Deputy General Manager of Nan Ya Photonics Incorporation	NA	9,847,325
Director	31047	Jiacai Investment Co., Ltd. representative : Wun-Guei Ye	Bachelor's Degree in Controls, Feng Chia University	Deputy Engineer, Zhongshan Academy of Sciences	NA	2,900,255
Independent Director	A1202XXXXX	Wei-Min Shen	Doctor's degree in Accounting, Purdue University	Professor, Department of Finance and Taxation, National Taichung University of Science and Technology	No	0
Independent Director	J1006XXXXX	Ze-Peng Chen	Doctor's degree in Materials Science and Engineering, Tsinghua University	Chairman of Guangzhou Gallium Optoelectronics Co., Ltd.	Yes	0
Independent Director	H1214XXXXX	Han-Liang Hu	Master's degree in Accounting and Management Decision Group, National Taiwan University	Partnership accountant of C. J. S. CPAS & CO.	No	0

Election results:

Other Items

No. 1 (Proposed by the Board of Directors)

Proposal: Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. According to the provisions of Article 209 of the Company Law: "A director shall, for himself or others, act within the scope of the company's operation, and shall explain the important contents of his act to the shareholders' meeting and obtain its permission."
2. The company's new directors may also hold the positions of directors or managers of other companies within the company's business scope. In order to take advantage of their expertise and relevant experience, it is proposed to submit to the shareholders' meeting in accordance with the law to agree to lift the competition restrictions for new directors of the company. The contents of concurrent directorships are explained as follows:

Title	Name	Other Position
Director	Episil Technologies Inc. Representative : Jian-Hua Syu	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
	Episil Technologies Inc. Representative : Hsi-Hsin Chen	Director of Episil Technologies Inc. Director of High Power Optoelectronics, Inc. Director of Energic Technologies Corporation. Director of Advanced Ion Beam Technology, Inc.
	Episil Technologies Inc. Representative : Ching-Tzong Sune	Chairman of Precision Silicon Japan Co., Ltd. Director of Taiwan Hi-Tech Corp.
	Episil Technologies Inc. Representative : Guei-Rong Fan	Director of Episil Technologies Inc. Chairman of Hi-Tech Semi-Conductor (ChangShu) Co., LTD.

Title	Name	Other Position
	Nan Ya Photonics Incorporation Representative : Rong-Huang Luo	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
	Jiacai Investment Co. Ltd Representative : Wun-Guei Ye	General manager of JiaCai Investment Co. Ltd Director of Trend Lighting, Inc
Independent Director	Wei-Min Shen	Independent director of Ennostar Inc Independent director of Advanced Lithium Electrochemistry Co., Ltd Independent director of Upi Semiconductor Corp Professor, Department of Finance and Taxation, National Taichung University of Science and Technology
	Ze-Peng Chen	Senior consultant of Epistar Corporation Director of Lynk Labs, USA
	Han-Liang Hu	Partnership accountant of C. J. S. CPAS & CO. Independent director of Promate Electronic Co., Ltd. Chairman of the board of directors of Algoltek, Inc. Director of Kye Systems Corp. Director of Godex International Co., Ltd. Director of Scientech Corporation Director of Jianrui Venture Capital Co. Ltd Director of Kai Xing Technology Co., Ltd Director of Xinya Dentsu Co., Ltd

Resolution:

Other Business and Special Motion
Meeting Adjourned

Episil-Precision Inc.
2021 Annual Business Report

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.

Chairman: Jian-Hua Syu Presidents: Ching-Tzong Sune CFO: Pei-Yan Chen

Attachment 2

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
2022 Annual Meeting of Shareholders, Episil-Precision Inc.

Chairman of the Audit Committee: Ze-Peng Chen

Date: 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Inventory valuation

Description

Please refer to Note 4(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.

How our audit addressed the matter

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

1. Obtained an understanding and assessed the reasonableness of Group's policies and procedures related to the provision of allowance for inventory valuation losses and the identification of obsolete and slow-moving inventory.

2. Verified whether the systematic logic used in the Group's inventory aging report is appropriate and in accordance with the Group's policies.
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 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		December 31, 2020		
		AMOUNT	%	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		<u>4,237,835</u>	<u>64</u>	<u>3,306,410</u>	<u>55</u>
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		<u>2,375,700</u>	<u>36</u>	<u>2,659,154</u>	<u>45</u>
1XXX	Total assets		<u>\$ 6,613,535</u>	<u>100</u>	<u>\$ 5,965,564</u>	<u>100</u>

(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		December 31, 2020		
		AMOUNT	%	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		<u>1,530,855</u>	<u>23</u>	<u>1,103,174</u>	<u>18</u>
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		<u>472,601</u>	<u>7</u>	<u>816,851</u>	<u>14</u>
2XXX	Total liabilities		<u>2,003,456</u>	<u>30</u>	<u>1,920,025</u>	<u>32</u>
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(16)	2,843,767	43	2,796,356	47
Capital surplus						
3200	Capital surplus	6(17)	1,313,939	20	1,104,180	18
Retained earnings						
3310	Legal reserve	6(18)	63,445	1	62,093	1
3350	Unappropriated retained earnings		389,838	6	82,462	2
Other equity interest						
3400	Other equity interest	6(19)	(910)	-	448	-
3XXX	Total equity		<u>4,610,079</u>	<u>70</u>	<u>4,045,539</u>	<u>68</u>
Significant commitments and contingencies						
Significaut events after the reporting period						
3X2X	Total liabilities and equity		<u>\$ 6,613,535</u>	<u>100</u>	<u>\$ 5,965,564</u>	<u>100</u>

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)

Items	Notes	Year ended December 31			
		2021		2020	
		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		<u>726,433</u>	<u>14</u>	<u>243,959</u>	<u>6</u>
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		<u>(262,320)</u>	<u>(5)</u>	<u>(232,471)</u>	<u>(6)</u>
6900 Operating profit		<u>464,113</u>	<u>9</u>	<u>11,488</u>	<u>-</u>
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		<u>16,556</u>	<u>-</u>	<u>8,371</u>	<u>-</u>
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		<u>\$ 380,530</u>	<u>7</u>	<u>\$ 25,693</u>	<u>-</u>
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		<u>(\$ 3,150)</u>	<u>-</u>	<u>(\$ 12,202)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 377,380</u>	<u>7</u>	<u>\$ 13,491</u>	<u>-</u>
Profit, attributable to:					
8610 Owners of the parent		<u>\$ 380,530</u>	<u>7</u>	<u>\$ 25,693</u>	<u>-</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 377,380</u>	<u>7</u>	<u>\$ 13,491</u>	<u>-</u>
Basic earnings per share	6(28)				
9750 Basic earnings per share(in dollars)		<u>\$</u>	<u>1.35</u>	<u>\$</u>	<u>0.09</u>
Diluted earnings per share	6(28)				
9850 Diluted earnings per share(in dollars)		<u>\$</u>	<u>1.35</u>	<u>\$</u>	<u>0.09</u>

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)

	Notes	Equity attributable to owners of the parent									Total Equity
		Capital Reserves						Retained Earnings		Financial statements translation differences of foreign operations	
		Share capital - common stock	Additional paid-in capital	Employee stock options	Warrants	Restricted stocks	Others	Legal reserve	Unappropriated retained earnings		
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											
Legal reserve	6(18)	-	-	-	-	-	-	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											
Legal reserve	6(18)	-	-	-	-	-	-	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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
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		<u>692,462</u>	<u>496,231</u>

(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
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
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.

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 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		December 31, 2020		
		AMOUNT	%	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		<u>4,226,837</u>	<u>64</u>	<u>3,295,949</u>	<u>55</u>
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		<u>2,385,241</u>	<u>36</u>	<u>2,668,623</u>	<u>45</u>
1XXX	Total assets		<u>\$ 6,612,078</u>	<u>100</u>	<u>\$ 5,964,572</u>	<u>100</u>

(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		December 31, 2020	
			AMOUNT	%	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		<u>1,529,398</u>	<u>23</u>	<u>1,102,182</u>	<u>18</u>
	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		<u>472,601</u>	<u>7</u>	<u>816,851</u>	<u>14</u>
2XXX	Total liabilities		<u>2,001,999</u>	<u>30</u>	<u>1,919,033</u>	<u>32</u>
	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		<u>4,610,079</u>	<u>70</u>	<u>4,045,539</u>	<u>68</u>
	Significant commitments and contingencies	9				
	Significaut events after the reporting period	11				
3X2X	Total liabilities and equity		<u>\$ 6,612,078</u>	<u>100</u>	<u>\$ 5,964,572</u>	<u>100</u>

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)

	Items	Notes	Year ended December 31			
			2021		2020	
			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		<u>718,625</u>	<u>14</u>	<u>233,311</u>	<u>6</u>
	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		<u>(256,471)</u>	<u>(5)</u>	<u>(226,409)</u>	<u>(6)</u>
6900	Operating profit		<u>462,154</u>	<u>9</u>	<u>6,902</u>	<u>-</u>
	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)	<u>1,349</u>	<u>-</u>	<u>3,923</u>	<u>-</u>
7000	Total non-operating income and expenses		<u>18,234</u>	<u>1</u>	<u>12,284</u>	<u>-</u>
7900	Profit before income tax		<u>480,388</u>	<u>10</u>	<u>19,186</u>	<u>-</u>
7950	Income tax (expense) benefit	6(28)	(99,858)	(2)	6,507	-
8200	Profit for the year		<u>\$ 380,530</u>	<u>8</u>	<u>\$ 25,693</u>	<u>-</u>
	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		<u>(\$ 3,150)</u>	<u>-</u>	<u>(\$ 12,202)</u>	<u>-</u>
8500	Total comprehensive income for the period		<u>\$ 377,380</u>	<u>8</u>	<u>\$ 13,491</u>	<u>-</u>
	Basic earnings per share	6(29)				
9750	Basic earnings per share(in dollars)		<u>\$ 1.35</u>		<u>\$ 0.09</u>	
	Diluted earnings per share	6(29)				
9850	Basic earnings per share(in dollars)		<u>\$ 1.35</u>		<u>\$ 0.09</u>	

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)

	Notes	Capital Reserves					Retained Earnings		Financial statements translation differences of foreign operations	Total equity	
		Share capital - common stock	Additional paid-in capital	Employee share options	Warrants	Restricted stock	Others	Legal reserve			Unappropriated retained earnings
<u>2020</u>											
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
<u>2021</u>											
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
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
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, plant 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		<u>680,760</u>	<u>496,441</u>

(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	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
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)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
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.

Attachment 5

Please refer to the following table for details of the main conditions of the third domestic unsecured convertible corporate bond issuance, the conversion situation and the implementation of the capital utilization plan:

Corporate bond type	The third domestic unsecured conversion of corporate bonds (EPI3/30163)
Date issued	2019/10/31
Face value	NT\$ 100,000
Total	NT\$ 600,000,000
Interest rate	0%
Duration	3 years/due date : 2022/10/31
Reason	repay bank loan
Conversion price	NT\$ 55.1
Repayment method	Unless the bondholders convert the convertible corporate bonds to the Company' s common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEx, the bonds shall be redeemed on maturity in cash at par value.
Outstanding principal	NT\$ 28,800,000
Terms for redemption or early repayment	Please refer to the Third Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures
convert target	Epi' s Ordinary shares
Conversion situation	As of the closing date (April 23, 2022), 5,712 shares have been converted, with a total face value of NT\$571,200,000 and converted into 10,314,171 ordinary shares
Execution of the capital utilization plan	The raising of NT\$600 million to repay bank loans has been fully implemented in the fourth quarter of 2019

Please refer to the following table for details of the main conditions of the company's third domestic unsecured convertible corporate bond issuance, the conversion situation and the implementation of the capital utilization plan:

Corporate bond type	The fourth domestic unsecured conversion of corporate bonds (EPI4/30164)
Date issued	2022/03/29
Face value	NT\$ 100,000
Total	NT\$ 500,000,000
Interest rate	0%
Duration	3 years/due date : 2025/03/29
Reason	purchase machinery and equipment and related installation projects
Conversion price	NT\$ 128
Repayment method	Unless the bondholders convert the convertible corporate bonds to the Company's common shares in accordance with Article 10 of the Issuance and Conversion Regulations, or the bonds have been repurchased and cancelled by TPEX, the bonds shall be redeemed on maturity in cash at par value.
Outstanding principal	NT\$ 500,000,000
Terms for redemption or early repayment	Please refer to the Fourth Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures
convert target	Epi's Ordinary shares
Conversion situation	As of the closing date (April 23, 2022), there has not been any conversion situation
Execution of the capital utilization plan	This time, NT\$500 million was raised for the purchase of machinery and equipment and related installation works, which are expected to be completed in the first quarter of 2024. As of the first quarter of 2022, the actual implementation progress is 22.69%

Appendix 1

Episil-Precision Inc.

Rules and Procedures of Shareholders' Meeting

- 1 Shareholders' Meeting of the Company (the "Meeting") shall be conducted in accordance with these Rules and Procedures.
- 2 Shareholders attending the Meeting shall submit the attendance card for the purpose of signing in.
The number of shares represented by shareholders attending the Meeting shall be calculated in accordance with the attendance cards submitted by the shareholders.
- 3 The attendance and votes of the shareholders meeting are calculated on the basis of the shares.
- 4 The Meeting shall be held at the head office of the Company or at any other appropriate place that is convenient for the shareholders to attend. The time to start the Meeting shall not be earlier than 9:00 a.m. or later than 3:00 p.m.
- 5 If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson of the Board of Directors. When the Chairperson by reason of leave or otherwise is unable to exercise such power of office, the Chairperson shall designate a Director as chair of the meeting, failing which the Directors shall select one of their number to chair the meeting.
If a shareholders' meeting is convened by any person, other than the Board of Directors, entitled to convene such a meeting, the meeting shall be chaired by that person.
- 6 The Company may appoint designated counsel, CPA or other related persons to attend the Meeting.
Persons handling affairs of the Meeting shall wear identification cards or badges.
- 7 The process of the Meeting shall be taperecorded or videotaped and these tapes shall be preserved for at least one year.
- 8 Chairman shall call the Meeting to order at the time scheduled for the Meeting. If the number of shares represented by the shareholders present at the Meeting has not yet constituted the quorum at the time scheduled for the Meeting, the chairman may postpone the time for the Meeting. The postponements shall be limited to two times at the most and Meeting shall not be postponed for longer than one hour in the aggregate. If after two postponements no quorum can yet be constituted but the shareholders present at the Meeting represent more than one - third of

the total outstanding shares, tentative resolutions may be made in accordance with Section 1 of Article 175 of the Company Law of the Republic of China.

The aforesaid tentative resolutions shall be executed in accordance with relevant provisions of the Company Law of the Republic of China.

If during the process of the Meeting the number of outstanding shares represented by the shareholders present becomes sufficient to constitute the quorum, the chairman may submit the tentative resolutions to the Meeting for approval in accordance with Article 174 of the Company Law of the Republic of China.

- 9 The agenda of the Meeting shall be set by the Board of Directors if the Meeting is convened by the Board of Directors. Unless otherwise resolved at the Meeting, the Meeting shall proceed in accordance with the agenda. The above provision applies *mutatis mutandis* to cases where the Meeting is convened by any person, other than the Board of Directors, entitled to convene such Meeting.

Unless otherwise resolved at the Meeting, the chairman cannot announce adjournment of the Meeting before all the discussion items (including special motions) listed in the agenda are resolved.

The shareholders cannot designate any other person as chairman and continue the Meeting in the same or other place after the Meeting is adjourned. However, in the event that the Chairman adjourns the Meeting in violation of these Rules and Procedures, the shareholders may designate, by a majority of votes represented by shareholders attending the Meeting, one person as chairman to continue the Meeting.

- 10 When a shareholder present at the Meeting wishes to speak, a Speech Note should be filled out with summary of the speech, the shareholder's number (or the number of Attendance Card) and the name of the shareholder. The sequence of speeches by shareholders should be decided by the chairman.

If any shareholder present at the Meeting submits a Speech Note but does not speak, no speech should be deemed to have been made by such shareholder. In case the contents of the speech of a shareholder are inconsistent with the contents of the Speech Note, the contents of actual speech shall prevail.

Unless otherwise permitted by the chairman and the shareholder in speaking, no shareholder shall interrupt the speeches of the other shareholders, otherwise the chairman shall stop such interruption.

- 11 Unless otherwise permitted by the chairman, each shareholder shall not,

- for each discussion item, speak more than two times (each time not exceeding 5 minutes). In case the speech of any shareholder violates the above provision or exceeds the scope of the discussion item, the chairman may stop the speech of such shareholder
- 12 Any legal entity designated as proxy by a shareholder(s) to be present at the Meeting may appoint only one representative to attend the Meeting.
If a corporate shareholder designates two or more representatives to attend the Meeting, only one representative can speak for each discussion item.
 - 13 After the speech of a shareholder, the chairman may respond himself/herself or appoint an appropriate person to respond.
 - 14 The chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate.
 - 15 The person(s) to check and the person(s) to record the ballots during a vote by casting ballots shall be appointed by the chairman. The person(s) checking the ballots shall be a shareholder(s). The result of voting shall be announced at the Meeting and placed on record.
 - 16 In the course of the meeting, the chairman may declare a rest at a time of his discretion.
 - 17 Except otherwise specified in the Company Law of the Republic of China or the Articles of Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the Meeting. The resolution shall be deemed adopted and shall have the same effect as if it was voted by casting ballots if no objection is voiced after solicitation by the chairman.
 - 18 If there is amendment to or substitute for a discussion item, the chairman shall decide the sequence of voting for such discussion item, the amendment or the substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is necessary.
 - 19 The chairman may conduct the disciplinary officers or the security guard to assist in keeping order of the Meeting place. Such disciplinary officers or security guards shall wear badges marked "Disciplinary Officers" for identification purpose.
 - 20 Any matter not provided in these Rules and Procedures shall be handled in accordance with relevant laws and regulations.
 - 21 These Rules and Procedures shall be effective from the date it is approved by the Shareholders' Meeting. The same applies in case of revision.

Articles of Incorporation

CHAPTER 1: GENERAL PROVISIONS

- Article 1 The Corporation shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name shall be EPISIL-PRECISION INC in the Chinese language, and EPISIL-PRECISION INC. in the English language.
- Article 2 The business of the company is as follows:
CC01080 electronic components manufacturing industry
I501010 product design industry
IZ99990 other business services
I199990 other consulting services
F401010 international trade
C801010 basic chemical industry (limited to the tenant of No. 3, Innovation Rd. 1, Science Park, Hsinchu)
F207200 chemical raw material sales (limited to the tenant of No. 3, Innovation Rd. 1, Science Park, Hsinchu)
(1) Research, design, develop, manufacture and sell the following projects and their application products:
1. Epitaxial silicon wafers and silicon materials.
2. Sapphire rod, wafer and sapphire substrate silicon epitaxy (SOS).
3. Compound semiconductor epitaxial wafer.
(2) Before the product technology, consulting services business.
(3) Import and export business related to the above products.
(4) Hydrogen production and sales of the former products.
(limited to the tenant of No. 3, Innovation Rd. 1, Science Park, Hsinchu)
- Article 3 The total amount of the Corporation' s reinvestment shall not be subject to the restriction of not more than forty percent of the Corporation' s paid-up capital as provided in Article 13 of the Company Law. Any matters regarding the reinvestment shall be resolved in accordance with the resolutions of the Board of Directors.
- Article 3-1 The Corporation may provide endorsement and guarantee and act as a guarantor.
- Article 4 The Corporation shall have its head office in Hsinchu Science

Park, Taiwan,
Republic of China, and shall be free, upon approval of
government authorities in charge, to set up representative and
branch offices at various locations within and without the
territory of the Republic of China, wherever and whenever the
Corporation deems it necessary or advisable to carry out any or
all of its activities.

Article 5 Public announcements of the Company shall be duly made in
accordance with the Article 28 of the Company Act.

CHAPTER 2: CAPITAL STOCKS

Article 6 The total capital stock of the Company shall be in the amount of
NTD5,000,000,000, divided into 500,000,000 shares, at NTD10 par
value, and may be issued separately.

Among the total capital stock indicated in the first paragraph,
the amount of shares 5,000,000 should be reserved for issuing
options for stock, preferred stock, or corporate bond.

Where the Company repurchases the shares of the Company, only
qualified employees of parents or subsidiaries meeting certain
specific requirements are entitled to receive shares. Only
qualified employees of parents or subsidiaries meeting certain
specific requirements are entitled to receive share subscription
warrant of the Company.

Upon issuing new shares of the Company, only qualified employees
of parents or subsidiaries meeting certain specific requirements
are entitled to subscribe for the shares.

Upon issuing new restricted stock for employees of the Company,
only qualified employees of parents or subsidiaries meeting
certain specific requirements are entitled to receive the
restricted stock.

Article 7 The share certificate of this Company shall be issued in
registered form and signed by or affixed with the seal of
Represented a directors and numbered accordingly. The shares
won't be effective until the authentication of the competent
authority or the agencies of issuance and registration under
their approval.

The Company may not print share certificates for the issuance.
Registers of share certificates shall contact the share
certificates' depository and clearing organizations and follow
the regulations of that enterprise.

Article 8 All the Company' s stockholder-related affairs shall be dealt in accordance with Regulations Governing the Administration of Shareholder Services of Public Companies.

CHAPTER 3: SHAREHOLDERS' MEETINGS

Article 9 The shareholders' meeting shall be convened in two forms: a regular meeting or extraordinary meeting.

1. The regular meeting shall be held once annually and convened by the Board of Directors within six months from the closing of each fiscal year in accordance with the relevant regulations.

2. An extraordinary meeting, if necessary, shall be convened in accordance with the Company Law or relevant regulations.

Article 10 A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney expressly bearing the scope of the authorized power to appoint a proxy to attend the meeting on behalf.

Article 11 When the shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairman. In case of the Chairman' s absence or unavailability, his proxy shall be the Vice Chairman. the Chairman shall, in advance, appoint a director to act in his place, but if the Chairman does not appoint his representative, one director shall be elected from among them to act in Chairman' s place. In the event that the shareholders' meeting is convened by others instead of the Board of Directors, the shareholders' meeting shall be chaired by that convener. In case of two or more conveners, one of them shall be elected to chair the meeting.

Article 12 Each share of stock shall be entitled to one vote

Article 13 Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

Article 13-1 The stock warrants issued by the company at a price lower than the closing price of the ordinary shares issued by the Japanese company shall not be issued until the consent of the board of shareholders representing more than half of the total number of shares issued and more than two-thirds of the voting rights of the shareholders present is obtained.

Any transfer of the Company to an employee at a price lower than the average price of the company' s ordinary shares actually

purchased shall be subject to the consent of more than two-thirds of the voting rights of the present shareholders representing more than half of the total number of shares issued at the last board meeting.

An employee stock option certificate issued by the company with a subscription price lower than the closing price of the common stock of a Japanese company may only be issued with the consent of the shareholders' meeting representing more than half of the total number of issued shares and more than two-thirds of the voting rights of the shareholders present.

The transfer of the company's common shares to employees at a price lower than the average price of the actual repurchase of the company's common shares shall be approved by more than half of the shareholders representing the total number of issued shares present at the latest shareholders' meeting and more than two-thirds of the voting rights of the shareholders present.

Article 14

The minutes of the resolutions of the shareholders' meeting shall be made, signed or sealed by the chairman, and distributed to all shareholders within 20 days after the meeting. The distribution of the minutes referred to in the preceding paragraph may be made by public announcement.

CHAPTER 4: Directors and audit committee

Article 15

The company shall have seven to nine directors. Among the directors mentioned in the preceding paragraph, there shall be at least two independent directors, who shall not be less than one fifth of the number of directors.

The system of nomination of candidates is adopted in the election of directors. The acceptance method and announcement of the list of directors' candidates shall be handled in accordance with the relevant laws and regulations of the company law and the securities and exchange law. Independent directors and non independent directors shall be elected together and the number of elected directors shall be calculated separately.

The audit committee is composed of all independent directors according to laws and regulations of the company. The Audit Committee exercises its functions and powers in accordance with Article 14-4 of the securities and exchange law and relevant laws and regulations.

Article 16

The election of independent directors adopts the system of

nomination of candidates, which is elected by the board of shareholders on the list of candidates for independent directors. The professional qualifications, term of office, part-time restrictions, selection methods and other matters to be followed of independent directors shall be in accordance with the relevant provisions of the securities authority.

Article 17 When the term of office of a director has expired and he is unable to be re elected, his duties shall be extended until the re elected director takes office.

Article 18 The board of directors shall be convened by the chairman of the board of directors, except that the first board of directors of each term shall be convened by the director with the most voting rights. If the chairman of the board of directors is unable to perform his duties for some reason, it shall be handled in accordance with Article 208 of the company law.

Article 19 A resolution of the board of directors shall be approved by a majority of the directors present, except as otherwise provided by the company law and under the circumstances specified in Article 22. If a director is unable to attend the board meeting for some reason, he may issue a power of attorney, list the scope of authorization for the reasons for convening the meeting, and entrust other directors to attend the board meeting on his behalf, provided that one person is entrusted by one person. The meeting of the board of directors of the company may be convened in writing, by e-mail or by fax.

Article 20 Minutes of the proceedings of the board of directors shall be made, signed or sealed by the chairman, and distributed to all directors within 20 days after the meeting. The distribution of the minutes referred to in the preceding paragraph may be made electronically.

Article 21 The board of directors shall be attended by more than two-thirds of the directors and approved by more than half of the directors present. One of them shall be elected as the chairman of the board of directors, and one of them may be elected as the vice chairman of the board of directors in the same way.

Article 22 Resolutions on major matters of the company shall be approved by more than two-thirds of the directors present and more than half of the directors present. The major issues of special resolution in accordance with this article are as follows:

1. Change of articles of association.
2. Preparing budgets and final accounts.
3. The dissolution of the company and the proposed merger with other companies.
4. Propose a plan for distributing surplus or making up loss.
5. Approval of endorsement, acceptance, warranty and undertaking in the name of the Company.
6. Acquisition, transfer and grant of patent rights for specialized technology with other companies or designated persons, and approval and amendment of technical cooperation contracts.
7. Approval to reinvest in other undertakings.

Article 22-1 This corporation may take out liability insurance for the directors in respect of their liability for compensation in accordance with the law.

Article 22-2 The remuneration of all directors shall be authorized to be determined by the board meeting in accordance with the normal level of payment of the same industry.

SECTION 5:Managers and Staff

Article 23 The Company may appoint one CEO, one general manager and several deputy general managers in accordance with the resolution of the Board of Directors. The appointment, dismissal and remuneration thereof shall be handled in accordance with the Provisions of the Company Law. The general manager shall act as both CEO and CEO.

The CEO oversees the company's operations and decisions, and is accountable to the chairman and board of directors. The general manager is responsible for carrying out the business and operation within the scope of authority and responsibility according to the company policy.

SECTION 6:Settlement

Article 24 The Company's fiscal year starts from January 1 and ends on December 31 of every calendar year.

Upon the closing of each fiscal year, the Board of Directors shall work out the following documents and present it at a regular meeting of shareholders for acknowledgement.

1. Business report
2. Financial statements
3. Proposal of earning distribution or loss coverage.

The distribution of the financial statements referred to in the preceding paragraph and decisions on the distribution of earnings or the appropriation of losses may be made by public announcement.

Article 25 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.

Article 25-1 If there is any surplus in the company's annual final accounts, tax shall be paid first to make up for the previous losses. The next 10% shall be used as the statutory surplus reserve, and then the special surplus reserve shall be appropriated or reversed according to the relevant laws and regulations. If there is any surplus, the shareholders' meeting shall decide to distribute the dividend or reserve it.

The company authorizes the board of directors to present more than two-thirds of the directors and the resolution of more than half of the directors to distribute all or part of the dividends and bonus in the form of cash and report to the shareholders' meeting, which is not applicable to the provisions of the relevant shareholders' meeting resolution.

Article 25-2 The company authorizes the board of directors to distribute all or part of the capital reserve or statutory surplus reserve in the form of cash in the presence of more than two-thirds of the directors and the resolution of more than half of the directors, and report to the shareholders' meeting.

Article 26 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.

SECTION 7: SUPPLEMENTARY PROVISIONS

Article 27 The rules and regulations of the company shall be formulated by the board of directors.

Article 28 The directors, managers and employees of the company shall not inform or disclose to others the confidential documents of the company or the technology, market, products and other

confidential information obtained by participating in the operation of the company.

Article 29 Matters not provided for in this articles of incorporation shall be undertaken in accordance with relevant laws and regulations.

Article 30 This chapter is first enacted on October 15st, 1998;
first revised on May 28st, 2001;
second revision on April 23th, 2002;
third revision on April 28th, 2006;
fourth revision on May 30th, 2007;
fifth revision on June 11th, 2008;
sixth revision on June 25th, 2010;
7th revision on June 12th, 2012;
eighth revision on September 24th, 2015;
ninth revision on February 23th, 2016;
tenth revision on June 16th, 2016;
eleventh revision on June 14th, 2019;
twelfth revision on June 12th, 2020;

EPISIL-PRECISION INC.

Director Election Measures

2016.06.16

- Article 1 The election of directors of the company shall be handled in accordance with these regulations.
- Article 2 The election of directors of the company adopts the cumulative voting method. When a director is elected, each share has the same voting rights as the number of directors to be elected, and one person may be elected centrally or distributed.
- Article 3 The election of directors of the company shall adopt the candidate nomination system to be elected by shareholders from a list of candidates, and in accordance with the number of candidates stipulated in the articles of association of the company, those with more voting rights shall be elected as directors, and independent directors shall be elected as directors. Non-independent directors shall be elected together, and the elected quota shall be calculated separately. If there are two or more representatives who have the same number of votes and the number of votes exceeds the specified number of votes, those who have the same number of votes shall draw lots.
- Article 4 Shareholders may exercise their voting rights in writing or electronically.
- Article 5 Election ballots shall be issued by the board of directors. The names of electors shall be replaced by the shareholder account number or attendance card number, and the number of voting rights of each shareholder shall be indicated.
- Article 6 At the beginning of the election, the chairman shall report and designate a number of scrutineers and tellers to perform various related tasks.
- Article 7 If the electee is a shareholder, the elector shall fill in the name of the electee in the "elected person" column on the ballot paper, and shall indicate the shareholder account number; The name of the elector and the number of the identification document; if the electee is a government or a legal person, the name of the government or legal person must be filled in, and if there are several representatives, the names of the representatives should be added separately.

- Article 8 Ballots in the following circumstances are invalid:
- 1.Those who do not use the ballots specified in Article 5 of these Regulations.
 - 2.Two or more candidates are listed on the same ballot.
 - 3.In addition to the name of the electee (including the name of the legal person and the representative) and its shareholder account number (the unified ID card number), other words are included.
 - 4.The handwriting is blurred and unrecognizable.
 - 5.If the filled-in candidate is a shareholder, his name does not match that listed in the shareholder register; if the filled-in electee is not a shareholder, his name and the unified ID card number have been checked for discrepancies.
 - 6.The name of the electee filled in is the same as the name of other shareholders but the shareholder account number (uniform ID card number) is not filled in for identification.
- Article 9 During the election of directors, the board of directors shall prepare the ballot box by itself, and the scrutineer shall open it for inspection in public before voting.
- Article 10 After the voting is completed, the votes will be counted on the spot, and the results of the voting will be announced by the chairman on the spot.
- Article 11 Matters not stipulated in these Measures shall be handled in accordance with the provisions of the Company Law and relevant laws and regulations.
- Article 12 These Measures shall come into force after being approved by the shareholders' meeting, and the same shall apply when amended.

Appendix 4

EPISIL-PRECISION INC.

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate Return on Investment: Not applicable.

Appendix 5

EPISIL-PRECISION INC.

Shareholdings of All Directors

1、The statutory percentage and number of shares of the eighth directors of the company are as follows：

The number of ordinary shares issued by the company is 284,715,486 shares. All directors shall hold 12,000,000 shares.

2、As of April 23, 2022, when the transfer of ownership of the ordinary meeting of shareholders stopped, the number of shares held by all directors is as follows, which meets the percentage standard stipulated in Article 26 of the securities and exchange law:

Position	Name	Current Shareholding (Shares)	Shareholding ratio (%)
Director	Episil Technologies Inc. Representative：Jian-Hua Syu	166,200,000	58.37
Director	Episil Technologies Inc. Representative：Hsi-Hsin Chen	166,200,000	58.37
Director	Episil Technologies Inc. Representative：Ching-Tzong Sune	166,200,000	58.37
Director	Episil Technologies Inc. Representative：Guei-Rong Fan	166,200,000	58.37
Director	Nan Ya Photonics Incorporation Representative：Rung-Huang Luo	9,847,325	3.46
Director	Jiacai Investment Co., Ltd Representative：Wen-Guei Ye	2,900,255	1.02
Independent Director	Wei-Min Shen	0	0.00
Independent Director	Ze-Peng Chen	0	0.00
Independent Director	Han-Liang Hu	0	0.00
Number and percentage of shares held by all directors		178,947,580	62.85