Stock Code: 8028

Phoenix Silicon International Corporation

2021 Annual Report

<u>Notice to readers</u>

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

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw

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Headquarters, Branches and Plant

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Auditors

Name of CPAs：Chien-Yu Liu, Chih-Cheng Hsieh
Name of Accounting FiSrm：Pricewaterhouse Coopers (PwC) Taiwan
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Overseas Securities Exchange

NA

Corporate Website

http://www.psi.com.tw

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I. Letter to Shareholders

Dear shareholders,

2021 is the 25th year of the establishment of Phoenix semiconductor international corporation (PSI). After a quarter century, PSI appreciate shareholders for your long-term support. Facing the next 25 years, we comprehensively scan our core values and competitiveness. Reclaim wafer and wafer thinning business market long-term growth is high, PSI have technology, production capacity and cost advantages, our strategy: focus on the development of wafer reclaim and wafer thinning, the two major businesses. In 2021, with the efforts of all employees, PSI annual revenue was 2.65 billion NTD, a record high in history, with an annual growth of 16.93%, and an operating profit of 233million NTD, an annual growth of 57.65%. At the same time, we actively promote the sustainable development of ESG, passing the ISO 14046 greenhouse gas emission certification in 2021, and receiving TSMC's recognition of PSI's contribution to energy conservation and carbon reduction.

Operational performance

In 2021, driven by HPC and 5G, the global fab capacity continues to expand and the demand for advanced process increases rapidly, which drive the quality and quantity of the reclaim wafer grow significantly. In response to customer needs, PSI successfully mass production the first high-grade reclaim wafer used in the most advanced process in the second half of 2021, which not only made a breakthrough in quality, but also greatly increased output. PSI continued to expand capacity at Hsinchu Plant and purchased a new plant in Taichung. 12" reclaim wafer capacity increased from 300k wafer per month in 2020 to 360k wafer per month by the end of 2021, and the Taichung g plant is expected to begin mass production in the second half of 2022.

After performance and efficiency adjustments in 2020 and 1H2021, although thinning business still limited by the 8-inch fab capacity allocation, the wafer thinning business has returned to growth. The output of the most advanced 50um Taiko thinning process has increased significantly, driven by the demand for servers. Due to the rapid increase in market demand for automotive power semiconductors and high-frequency switching, PSI collaborate with customers are focusing on the development of automotive MOSFETs and 12" wafer thinning business.

In 2021, biometric chip obtains the three-year semiconductor industry-university R&D alliance program subsidized by the Ministry of Science and Technology. PSI officially entered the development of medical devices. The detection chip for postoperative recurrence of lung adenocarcinoma patients enters the clinical verification of the first phase of blood sample testing. The heart failure detection chip enters the testing stage of the prototype chip serum sample.

Financial performance

NTD K, %

Item	2021	2020	YoY
Revenue	2,651,386	2,267,585	16.93%
Gross profit	666,642	535,203	24.56%
Operating profit	232,554	147,514	57.65%
Net profit before taxes	262,369	156,655	67.48%
Net profit is attributable to the owners of the parent company	235,654	134,553	75.14%
Earnings per share (NTD)	1.68	0.96	75.14%
Return on assets	4.81%	4.52%	6.42%
Debt ratio	60.22%	54.64%	10.21%

Corporate Social Responsibility

PSI continues to be committed to ESG, implement sound corporate governance, and fulfill its responsibilities for environmental protection and major social issues. In 2021, the following results compared with 2020 were achieved: a 17% reduction in electricity consumption per unit of product, a 15% reduction in water consumption, a 15% reduction in wastewater and a 20% decrease in airborne volatile organic compounds. In 2022, PSI continue to improve the environmental protection issue, and the Taichung plant will be taken a big step towards a friendly environment with new automation, intelligence, and green production. Therefore, PSI has set ESG environmental targets, and from 2022, the annual power saving intensity will be more than 1%, and the greenhouse gas emissions per unit of product will be reduced by more than 10%.

Development strategy

Reclaim wafer foundry services continue to develop the next generation of high-grade reclaim wafers, and further improve the degree of automation, in order to cope with the long-term structural shortage of labor problems, while further developing green production, in order to achieve quality and environmental protection of both suppliers, the whole plant modular design, in order to facilitate rapid expansion to meet customer needs. On top of the existing services, PSI will further expand the scope of wafer applications, and jointly develop new test wafers with the suppliers, so as to enhance the marginal contribution and extend to overseas customers through the advantages of combined production capacity.

Wafer thinning foundry services continue to cultivate the IDMs and IC design companies. PSI improve yield and pass the reliability of vehicle specification levels and develop high voltage thinning process services. As high value-added power semiconductors move to 12-inch processes, PSI develop a 12-inch power semiconductor wafer thinning process together with our customers. In addition, as the high frequency switching and fast charging market continues to grow rapidly, PSI is developing compound semiconductor thinning services.

The biochip will take the lung adenocarcinoma recurrence tracking chip and the integrated heart failure fixed-point care detection chip as the cornerstone for the development of the point-of-care testing system and continue to improve the sensitivity of the chip and the development of peripheral accessories to provide a high-precision and stable POCT medical detection system.

<u>The impact of the external competitive environment, the regulatory environment and the overall operating environment</u>

Looking forward to 2022, with the gradual lifting of the epidemic in various countries, the overall operating environment should gradually improve. However, there are many potential risks remain, especially in geopolitical disputes, including the US-China trade conflict and the recent Ukraine-Russia conflict, as well as the ongoing COVID-19 variant virus, which has led to lockdowns in China and unrest in Hong Kong, and the expected rise in structural inflation that has led to higher interest rates in the United States and many countries. If many of the above factors are not effectively controlled, they may affect the recovery schedule of the overall global operating environment, which in turn will affect the company's operating performance in the short term.

<u>Outlook</u>

In terms of long-term outlook, with the leading wafer cleaning and thinning technology and in-depth cooperation with customers, PSI can firmly grasp the trend of substantial industrial growth to enter the era of AI, 5G and EV, which are requiring high performance computing and higher energy efficiency, which in turn drives the demand for wafer volume and advanced processes and drives the improvement of the quality and quantity of various wafers. PSI will remain flexible and focus on our own core value, continue to improve the technical level, expand production capacity in a timely manner, enlarge the gap with competitors, in order to meet the trusted cooperative relationships of customers, and create the best interests of shareholders and employees.

Again, we would like to emphasize to shareholders once again that PSI will have corporate governance, environmental protection, supply chain management, friendly workplace, and social participation to promote the practice of working together with all colleagues to realize the vision of sustainable management of enterprises. PSI is looking forward to maintaining long-term relations with shareholders and creating a prosperous future.

Chairman：Mike Yang　President：Tony Tsai　Chief Account：Eunice Tai

II.Company Profile

(I) Date of Incorporation：March 3, 1997

(II) Company History

Year	Milestones
Mar 1997	Phoenix Silicon International Corporationc completed the registration of establishment, authorized capital NTD 660,000,000. Paid-in capital-NTD 165,000,000.
Jun 1997	Paid-in capital increase to NTD 660,000,000 via cash offering NTD 495,000,000.
Jan 1998	Approved by the Hsinchu Science Park Bureau, authorized capital increase to NTD 1,100,000,000.
Mar 1998	Paid-in capital increase to NTD 880,000,000 via cash offering NTD 220,000,000.
Oct 2002	Paid-in capital decrease to NTD 748,000,000 via capital rduce NTD 132,000,000.
Nov 2004	Paid-in capital increase to NTD 924,000,000 via cash offering NTD 176,000,000.
Oct 2012	Established Hsinchu fab.2.
Jun 2013	Employee stock option certificates exchange to share. Paid-in capital increase to NTD 934,520,000.
Jul 2013	Paid-in capital increase to NTD 1,114,520,000 via cash offering NTD 180,000,000.
Aug 2013	CNS15506：2011 Certified.
Dec 2013	Employee stock option certificates exchange to share. Paid-in capital increase to NTD 1,128,280,000.
Jul 2014	IECQ QC 080000 Certified.
Oct 2014	Paid-in capital increase to NTD 1,168,280,000 via cash offering NTD 40,000,000.
Nov 2014	Complete supplementary procedures for classification as a public company.
Dec 2014	Approved to be publicly traded as emerging stock.
Oct 2016	Passes ISO 14001:2015 certification.
Nov 2016	Obtained Taiwan National Academic-industry innovation award with a topic 【Novel non-enzymatic electrochemical glucose biosensor based on a simple lithography process】.
Feb 2017	Invest and establishment Phoenix Battery Corporation (PBC), the capital is NTD 1,000,000.
Nov 2017	Passes IATF16949 certification.
Jul 2017	Energy Business Division was divided into Phoenix Battery Corporation(PBC).
Jul 2018	Paid-in capital increase to NTD 1,324,080,000 via cash offering NTD 150,000,000.
Jul 2018	Public listed on Taiwan Stock Exchange.
May 2019	Purchased Hsinchu fab.3.
Oct 2019	Passes ISO 45001:2018 certification.
Sep 2021	The capital reserve is increased to NTD79,484,800 and the paid-in capital is NTD1,403,524,800 after the capital increase.
Oct 2021	Passes ISO 14046 certification.
Nov 2021	Approved by the Hsinchu Science Park Bureau, authorized capital increase to NTD 4,000,000,000.
Nov 2021	The Company's shareholding remained at 71.51% after PBC's capital reduction.
Dec 2021	PBC has increased the capital, the Company did not increase the capital according to the original shareholding ratio, and the shareholding ratio decreased to 33.42%. PBC re-elected the Directors and Supervisors, and therefore the relationship between the Company and PBC was changed from a subsidiary to an affiliated company.
Jan 2022	Establishment of Chungkang Branch.
Jan 2022	Disposal of PBC's shareholding, the Company's shareholding adjusted to 30.61%

III.Corporate Governance Report

(I) Organization

1.Organizational Chart

2. Major Corporate Functions

Department	Functions
Audit Office	Internal audit and operation process management.
President's Office	Market strategy integration and operate management.
Industrial Safety	Evaluate, implement and audit about internal safety, health and environmental protection.
Legal	Company of legal, contract, patent and other intellectual property management.
HR	Human resource management, employee relations and organizational development.
Reclaim Manufacture Center	Manufacturing management, manufacturing product engineering, and production efficiency management of the reclaim wafer process.
Thinning Manufacture Center	Manufacturing management, manufacturing product engineering, and production efficiency management of the thinning wafer process.
Business Center	New technology market development analyzation, sales management, business development, customer service and production planning.
Q.R.A. Center	Quality and reliability technology development management.
Research and Development Center	Development and research of advanced process technology, integration development of special technology.
Management Center	Finance & accounting, stock affairs and budget management, procurement and logistics management, establishment and maintenance of information infrastructure and application systems, and facility system. Operational management such as factory affairs system and operation management benefit analysis.

(II) Directors, Supervisors and Management Team

1. Directors

(1) Directors Data

March 29, 2022 Unit: shares; %

Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
Chairman	Mike Yang	Male	61~70	Taiwan R.O.C	Feb 20, 1997	3 years	Jul 05, 2021	1,055,317	0.80	1,183,343	0.84	531,748	0.38	-	-	-Ph.D. in Electrical Engineering, the State University of New York at Buffalo -President, KLA-Tencor Taiwan -President, Sparkle AM Tech., Ltd. -President, Phoenix Silicon International Corp.	-Chairman and President, Phoenix Battery Corp.
Director	Tony Tsai	Male	51~60	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	100,000	0.08	116,000	0.08	-	-	-	-	- PhD of ME in Silicon photonic modeling, University of California, Berkeley -Director, Micron Technology -Special Assistant, Inotera Technology -Director, Nanya Technology -Executive Vice President, Phoenix Silicon International Corp.	-President, Phoenix Silicon International Corp.
Director	Wen-Cheng Cheng	Male	61~70	Taiwan R.O.C	Apr 12, 2000	3 years	Jul 05, 2021	2,517,157	1.90	2,668,186	1.90	-	-	-	-	-Bachelor Degree in Animal and Husbandry, National Chung Hsing University -Director, Phoenix Battery Corp.	-Director, Cheng Han Investment Co., Ltd.- -Director, TeleSynergy Corp. Ltd.
Director	Min Ho Shuen Investments Co., Ltd	-	-	Taiwan R.O.C	Jun 26, 2014	3 years	Jul 05, 2021	1,817,520	1.37	1,926,571	1.37	-	-	-	-	N/A	N/A
	Representative：Yaw Zen-Chang	Male	41~50	Taiwan R.O.C	-	-	-	-	-	1,576,835	1.12	447,694	0.32	-	-	-Bachelor Degree in Business Management Economics, University of California, Santa Cruz	-Supervisor, Pharma Power Biotec Co., Ltd. -Chairman, Min He Shun Investment Co., Ltd.

Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
Director	Ting Dong Liang Investment Co., Ltd.	-	-	Taiwan R.O.C	Jun 30, 2003	3 years	Jul 05, 2021	960,000	0.73	1,018,660	0.73	-	-	-	-	N/A	-Director, Agarwood Biochemistry Technology Co., Ltd.
	Representative：Shin-Chin Huang	Female	41~50	Taiwan R.O.C	-	-	-	-	-	3,239	0.00	-	-	-	-	-Bachelor Degree in Business Administration, National Taichung University -Officer, The First Credit Corporative of ChangHua -Director, Phoenix Battery Corp.	-Director, Agarwood Biochemistry Technology Co., Ltd.
Director	An Grace Investment Corporation Ltd.	-	-	Taiwan R.O.C	Jun 24, 2009	3 years	Jul 05, 2021	1,489,525	1.12	750,000	0.53	-	-	-	-	N/A	(Note1)
	Representative：Ji-Ceng Ma	Male	61~70	Taiwan R.O.C	-	-	-	-	-	-	-	-	-	-	-	-Master Degree in Computer Science, San José State University -Assistant Manager, Software Business of Hon Hai Group -President, TATA Consultancy Services Taiwan -President, ATOS (Taiwan) Ltd. -Vice President, SAS Institute Taiwan Ltd. -Vice President, SAP Taiwan Co., Ltd. -Advisor, An Grace Investment Corporation Ltd.	-Independent Director, SmartDisplayer Technology Co., Ltd. -Director, Phoenix Battery Corp.
Independent Director	Ming-Cheng Liang	Male	61~70	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	-	-	-	-	-	-	-	-	-Master Degree in International Business Management, National Taiwan University -President, King Yuan Electonics Co., Ltd. -President, Amkor Taiwan Vice president, Micron Memory Co., Ltd.	-Vice Chairman, Miracle Technology Co., Ltd. -Independent Director, ACTi Corp.

Title	Name	Gender	Age	Nationality	Date First Elected	Term (Years)	Date Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience（Education）	Other Position
								Shares	%	Shares	%	Shares	%	Shares	%		
Independent Director	Guo-Chao Hong	Male	51~60	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	-	-	-	-	-	-	-	-	-Master Degree in Excutive Financial, The City University of New York -Chairman and President, Makoto Bank -Chairman, Shin Kong Venture Capital International Co., Ltd.	-Director and President, Shin Kong Security Co., Ltd. -Director, Next Bank -Independent Director, Jung Shing Wire Co., Ltd.
Independent Director	Ling-Shih Meng	Male	51~60	Taiwan R.O.C	Oct 26, 2021	3 years	Oct 26, 2021	-	-	-	-	-	-	-	-	-Ph.D. political science, National Taiwan Normal University -Head Prosecutor, Taiwan Taipei District Prosecutors Office -Head Prosecutor, Taiwan Miaoli District Prosecutors Office	N/A

1.Any Executive, Director, or supervisor who is a spouse or relative within the second degree of kinship: None.

2.If the chairman, president or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed (ex:Increase the number of independent directors and more than half of the directors should not serve as employees or managers):

The Director of the Company also serves as the President of the Company in order to improve the efficiency of the Company's operations and the execution of its decisions, and to communicate closely with the Directors on a regular basis regarding the Company's current operations and plans, and to lead the management team in reporting to the Board of Directors. In order to strengthen the independence of the Board of Directors, the Company will actively train suitable candidates internally, and will plan for the number of Independent Directors in the future to improve the functions of the Board of Directors and strengthen the supervision function.

The Company currently has three Independent Directors with expertise in finance, accounting, legal and related industries, who are able to effectively perform their supervisory functions, and not more than half of the Directors are employees or managers.

Note1: Director of Be Biomed Management Consulting Co., Ltd., Director of Panan VC Co., Ltd., Director of Arise Corporation, Director of Colordia Tech Corp., Director of Yobon Technologies, Inc., Director of Phoenix Battery Corp., Director of Litefilm Technology Co., Ltd., Director of Iweecare Co., Ltd., Director of Alfaplus Semiconductor Inc., Supervisor of BE New Biotech Venture Capital Co., Ltd.

(2) Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders	
	Shareholder name	%
Min Ho Shuen Investments Co., Ltd.	Yaw-Zen Chang Pi-Yueh Chang Tseng	51.29% 46.69%
Ting Dong Liang Investment Co., Ltd	Po-Tsung Ting Chin-Yu Ting Shin- Chin Huang	55.00% 15.00% 15.00%
An Grace Investment Corporation Ltd.	Samuel Chow Chiu-Hui Yang Hsun-Hsin Chou	49.66% 31.82% 10.22%

(3) Major shareholders of the Company’s major institutional shareholders：N/A

(4) Directors’ Professional Qualifications and Independent Directors’ Independence Status

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors’ Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Mike Yang	Chairman	● Experience in commercial, marketing and semiconductor industry related business. ● Ph.D. in Electrical Engineering from the State University of New York at Buffalo. ● Currently also the Chairman and President of Phoenix Battery Corp. ● Past positios：President of Phoenix Silicon International Corp., President of KLA-Tencor Taiwan President of Sparkle AM Tech., Ltd. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	None.
Tony Tsai	Director and President	● Experience in commercial, marketing and semiconductor industry related business. ● Ph.D. of ME in Silicon photonic modeling from University of California, Berkeley ● Past positios：Director of Micron Technology, Special Assistant of Inotera Technology, Director of Nanya Technology, Executive Vice President of Phoenix Silicon International Corp. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	None.
Wen-Cheng Cheng	Director	● Experience in commercial and technology industry ● Bachelor in Animal and Husbandry, of National Chung Hsing University ● Currently also the Director of Cheng Han Investment Co., Ltd., Director of TeleSynergy Corp. Ltd. ● Past positios：Director of Phoenix Battery Corp. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	None.

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Yaw Zen-Chang	Corporate Director Representative (Note 3)	● Experience in commercial and technology industry ● Bachelor Degree in Business Management Economics from University of California, Santa Cruz ● Currently also the Supervisor of Pharma Power Biotec Co., Ltd., Chairmanof Min He Shun Investment Co., Ltd. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	None.
Shin-Chin Huang	Corporate Director Representative (Note 3)	● Experience in commercial and finance. ● Bachelor in Business Administration from National Taichung University ● Currently also the Director of Agarwood Biochemistry Technology Co., Ltd. ● Past positios：Officer of The First Credit Corporative of ChangHua, Director of Phoenix Battery Corp. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	None.
Ji-Ceng Ma	Corporate Director Representative (Note 2)	● Experience in commercial and technology industry ● M.S. in Computer Science from San José State University ● Currently also the Independent Director of SmartDisplayer Technology Co., Ltd., Director of Phoenix Battery Corp. ● Past positios：Assistant Manager of Software Business of Hon Hai Group, President of TATA Consultancy Services Taiwan, President of ATOS (Taiwan) Ltd., Vice President of SAS Institute Taiwan Ltd., Vice President of SAP Taiwan Co., Ltd., Advisor of An Grace Investment Corporation Ltd. ● Not been involved in any of situations defined in Article 30 of the Company Act.	-	1
Ming-Cheng Liang	Independent Director, Audit Committee Convenor	● Experience in commercial, marketing and semiconductor industry related business. ● M.S. in International Business Management of National Taiwan University ● Currently also the Vice Chairman of Miracle Technology Co., Ltd., Independent Director. Audit Committee member and Remuneration Committee member of ACTi Corp. ● Past positios：President of King Yuan Electonics Co., Ltd., Presidentof Amkor Taiwan, Vice president of Micron Memory Co., Ltd. ● Not been involved in any of situations defined in Article 30 of the Company Act.	All of the following situations apply to each and every of the Independent Directors: 1. The Independent Directors, their spouses, or relative within the second degree of kinship do not serve as Directors, Supervisors, or employees of the Company or its affiliates. 2. The independent directors, their spouses, and relatives within the second degree of consanguinity	1

<table>
<tr><th colspan="2">Criteria
Name/Title</th><th>Professional Qualification and Experience</th><th>Independent Directors' Independence Status</th><th>Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director</th></tr>
<tr><td>Guo-Chao Hong</td><td>Independent Director, Audit Committee Member</td><td>● Experience in commercial, financial management and banking.
● M.S. in Excutive Financial from The City University of New York
● Currently also the Director and President of Shin Kong Security Co., Ltd., Director of Next Bank, Independent Director of Jung Shing Wire Co., Ltd.
● Past positios：Chairman and President of Makoto Bank, Chairman of Shin Kong Venture Capital International Co., Ltd.
● Not been involved in any of situations defined in Article 30 of the Company Act.</td><td rowspan="2">(or r held by the person under others' names) do not hold any shares of the Company.
3.The Independent Directors do not serve as Directors, Supervisors or employees of companies with specific relationships with the Company (Note 1).
4.Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</td><td>1</td></tr>
<tr><td>Ling-Shih Meng</td><td>Independent Director, Audit Committee Member</td><td>● Experience in legal and risk judgment.
● Ph.D. in political science from National Taiwan Normal University.
● Past positios：Head Prosecutor of Taiwan Taipei District Prosecutors Office, Head Prosecutor of Taiwan Miaoli District Prosecutors Office.
● Not been involved in any of situations defined in Article 30 of the Company Act.</td><td>None.</td></tr>
</table>

Note1：The Directors, Supervisors or employees of the specified affiliated companies are defined in Article 3, Item 1, Paragraphs 5 to 8 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

(1) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

(2) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

(3) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.

(4)A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

Note 2：Yaw Zen- Chang is the representative of Min Ho Shuen Investments Co., Ltd, Ming-Cheng Liang is the representative of Ting Dong Liang Investment Co., Ltd, Ji-Ceng Ma is the representative of An Grace Investment Corporation Ltd.

5. Board Diversity and Independence：

In accordance with the Company's "Corporate Governance Principles", The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

(1)General conditions and values: Gender, age, nationality and culture

(2)Professional knowledge and skills: Professional background (ex：Legal, Accounting, Industry, Finance, Marketing or Technology), professional skills and industrial experience.

The specific management objectives and achievement of the Company's diversity policy are as follows:

Management objectives	Progress
Independent directors exceed one-third of the board members	Achieved
Number of Directors who concurrently serve as Company managers do not exceed one-third of all Directors.	Achieved
At least one seat of Directors are females.	Achieved

The Board of Directors of the Company is diversified, and them each have professional backgrounds including legal, finance or accounting, industry or technology, marketing, etc. to provide professional advice to the Company from different perspectives, which greatly contributes to the improvement of operational performance and management efficiency. The Board of Directors has nine members, including three independent directors (33.33%), one female director (11.11%), the one Director is also the Company's employee (11.11%), the age distribution of the Directors：the two Directors aged between 41 and 50(22%), the three Directors aged between 51 and 60(33%), the two Directors aged between 61 and 70(44%), and there is no marital or is within the second degree of kinship relationship between or among the Directors. As such, the Board of Directors carries independence. The following table demonstrates the implementation of the diversity policy for Board members:

Name	Tital	Gender	Professional knowledge and skills				Age			Employees Identification
			Industry or Technology	Finance or Accounting	Legal	Marking	41~50	51~60	61~70	
Mike Yang	Chairman	M	V			V			V	
Tony Tsai	Director	M	V			V		V		V
Wen-Cheng Cheng	Director	M	V						V	
Yaw Zen-Chang	Director	M	V				V			
Shin-Chin Huang	Director	F		V			V			
Ji-Ceng Ma	Director	M	V						V	
Ming-Cheng Liang	Independent Director	M	V	V		V			V	
Guo-Chao Hong	Independent Director	M		V				V		
Ling-Shih Meng	Independent Director	M			V			V		

2. Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

March 29, 2022 Unit: shares; %

Title	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name Relation	Title Name Relation	Title Name Relation	
President	Tony Tsai	Male	Taiwan R.O.C	Aug 1, 2018	116,000	0.08	-	-	-	-	PhD of ME in Silicon photonic modeling, University of California, Berkeley Director, Micron Technology Special Assistant, Inotera Technology Director, Nanya Technology Executive Vice President, Phoenix Silicon International Corp.	N/A	N/A	N/A	N/A	NA
Vice President	Eric Pan	Male	Taiwan R.O.C	Aug 1, 2018	73,000	0.05	-	-	-	-	TaTung University- Industrial Engineering Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA
Vice President	Stephen Jiao	Male	Taiwan R.O.C	Aug 1, 2018	90,100	0.06	-	-	-	-	National Cheng Kung University- Master of Engineering Science Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA
Vice President	FN Huang	Male	Taiwan R.O.C	Aug 1, 2018	5,300	0.00	-	-	-	-	Peking Unitviersity-Managing Operation Strategy Advanced Training Class Yuan Ruei Battery Co., Ltd.-CFO Phoenix Silicon International Corporation-Director	N/A	N/A	N/A	N/A	NA
Vice President	TK Huang	Male	Taiwan R.O.C	Oct 05, 2018	5,300	0.00	-	-	-	-	National Cheng Kung University-Master of Department of Chemical Engineering Amkor Technology Co., Ltd-Vice President International rectifier- Director Infineon Technologies AG- Senior Manager Phoenix Silicon International Corporation-Executive Assistant	N/A	N/A	N/A	N/A	NA

Title	Name	Gender	Nationality	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Notes (Note)
					Shares	%	Shares	%	Shares	%			Title Name Relation	Title Name Relation	Title Name Relation	
Accounting Supervisor	Eunice Tai	Female	Taiwan R.O.C	Apr 15, 2014	-	-	-	-	-	-	National Chung Cheng University-Master of Departmenr of Accounting and Information Technology Phoenix Silicon International Corporation-Senior Manager	N/A	N/A	N/A	N/A	NA
Finance Supervisor	Candy Yeh	Female	Taiwan R.O.C	Jul 16, 2015	-	-	-	-	-	-	Providence University-Department of Accounting Mustek Systems Inc.-Specialist Phoenix Silicon International Corporation-Assistant Manager	N/A	N/A	N/A	N/A	NA
Audit Supervisor	Agnes Chang	Female	Taiwan R.O.C	Aug 02,2019	-	-	-	-	-	-	National Taiwan University of Science and Technology-Department of Information Management U-MEDIA Communications Inc.-Audit Manager Jing Hong Technology Co., Ltd- Audit Manager Macronix International Co., Ltd.- Audit Manager	N/A	N/A	N/A	N/A	NA

Note：If the chairman, general manager or personnel with equivalent position (chief manager) are the same person, spouses or relatives within one degree of kinship, the reasons, reasonability, necessity and measures to be taken accordingly shall be addressed (ex: Increase the number of independent directors and more than half of the directors should not serve as employees or managers):

The Director of the Company also serves as the President of the Company in order to improve the efficiency of the Company's operations and the execution of its decisions, and to communicate closely with the Directors on a regular basis regarding the Company's current operations and plans, and to lead the management team in reporting to the Board of Directors. In order to strengthen the independence of the Board of Directors, the Company will actively train suitable candidates internally, and will plan for the number of Independent Directors in the future to improve the functions of the Board of Directors and strengthen the supervision function.

The Company currently has three Independent Directors with expertise in finance, accounting, legal and related industries, who are able to effectively perform their supervisory functions, and not more than half of the Directors are employees or managers.

(III) Remuneration to directors, supervisors, general manager and deputy general managers in the most recent year

1.Remuneration Paid to Directors (Independent Directors included)

December 31, 2021 Unit: NTD$ thousand; %

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		Base Compensation (A)		Severance Pay and Pensions (B)		Bonus to Directors (C) (Note 4)		Allowances (D) (Note 5)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G)						
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Director	Mike Yang Wen-Cheng Cheng Tony Tsai Kwo-Feng Lin Benson Wu Min Ho Shuen Investments Co., Ltd Representative：Yaw-Zen Chang (Note 2) Ting Dong Liang Investment Co., Ltd Representative：Shin-Chin Huang (Note 2) An Grace Investment Corporation Ltd. Representative：Samuel chow & Ji-Zeng Ma (Note 2)	3,120	3,120	-	-	5,852	5,852	1,074	1,108	4.26	4.28	2,525	2,805	-	-	2,330	-	2,330	-	6.32	6.46	NA
Independent Director	Steven Wu Huan Lin Hung-Lung Huang Ming-Cheng Liang Guo-Chao Hong Shu-Hui Yang (Note 3) Ling-Shi Meng (Note 3)	1,710	1,710	-	-	-	-	411	411	0.90	0.90	-	-	-	-	-	-	-	-	0.90	0.90	無

1. Policies, systems, standards and structures of Independent Director remuneration paid and describe the relevance to the amount of remuneration according to responsibilities, risks, time invested, etc.: The remuneration structures of Independent Director was based on the management methods formulated by the company with monthly fixed remuneration, not participating in the annual distribution of director's remuneration. The monthly fixed remuneration is regularly reviewed by the remuneration committee for industry standards, if there is a change proposal, it is submitted to the board of directors for resolution.
2. Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as being consultant)：NT$0

Note 1: On July 5, 2021, the general shareholders' meeting was re-elected. Mike Yang, Wen-Cheng Cheng, Tony Tsai, Min Ho Shuen Investment Co., Ltd.,, Ting Dong Liang Investment Co., Ltd., and An Grace Investment Corp. Ltd. were elected as Directors; Ming-Cheng Liang, Guo-Chao Hong and Shu-Hui Yang were elected as independent directors. The original Directors Guo-feng Lin, Benson Wu and Independent Directors Steven Wu, Huan Lin, Hung-Lung Huang were retired from the Board of Director.

Note 2: On July 12, 2021 Corporate Director Min Ho Shuen Investments Co., Ltd., assigned Yaw-Zen Chang as the representative of the company. Corporate Director Ting Dong Liang Investment Co., Ltd., assigned Shin-Chin Huang as the representative of the company. Corporate Director An Grace Investment Corp. Ltd., assigned Ji-Ceng Ma as the representative of the company..

Note 3: Independent Director Shu-Huei resigned on August 16, 2021. Ling-Shih Meng was elected as an Independent Director at the first extraordinary general meeting of 2021 convened on October 26, 2021.

Note 4: Director's remuneration and employee's remuneration for 2021 were approved by the board of directors on February 23, 2022.

Note 5: The cost of business execution includes the cost of carriage, allocation of cars and various allowances.

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities(H)	The company	From All Consolidated Entities(I)
Under NT$ 1,000,000	Director： Wen- Cheng Cheng, Kwo-Feng Lin, Benson Wu, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative：Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative：Shin-Chin Huang An Grace Investment Corp. Ltd. Representative：Samuel chow & Ji-Zeng Ma Independent Director： Steven Wu, Huan Lin Hung-Lung Huang Ming-Cheng Liang Guo-Chao Hong Shu-Hui Yang Ling Shi Meng	Director： Wen- Cheng Cheng, Kwo-Feng Lin, Benson Wu, Tony Tsai, Min Ho Shuen Investments Co., Ltd. Representative：Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative：Shin-Chin Huang An Grace Investment Corp. Ltd. Representative：Samuel chow & Ji-Zeng Ma Independent Director： Steven Wu, Huan Lin Hung-Lung Huang Ming-Cheng Liang Guo-Chao Hong Shu-Hui Yang Ling Shi Meng	Director： Wen- Cheng Cheng, Kwo-Feng Lin, Benson Wu, Min Ho Shuen Investments Co., Ltd. Representative：Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative：Shin-Chin Huang An Grace Investment Corp. Ltd. Representative：Samuel chow & Ji-Zeng Ma Independent Director： Steven Wu, Huan Lin Hung-Lung Huang Ming-Cheng Liang Guo-Chao Hong Shu-Hui Yang Ling Shi Meng	Director： Wen- Cheng Cheng, Kwo-Feng Lin, Benson Wu, Min Ho Shuen Investments Co., Ltd. Representative：Chang Yaw Zen, Ting Dong Liang Investment Co., Ltd. Representative：Shin-Chin Huang An Grace Investment Corp. Ltd. Representative：Samuel chow & Ji-Zeng Ma Independent Director： Steven Wu, Huan Lin Hung-Lung Huang Ming-Cheng Liang Guo-Chao Hong Shu-Hui Yang Ling Shi Meng
NT$ 1,000,000～NT$ 1,999,999	-	-	-	-
NT$ 2,000,000～NT$ 3,499,999	-	-	-	-
NT$ 3,500,000～NT$ 4,999,999	-	-	-	-
NT$ 5,000,000～NT$ 9,999,999	Director：Mike Yang	Director：Mike Yang	Director：Mike Yang、Tony Tsai	Director：Mike Yang、Tony Tsai
NT$ 10,000,000～NT$14,999,999	-	-	-	-
NT$ 15,000,000～NT$ 29,999,999	-	-	-	-
NT$ 30,000,000～NT$ 49,999,999	-	-	-	-
NT$ 50,000,000～NT$ 99,999,999	-	-	-	-
Over NT$ 100,000,000	-	-	-	-
Total	16	16	16	16

2. Remuneration Paid to CEO, President and Vice Presidents

December 31, 2021 Unit: NT$ thousand; %

Title	Name	Salary(A)		Severance Pay and Pensions (B) (Note 1)		Bonuses and Allowances (C)(Note 2)		Profit Sharing- Employee Bonus (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Tony Tsai	11,103	11,103	745	745	3,452	3,452	6,469	-	6,469	-	9.24	9.24	NA
Vice President	FN Huang													
Vice President	Eric Pan													
Vice President	Stephen Liao													
Vice President	TK Huang													

Note 1：The severance pay and Pensions is pension withdrawals in 2021.

Note 2：This fee includes the cost of the company's car and various allowances, etc.

Note 3：The company's employee compensation in 2021 was approved by the Broard of directors on February 23, 2022, the proposed distribution amount for this year is calculated in proportion to the actual amount of the previous distribution.

Remuneration Paid to CEO, President and Vice Presidents

Range of Remuneration	Name of President and Vice President	
	The company	From All Consolidated Entities
Under NT$ 1,000,000	-	-
NT$ 1,000,000～NT$ 1,999,999	-	-
NT$ 2,000,000～NT$ 3,499,999	-	-
NT$ 3,500,000～NT$ 4,999,999	Stephen Liao、Eric Pan、TK Huang、FN Huang	Stephen Liao、Eric Pan、TK Huang、FN Huang
NT$ 5,000,000～NT$ 9,999,999	Tony Tsai	Tony Tsai
NT$ 10,000,000～NT$14,999,999	-	-
NT$ 15,000,000～NT$ 29,999,999	-	-
NT$ 30,000,000～NT$ 49,999,999	-	-
NT$ 50,000,000～NT$ 99,999,999	-	-
Over NT$ 100,000,000	-	-
Total	5	5

3. Names of managers distributed employee compensation and the status of distribution

December 31, 2021 Unit: NT$ thousand

Title		Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total (Note)	Ratio of Total Amount to Net Income (%)
Management	President	Tony Tsai	-	7,382	7,382	3.13
	Vice President	Eric Pan				
	Vice President	Stephen Liao				
	Vice President	FN Huang				
	Vice President	TK Huang				
	Accounting Supervisor	Eunice Tai				
	Finance Supervisor	Candy Yeh				

Note：The Company's 2021 employee compensation was approved by the board of directors on February 23, 2022, and the proposed allotment amount for this year was calculated based on the proportion of the actual allotment amount in the past.

4.Amount of remuneration paid in the last 2 years by the Company and all companiesincluded in the consolidated financial statements to the Company's directors,supervisors, president, and vice presidents, and the respective proportion of suchremuneration to the income after tax referred to in the entity or standalone financialstatements, as well as the policies, standards, and packages by which it was paid, theprocedures through which the remuneration was determined, and its associationwith business performance and future risks:

Unit: NT$ thousand; %

Title	Ratio of Total Amount to Net Income (%)			
	2020		2021	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Directors	6.66	6.82	5.16	5.18
President and Vice President	12.09	12.09	9.24	9.24

Remuneration to the directors is proceeded in accordance with Articles of Incorporation and approved by the Board Meeting. Remuneration of president and vice presidents including salary, bonus and profit sharing plan are decided by his/her position, responsibility, and contribution with consideration of common level of the same trade concerned. The procedure of remuneration appropriation is determined based on Articles of Incorporation and internal delegation process. Remuneration appropriated to directors, president and vice presidents is taken consideration with positive correlation with the performance of the Company's business and future operation risk, so as to achieve the balance between sustainable management and risk control.

The board of directors of the company has set up a remuneration committee to assist the board of directors in formulating the remuneration of directors and managers of the company and the remuneration policy of company. According to the operation of company’s articles of association, salary and compensation committee and the board of directors, the remuneration of directors and managers will be reviewed in a timely manner based on value of participation and contribution to company’s operations, and minimize the possibility and relevance of future risks, so as to balance the company’s sustainable operation and risk control.

(IV) Implementation of Corporate Governance

1.Operations of Director for Board Meetings

The Company had convened thirteen (A) Board of Director meetings in 2021 with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note1)	Remarks (Note2)
Chairman	Mike Yang	13	0	100.00	re-elected
Director	Tony Tsai	7	0	100.00	new appointment
Director	Wen-Cheng Cheng	12	1	92.31	re-elected
Director	Ting Dong Liang Investment Co., Ltd Representative：Shin-Chin Huang	13	0	100.00	re-elected
Director	An Grace Investment Corporation Ltd. Representative：Samuel Chow	0	6	0.00	re-elected
	Representative：Ji-Ceng Ma	7	0	100.00	
Director	Min Ho Shuen Investments Co., Ltd Representative：Yaw-Zen Chang	12	1	92.31	re-elected
Director	Kwo-Feng Lin	6	0	100.00	term expired
Director	Benson Wu	6	0	100.00	term expired
Independent Director	Ming-Cheng Liang	7	0	100.00	new appointment
Independent Director	Guo-Chao Hong	7	0	100.00	new appointment
Independent Director	Ling-Shih Meng(Note 3)	2	0	100.00	new appointment
Independent Director	Shu-Huei, Yang(Note 3)	3	0	100.00	resignation
Independent Director	Steven Wu	6	0	100.00	term expired
Independent Director	Huang Hung Lung	6	0	100.00	term expired
Independent Director	Lin Huan	6	0	100.00	term expired

Other items that shall be recorded:

I.Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

(1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee.

(2) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.

II.In instances where an independent director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts:

(1)Resolution of the Board of Directors on Aug 26, 2021, proposal for the distribution of Directors' remuneration for the year 2020 was voted by each Director one by one. Except for the Directors who were recused from the discussion and voting in accordance with the law, the rest of the Board of Directors approved the proposal without dissent.

(2)Resolution of the Board of Directors on Oct 4, 2021, proposal for the Company lend capital to Phoenix Battery Corp., Chairman Mike Yang, Director Wen-Cheng Cheng and Director Ji-Ceng Ma avoided conflicts of interest for themselves and the company they represent, they did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance.

(3)Resolution of the Board of Directors on Dec 28, 2021, proposal for the disposal of equity shares of

Phoenix Battery Corp., Chairman Mike Yang, Director Wen-Cheng Cheng and Director Ji-Ceng Ma avoided conflicts of interest for themselves and the company they represent, they did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance.

(4) Resolution of the Board of Directors on Jan 21, 2022, proposal for the adjustment of year-end bonus amount for managers and remuneration package for the president. Director Tony Tsia avoided conflicts of interest for themselves, did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance.

(5) Resolution of the Board of Directors on Feb 23, 2022, proposal for the shareholders' meeting to discussion to approve the lifting of non-competition restrictions for directors. Chairman Mike Yang and Director Ji-Ceng Ma representative of An Grace Investment Corp. Ltd., avoided conflicts of interest for themselves and the company they represent, they did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance

(6) Resolution of the Board of Directors on Feb 23, 2022, proposal for adjustment of remuneration for the current Chairman, Chairman Mike Yang avoided conflicts of interest for themselves, did not participate in discussion or voting, the proposal was approved without dissent after discussion by the remaining Directors in attendance, adjusted the effective date of its approval.

III. Board of Directors' Evaluation of Implementation

Cycle	Period	Scope	Assessment Method	Assessment Content	Assessment Result
Once per year	Jan. 1, 2021 to Dec. 31, 2021	Board of Directors, Functional Committees (including Audit Committee and Remuneration Committee)	Internal self assessment by the board of directors and Functional Committees	1.Level of participation in the operation of the Company. 2.Improvement of the quality of the Board and Functional Committees. decisions. 3.Composition and structure the Board and Functional Committees. 4.Selection of the Board and Functional Committees. 5.Continued learning of directors. 6.Internal control.	● The performance and results of the performance evaluation of the Board of Directors, individual Board members and functional committees for 2021 were reported to the Board of Directors on February 23, 2022. ● The self-assessment achievement rate of the overall board of Directors, each Functional Committee and individual Board members is 90% (or more), which meets the evaluation result of exceeding the standard, and this result will be used as the reference information for the reappointment of Directors. ● The Directors were very supportive of the operation of the assessment benchmark and assessed that the Board was generally operating well and in accordance with the requirements of corporate governance, and was effective in strengthening the Board's functions and safeguarding shareholders' interests.
		Individual directors	Internal self assessment by the Individual directors	1.Understanding of the Company's objectives and missions 2.Awareness of directors' duties 3.Level of participation in the operation of the Company. 4.Internal relationship operations and communications. 5.Directors' professionalism and continued learning. 6.Internal control.	

IV.Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directorsand assessment of their implementation: (1) Upgrade the competence and professional knowledge of Board of Directors: A. Strengthen the professional competence of the board of director: The Company set up audit committee and remuneration committee to assist the board of director exercise their authority. B. Reduce and disperse the risks which are caused by dirctors' fault or negligent behavior to the company and shareholders. (2) Execution Evaluation: A.It has cooperated with the listed and company's regulation, insure directors' liability insurance, which can reduce and disperse the risk which are caused by dirctors' fault or negligent behavior to the company and shareholders. Addtinally, strengthens the competence of the board of directors. B.The Company has established the "Board Meeting Procedures" to comply with. Besides, disclose major board resolutions at the Market Observation Post System. C.Independent directors regularly review the audit report to internal audit division and grasp the company's operation. D.Set up corporate governance supervisors to assist directors excercise their duties and enhance effectiveness: On May 13, 2019, the board of directors approved to set up the corporate governance to deal with directors 'requirements immediately, effectively. It increases the support to the company's directors and strengthen compliance with relevant corporate governance laws and regulations. E.The company encourage the member of board to participate in various professional courses and conduct relevant laws and regulations on the meeting to enhance the decision-making ability and meet relevant laws and regulations.

Note1：Attendance Rate in Person (%) is to calculate by board meeting time and actual attendance time.

Note2：On July 5, 2021, the shareholders' general meeting was re-elected. Director Min Ho Shuen Investments Co., Ltd., assigned Yaw-Zen Chang as the representative of the company. Director Ting Dong Liang Investment Co., Ltd., assigned Shin-Chin Huang as the representative of the company. Director An Grace Investment Corp. Ltd., assigned Ji-Ceng Ma as the representative of the company.

Note3：Independent Director Shu-Huei resigned on August 16, 2021. Ling-Shih Meng was elected as an Independent Director at the first extraordinary general meeting of 2021 convened on October 26, 2021.

2.Operations of Audit Committee

The Company had convened eight (A) Audit Committee meetings in 2021 with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks (Note1)
Independent Director	Ming-Cheng Liang	5	0	100.00	new appointment
Independent Director	Guo-Chao Hong	5	0	100.00	new appointment
Independent Director	Shu-Huei, Yang (Note2)	2	0	100.00	resignation
Independent Director	Ling-Shih Meng(Note 2)	2	0	100.00	new appointment
Independent Director	Steven Wu	3	0	100.00	term expired
Independent Director	Lin Huan	3	0	100.00	term expired
Independent Director	Huang Hung Lung	3	0	100.00	term expired

Other items to be stated:

I.When one of the following situations has occurred to the operations of the Audit Committee, state the date, term and content of proposals of the Audit Committee, Independent directors' dissenting opinions, reservations or significant recommendations, result of resolutions of the Audit Committee and the Company's actions in response to the resolutions:

(1) Matters included in Article 14-5 of the Securities and Exchange Act:

Audit Committee of Date	Audit Committee of Term	Contents of Motion	Resolution of the Audit Committe e	The Company's handling of the Audit Committee's comments
Feb 19, 2021	2nd term 28th Meeting	●2020 Financial Report ●Assessment the independence and suitability of the Company's CPA. ●The appointment of CPA to audit the financial statements and the remuneration of the CPA. ●2020 Internal Control System Statement	Approved	N/A
Mar 16, 2021	2nd term 29th Meeting	●Purchase of real estate in Taichung City, Wuchi Chungang Chungkang Export Processing Zone.	Approved	N/A
Apr 12, 2021	2nd term 30th Meeting	●2020 Business Report	Approved	N/A
Oct 04, 2021	3rd term 3rd Meeting	●The Company lend capital to Phoenix Battery Corp.	Approved	N/A
Nov 04, 2021	3rd term 4th Meeting	●2022 Internal Audit Plan.	Approved	N/A
Dec 28, 2021	3rd term 5th Meeting	●Disposal of equity shares of Phoenix Battery Corp.	Approved	N/A
Feb 23, 2022	3rd term 6th Meeting	●2021 Financial Report ●Assessment the independence and suitability of the Company's CPA.	Approved	N/A
Apr 14, 2022	3rd term 8th Meeting	●2021 Business Report ●Proposed amendment to the Handling Procedures for Acquisition or Disposal of Assets. 。 ●Proposed amendment to the Handling Procedures for Conducting Derivative Transactions.	Approved	N/A

Note：all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.

(2)Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.

II.In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director’s name, contents of motions, reason for not voting and actual voting counts: None.

III.Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):

(1)The internal audit supervisor regularly communicates with the members of the Audit Committee about the results of the audit reports and gives internal audit reports at the Audit Committee meetings on a quarterly basis, and reports to the members of the Audit Committee immediately if there are special circumstances. The communication between the Audit

Committee and the internal audit supervisors are fine. (2)The CPAs regularly report the results of audits or reviews of financial statements at meetings of the Audit Committee, and other communications required by applicable laws and regulations. The communication between Audit Committee and CPAs are fine. IV.Annual key functions and operations of Audit Committee: 2021 Annual key functions: (1) Audit of financial statements and accounting policies and procedures. (2) Assessment of the effectiveness of internal control system. (3) Review of major asset transactions. (4) Review of capital lending. (5) The appointment, compensation, suitability and independence of the CPA. 2021 operations of Audit Committee: Please refer of this Annual Report (Page 22).

Note1：The Company re-elected all directors at the Annual General Meeting of Shareholders on July 05,2021.

Note2：Independent Director Shu-Huei resigned on August 16, 2021. Ling-Shih Meng was elected as an Independent Director at the first extraordinary general meeting of 2021 convened on October 26, 2021.

3. The state of the company's implementation of corporate governance, any variance from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies?	✓		The Company has established the "Corporate Governance Principles" to implement the relevant regulations in accordance with the spirit of corporate governance. Please refer to the Company's official website or the Market Observation Post System (MOPS) for the Corporate Governance Principles stipulated by the Company.	No significant difference
II. Shareholding structure & shareholders' rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure??	✓		(1) The Company has established the regular shareholders' meeting to accept shareholder proposal review standards and procedures, and has a speech system to deal with shareholders related issues.	No significant difference
(2)Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	✓		(2) The Company shall keep abreast of the major shareholders of the Company through the interaction with the major shareholders and the ultimate controlling shareholder list of the controlling shareholders.	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3)Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?	✓		(3) The Company's internal control covers the corporate risk management activities and operating activities. The Company establishes the "Regulations Governing Supervision on Subsidiaries" to fulfill the risk control mechanism against subsidiaries. Meanwhile, the Company also establishes the "Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties" to govern the purchases/sales, acquisition or disposition of assets, endorsements/guarantees and loaning of fund by the affiliates.	No significant difference
(4)Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	✓		(4) The company has set up "Procedures for Ethical Management and Guidelines for Conduct ". Insiders such as directors, managers or employees must engage in business activities in a fair, honest, trustworthy and transparent manner. In order to implement the integrity management policy, and actively prevent dishonest behaviors, comply with securities. The trading law stipulates that the information that is not available in the market without public disclosure shall not be used for profit from insider trading, nor shall it be disclosed to others to prevent others from conducting insider trading. In 2021, the course topic for the education and training on the implementation of the insider trading prohibition was "Case Studies on Corporate Corruption, Business Secrecy and Breach of Trust", which was held for 2 hours. The total number of attendees(including insiders) was 752.	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
III. Composition and Responsibilities of the Board of Directors (1) Does the Board develop andimplement a diversified policy for the composition of its members?	✓		(1) The Board of Directors' diversity policy, specific goals of management and implementation, please refer of this Annual Report (Pages 12-13).	No significant difference
(2)In addition to the Remuneration Committee and Audit Committee set in accordance with the law, has the Company voluntarily set up other functional committees?		✓	(2) The Company currently has the Remuneration Committee and the Audit Committee in accordance with the law, and in the future plans to establish such functional committees as necessary.	Under discussion and preparation
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		(3)The Company has established the “Regulations Governing Performance Appraisal on Board of Directors and Functional Committees”. At the end of each year, according to the overall planning of President’s Office, the performance appraisal on the entire Board of directors, individual Board member and functional committees (including Audit Committee and Remuneration Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of Directors and served as the reference for election or nomination of directors and also the suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company’s operations, upgrading of the decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control. The company has completed the performance evaluation in the first quarter of	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			2022, and reported the results to the board of directors on February 23, 2022, and disclosed on the website.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The Company has established the "Regulations Governing the Independence and Performance of Certified Public Accountants". The Company assesses the independence, suitability and performance of CPA annually and submits the results to the Audit Committee and the Board of Directors for approval. The evaluation of the independence of the certified public accountants for 2021 was approved by the Audit Committee and the Board of Directors on February 23, 2022. The rotation of certified public accountants was also conducted in accordance with the relevant regulations. Independence assessment of the following standard items： a.No direct or indirect substantial financial interest between the CPA and the Company. b.No substantially close business relationship between the CPA and the Company c.No potential employment relationship exists when the CPA audits the Company’s report. d.The CPA should ensure the integrity, impartiality and independence of their assistants。 e.The CPA never accepts any expensive gift or present from the Company or the Company’s directors or managerial officers (valuing more than the value required under the general social etiquette standards). f.No borrowing/lending of fund between the CPA and the Company. g.The CPA does not hold another busines, the CPA may lose its	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			independence. h. The CPA has not received any commission related to his/her service. i. The CPA or its spouse and second degree relatives do not hold any of the Company's shares. j. Not simultaneously taking a regular position in the Company or its affiliated enterprises and receiving a fixed salary therefrom. k. The CPA has no joint investment or interest sharing with the Company and its affiliated enterprises. l. The CPA is not involved in the management function of the Company in formulating decisions。 m. The CPA does not currently hold any the position as director, managerial officer, or any position materially critical to the audited case in the most recent 2 years, and will never hold said positions in the future audit period. n. During the audit period, the CPA and his / her spouse or dependent(s) did not hold any position as a director, supervisor, or manager of the company or have direct and significant influence on the audit work。 o. The CPA issued the Statement of Detached Independence. The results of the evaluation are as follows. As a result of the evaluation, the certified public accountants have met the requirements of the independence evaluation and issued the "Statement of Independence", which confirms that the CPAs are independent and can be trusted to issue financial reports.	
IV. Has the Company set up a corporate governance (concurrent) unit or personnel	✓		The Company resolved at the Board meeting on May 13, 2019 that the Company's Deputy General Manager	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
for the matters of corporate governance (including but not limited to providing the information required by Directors and Supervisors to carry out business, handling matters related to the Board of Directors and Shareholders' Meeting by the law, processing company registration and changes of registration, and composing meeting minutes for the Board of Directors and Shareholders' Meeting)？			of control center, should hold the position as the Company’s corporate governance officer concurrently (who has the experience in the management of finance, shareholders’ service and parliamentary procedures for TWSE/TPEx-listed companies for more than three years), responsible for leading and guiding the President’s Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include: 1. Convention of the Board meetings and shareholders’ meetings under laws. 2. Preparation of the Board meeting and shareholders’ meeting minutes. 3. Helping directors with their duties and continuing education. 4. Providing directors with the information needed to perform their duties. 5.Helping directors comply with laws. 6. Other requirements under the Articles of Incorporation. The status of business executed by the corporate governance officer this year: 1. Set and plan the review on the corporate governance-related regulations, and add and amend the same to fulfill the compliance. 2. Provide the directors with the information needed to perform their duties, and help the directors with their compliance. 3. Help the new directors with their duties and provide related support. 4. Thirteen Board of Directors meetings, eight Audit Committee meetings, one general shareholders' meeting and one extraordinary shareholders' meeting were held in 2021. 5. Each of the renewed and new Directors had completed 6 hours and 12 hours of training courses in 2021. The training hours for the chief of	

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			corporate governance totaled 12 hours in 2021. See Pages 47 to 48 of the Annual Report for further information about training courses. 6. Plan each Board meetings, notify all directors at least within 7 days prior to the meetings, provide sufficient parliamentary information, and send the Board meeting minutes within 20 days after the meetings. 7. Pre-register the shareholders' meetings pursuant to laws, produce the meeting notices, parliamentary handbook, annual reports and meeting minutes, and complete registration of changes (amendments to the Articles of Incorporation, and election of directors).	
V. Has the Company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees, customers and suppliers), and set up a stakeholder section on the Company's website, and appropriately respond to the important corporate social responsibility issues which are essential to stakeholders？	✓		The company has spokespersons and acting spokespersons, the website has a special area for interested parties, and a contact person is established for the related parties, and there are special personnel to answer the social responsibility issues of the related parties. The communication situation of all stakeholders in 2021 has been reported to the board of directors on Nov 4,2021.	No significant difference.
VI. Has the Company commissioned a professional stock affair agency to manage Shareholders' Meetings and other relevant affairs？	✓		The Company entrusts Grand Fortune Securities Co., Ltd. to act as the Company's shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference.
VII. Information Disclosure				
(1)Has the Company established a website to disclose information on financial operations and corporate governance？	✓		(1)The Company has set up an investor section to disclose information on financial operations and corporate governance.	No significant difference.
(2)Has the Company adopted other means of information disclosure(such as establishing an English language website, delegating a professional to collect and disclose Company information, implementing a	✓		(2)The Company's has set up the investor section on its website. The Company's financial, business, and related information can be found on the Market Observation Post System. The Company's dedicated personnel shall be responsible for	No significant difference.

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
spokesperson system, and disclosing the process of investor conferences on the Company website)？			information on the Company's financial, business, and other relevant information. The dedicated personnel shall disclose information to the Company's shareholders and stakeholders. A spokesperson and its substitution have been assigned.	
(3)Whether the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and the monthly operating situation as early as the prescribed period？	✓		(3)The 2021 financial report was announced on February 24, 2022. The financial reports for the first, second and third quarters of 2021 were announced on May 4,2021, Aug 6,2021 and Nov 4,2021, all earlier than within the specified period, the monthly revenue will also be announced in advance within the specified period.	No significant difference.
VIII.Has the Company provided other information that is helpful to understand the implementation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, implementation of the Company's policies, and purchase of liability insurance for the Directors and Supervisors)？	✓		(1)Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees' legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems. (2)Investor relations: Disclose the information sufficiently via the MOPS and the Company's website to enable the investors to understand the Company's overview of operation and communicate with investors via the shareholders' meeting and spokesman. (3)Supplier relations: The Company maintains fair interactive relations with the suppliers and conducts audits from time to time to ensure the suppliers' quality. (4)Stakeholders' interests: The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder	No significant difference

Assessed items	State of Operations			Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			section on the Company's website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the legal interests and rights deserved by them. (5)Continuing education of directors: All of the Company's directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required. Please refer to pages 47-48 of this annual report for further details of the directors' training. (6)Implementation of risk management policies and risk measurements: The Company is used to managing the risk stably and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time. (7)Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company. (8)Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders' equity, and disclosed the relevant information in the corporate governance section on the MOPS	

<table>
<tr><td rowspan="2">Assessed items</td><td colspan="3">State of Operations</td><td rowspan="2">Gaps with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps</td></tr>
<tr><td>Yes</td><td>No</td><td>Explanation</td></tr>
<tr><td colspan="5">IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies： The improvement of the results of the 2021 corporate governance evaluation | Evaluation index content	Improvement matters
1. Does the company have a policy on diversity of board members and disclose the specific management objectives and implementation of the diversity policy on the company's website and annual report?	1. The Company will disclose the diversity of individual directors' backgrounds on the Company's website and annual report in accordance with the evaluation guidelines.
2. Does the Company's Board of Directors regularly (at least once a year) evaluate the independence of the certified public accountants and disclose the evaluation process in detail in the annual report?	2. The Board of Directors has regularly evaluated the independence of the certified public accountants and has added new procedures and criteria for the Board of Directors to evaluate the independence of the certified public accountants, which are disclosed in the annual report. |</td></tr>
</table>

4. If the company has a compensation committee or nomination committee in place, the composition and operation of such committee shall be disclosed:

(1)Information on the members of the Remuneration Committee：

<table>
<tr><td colspan="2">Criteria
Name/Title</td><td>Professional Qualification and Experience</td><td>Independent Directors' Independence Status</td><td>Number of Other Taiwanese Public Companies Concurrently Serving as the Remuneration Committee Member</td></tr>
<tr><td>Guo-Chao Hong</td><td>Remuneration Committee Convenor</td><td rowspan="2">The Remuneration Committee is comprised of all three Independent Directors. For members professional qualification and experience, please refer this Annual Report on pages 11-12.</td><td rowspan="2">All of the following situations apply to each and every of the Independent Directors:
1. The Independent Directors, their spouses, or relative within the second degree of kinship do not serve as Directors, Supervisors, or employees of the Company or its affiliates. The independent directors, their spouses, and relatives within the second degree of consanguinity (or r held by the person under others' names) do not hold any shares of the Company.</td><td>None.</td></tr>
<tr><td>Ming-Cheng Liang</td><td>Remuneration Committee Member</td><td>1</td></tr>
</table>

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as the Remuneration Committee Member
Ling-Shih Meng	Remuneration Committee Member		2. The Independent Directors do not serve as Directors, Supervisors or employees of companies with specific relationships with the Company (Note 1). 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a " non-audit service"	None.

Note1：The Directors, Supervisors or employees of the specified affiliated companies are defined in Article 6, Item 1, Paragraphs 5 to 8 of the " Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange ":

(1) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.

(2) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.

(3) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.

(4)A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.

(2) Responsibilities of the Remuneration Committee:

The operation of the Remuneration Committee of the Company is based on the "Organizational Regulations of Remuneration Committee", and the responsibilities of this Committee includ：

A.Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.

B.Periodically evaluate and prescribe the remuneration of directors, supervisors, and managerial officers.

(3)Operation of the Remuneration Committee

A.The Company's Remuneration Committee consists of three members.

B. The term of the current members is from July 14, 2021 to July 13, 2024. The Remuneration Committee held five meetings (A) in 2021, and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks (Note1)
Convener	Steven Wu	3	0	100.00	term expired(Note1)
Committee	Hung-Lung Huang	3	0	100.00	term expired(Note1)
Committee	Huan Lin	3	0	100.00	term expired(Note1)
Convener	Guo-Chao Hong	2	0	100.00	new appointment (Note 2)
Committee	Ming-Cheng Liang	2	0	100.00	new appointment (Note 2)
Committee	Wen-Cheng Cheng	-	-	-	resignation (Note2.3)
Committee	Ling-Shi Meng	2	0	100.00	new appointment(Note3)

Other mentionable items：

I. If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee's proposals, it should specify the date of meeting, sessions, content of the motion, resolution by the Board of Directors and the Company's response to the Remuneration Committee's opinion (e.g., theremuneration passed by the board of directors exceeds the recommendation committee, the circumstance and cause for the difference shall be specified): None.

II. Resolutions of the Remuneration Committee objected by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion of the Remuneration Committee, all members' opinions and the response to members' opinion should be specified: None.

III .Operations of Remuneration Committee：

Remuneration Committee of Date	Remuneration Committee of Term	Contents of Motion	Resolution	The Company's handling of the Remuneration Committee's comments
Feb 2, 2021	3rd term 15th Meeting	● The case of the company's year-end bonus amount for managers in 2020.	Approved	N/A
Feb 23, 2021	3rd term 16th Meeting	● The Company's 2020 employee compensation distribution. ● The Company's 2020 directors' remuneration distribution.	Approved	N/A
Apr 12, 2021	3rd term 17th Meeting	● Salary adjustment for managers.	Approved	N/A
Aug 11, 2021	4th term 1st Meeting	● Election of the convener of the Remuneration Committee	Approved	N/A
Aug 25, 2021	4th term 2rd Meeting	● The company's 2020 Directors' remuneration distribution. ● The company's managers' 2020 employee compensation plan.	Approved	N/A

Note 1: The third term of the Remuneration Committee expired on July 04, 2021.
Note 2: The board of directors appointed Guo-Chao Hong, Ming-Cheng Liang and Wen-Cheng Cheng as the fourth Remuneration Committee on July 14, 2021.
Note 3: Member Wen-Cheng Cheng resigned the Remuneration Committee on July 23, 2021, and the board of directors appointed Ling-Shi Meng as the Remuneration Committee on August 3, 2021.

5.The state of the company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I . Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	✓		The company has established a committee to promote sustainable development-related operations. The President of the company is the chairman and the members are the center leaders. The Board of Directors authorizes the President to follow the policies, systems or related management guidelines approved by the Board of Directors and to propose and implement specific promotion plans, and to report to the Board of Directors on an annual basis. The company has established the ESG Environmental Committee since 2022. The President as the chairman of the committee, and Industrial Safety is the executive secretary. The ESG annual environmental targets are regularly followed up to review the effectiveness of implementation.	No significant difference
II.Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?	✓		(1) The company has established the " Corporate Social Responsibility Best Practice Principles ", which will continue to promote environmental protection such as corporate social responsibility, energy conservation and carbon reduction, and greening, and review the effectiveness of implementation. (2) The company will prevent and control possible risks in the process of operation and management, and conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, as reference for the Company's risk management and operational strategies.	No significant difference
III. Environment issues (1)Is the company committed to improving energy efficiency and using recycled materials that have a lower environmental impact?	✓		(1)The company follows the PDCA of the ISO management system, and implements the ISO14001 environmental management system by establishing a complete SOP,	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			independent internal audit and annual external audit by a third-party verification agency. Passed the ISO 14001 Environmental Management System in 2004 and verifies the effectiveness of the continuous system every year. Properly handle the waste, air pollution, waste water discharge and other pollution generated in the production process in the factory, and obtain the approval certificate issued by the competent authority. By establishing an environmental management system and implementing specific action plans, the impact of business operations on the natural environment and human health can be reduced, and the sustainable use of energy resources can be promoted. The company continuously verifies the validity of the ISO 14001 certificate annually. The verification unit is the British Standards Institute (BSI). The last verification date is August 2021, the certificate is valid until October 6, 2022, and will be subject to a three-year renewal check in September 2022. The scope of the certificate is the production area and product category of the existing process.	
(2) Is the company committed to improving energy efficiency and using recycled materials that have a lower environmental impact?	✓		(2)In terms of energy use, the company implements an energy-saving plan according to the Energy Management Law every year, with an energy-saving efficiency of ≧1% or more, and regularly reports the progress of the plan to the company's environmental protection department to the committee. The recycled materials currently used by the company are mainly wafer raw materials, and other materials are involved in product production and customer certification, so no other recycled materials are used.	No significant difference
(3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		(3)The company evaluates the potential risks and opportunities of current and future climate change to the company, incorporates them into risk management, and actively promotes energy	No significant difference

<table>
<tr><th rowspan="2">Assessed items</th><th colspan="3">State of Operations</th><th rowspan="2">Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>conservation and carbon reduction. In 2021, it passed the ISO 14064-1:2018 greenhouse gas inspection and verification, and the main emissions were determined through the inspection. After the source, the in-plant environmental protection committee will regularly review the energy saving and carbon reduction implementation effects listed by each unit. The potential risks and countermeasures of climate change are disclosed in the environmental sustainability section of the corporate social responsibility section of the company's website.</td><td></td></tr>
<tr><td>(4) Has the company counted the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and has it formulated policies for greenhouse gas reduction, water conservation or other waste management?</td><td>✓</td><td></td><td>(4) The company is actively committed to the implementation of energy conservation and carbon reduction, water resource management and proper waste disposal. The statistics of the past two years are as follows: (converted to 12-inch single-chip products)
<table>
<tr><th>year / Project</th><th>2020</th><th>2021</th></tr>
<tr><td>Emission of greenhouse gases</td><td>6.5E-03 CO_2e/p</td><td>6.1E-03 CO_2e/p</td></tr>
<tr><td>Water consumption</td><td>0.173 ton/p</td><td>0.146 ton/p</td></tr>
<tr><td>Total waste</td><td>3.19E-04 ton/p</td><td>2.63 E-04 ton/p</td></tr>
</table>

In order to effectively implement environmental issues, the company implements third-party verification of ISO 14001 for environmental management system and ISO 14064 for greenhouse gas emission inventory. In 2021, an ESG Environmental Committee was established, with the general manager serving as the chairman of the committee, and Gongan as the executive secretary, who regularly tracked and reviewed the implementation effectiveness of the set ESG annual environmental goals. ISO 14001 was last validated in August 2021; ISO 14064 in November 2021, and the</td><td>No significant difference</td></tr>
</table>

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			verification is carried out once a year to ensure the validity of the certificate.	
IV. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) In accordance with labor laws and relevant international human rights standards, the company formulates and implements internal personnel regulations such as "Human Rights Policy", "Work Rules" and "Personnel Management Rules", and clearly protects the labor rights of employees, including promotion, remuneration, employment conditions such as working hours, training, and promotion are not discriminated against based on gender, race, age, marriage, religion, political stance, and family status, and forced labor and discrimination of any kind are prohibited, and child labor is totally prohibited, in compliance with labor laws. To provide a friendly working environment for our employees, we will conduct online courses on workplace grievances and sexual harassment prevention and awareness, and will further implement our human rights policy in accordance with the "RBA Responsible Business Alliance", the Universal Declaration of Human Rights (UDHR), and the International Labor Organization (ILO).	No significant difference
(2)Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		(2) The company has established and implemented reasonable employee welfare measures, regularly participates in industry salary surveys, calibrates salary levels, and conducts annual salary adjustments based on company operations, Price Index and Personal Performance. And the most relevant indexes, such as quarterly bonuses, year-end bonuses, and employee compensation, are calculated based on the company's operating performance and the performance of each employee. There are also patent incentives, proposal improvement bonuses, and MVP.	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			Employees, etc., reward employees for their outstanding performance. In addition, there are patent bonus, proposal improvement bonus, MVP employee, etc. to reward employees' excellent performance. For the employee welfare policy of the company, please refer to page 80 of this annual report - V. Labor Relations.	
(3)Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3)In order to ensure a safe and healthy working environment for employees, the company provides a good working environment, and provides physical examination and safety and health education training for new employees and employees. The validity of the certificate will be verified annually by the British Standards Institution (BSI) and will be verified in August 2021. The certificate is valid until October 06, 2022, and the scope of its registration is the existing process production area and product category.	No significant difference
(4) Has the Company established effective career development training plans?	✓		(4)Provide employees with an introduction to the company through new employee education and training, and carry out on-the-job training and qualification certification mechanisms according to different positions. In combination with the training map, the career development of employees can be fully integrated with the future development of the company..	No significant difference
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	✓		(5) The company has established "Customer Complaint Handling Operation standards" and "Customer Feedback Handling procedures", to establish a customer-oriented quality system, and used objective methods to comprehensively evaluate customers' satisfaction with the company's products or services. To understand the gap between customer needs and expectations, as the basis for quality system improvement, to achieve the goal of sustainable enterprise management. The company's marketing and labeling of products and services follows relevant regulations and international standards.	No significant difference

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(6)Does the company set supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health, or labor human rights, and their implementation status?	✓		(6) The company has established supplier management procedures and contractor safety and health management procedures. Before dealing with suppliers, it is stipulated that manufacturers must provide "Environmental Hazardous Substances Compliance with Limit Requirements" and evaluate the environmental safety and health system. And in the contract or order between the company and the main suppliers, it is stated that please cooperate with the company's requirements to implement the "environmental safety and health and energy management system", support the concept of energy saving and carbon reduction and follow the contractor's safety and hygiene standards; and do not use harmful substances, do not use Conflict Metals and commitment to comply with the Code of Conduct formulated by the Electronic Industry Citizenship Coalition (EICC), although the terms of termination or cancellation of the contract are not expressly specified, the company may still consider temporarily or terminating its business dealings.	No significant difference
V.Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire third party verification or statement of assurance?		✓	The company has not yet prepared reports that disclose the company's non-financial information, such as the sustainability report, with reference to the internationally accepted reporting standards or guidelines.	In the future, relevant mechanisms will be established in accordance with the provisions of the Code of Practice for Governance of Listed Companies.
VI.If the company has its own sustainable development code in accordance with the "Code of Practice for the Sustainable Development of Listed OTC Companies", please describe the differences between its operation and the prescribed code: (1)The company has formulated the "Code of Practice for Corporate Social Responsibility", and there is no major difference between the current operation and the code. (2)The stock exchange revised the original name "Code of Practice for Corporate Social Responsibility of OTC Listed Companies" to "Code of Practice for Sustainable Development of OTC Listed Companies". The company will follow the "Code of Practice for Sustainable Development of OTC Listed Companies" in the future. Corrected names and related operations.				
VII. Other important information helpful to understand the implementation of the promotion of sustainable development: (1)The company employs persons with disabilities to increase employment opportunities. There are currently				

Assessed items	State of Operations			Gaps with the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
seven persons in total. (2)The company has taken out public accident insurance, employee group insurance, and employer accident liability insurance. (3)The company's employees, regardless of gender, religion, or party, have equal employment opportunities. The company also creates a good working environment to ensure that employees are free from discrimination and harassment. (4)The company has an environmental safety unit responsible for the implementation and control of safety and health laws, regularly organizes employee health checks, and has a staff restaurant to provide meals. (5)The company participates in and sponsors social welfare from time to time, and fulfills the obligations and responsibilities of business operation.				

6.The state of the company’s performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
I.Establishment of ethical corporate management policies and programs				
(1)Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) The Company has established the "Code of Ethical Conduct for Directors and Managers" and "Code of Integrity Management", and the legal department reports to the board of directors on the implementation status at least once a year. In fair, justice and open way, it is indeed implemented in internal management and external business activities. In order to promote integrity, the company keeps going on the educational training for all employees, and uploads relevant specifications on the internal network of the company for colleagues to consult at any time.	No deficiency
(2)Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the	✓		(2)The company manages the relationship with suppliers in accordance with the "Directors and Managers' Code of Ethical Conduct", "Code of Integrity Management", and "Guidelines for Integrity Management Operation	No deficiency

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
policies?			Procedures and Conduct", audits and reports the implementation situation to the board of directors at least once a year. When the company signs the contract with the supplier, the contract specifies the terms of termination or cancellation of the contract at any time if dishonest behavior occurs.	
(3)Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		(3) In order to prevent from any dishonest behavior, the company requires employees to take the initiative to explain to the company in case of ethical concerns and conflicts of interest, and to comply with relevant regulations. The company sets up the mailboxes for employees and related personnel to report any violation or illegal actions, and the management by the company authorized deals with it personally..	No deficiency
II. Fulfill operations integrity policy (1)Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) At present,before the transaction with the supplier in the process, the contractor will always review the past transaction records and search the information of the supplier via the internet to confirm whether there are records of dishonesty of the supplier or not, and it shall be stated on the agreement that in case any dishonesty is occurred, the party shall be terminated or cancel the contract immediately.	No deficiency
(2)Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	✓		(2)It is designated by the company that the legal department as a special unit, responsible for assisting the board of directors and management to formulate and supervise the implementation of the integrity management policy and prevention plan to ensure the implementation of the integrity management code, and regularly check the preceding system for at least one year. The compliance has been reported to the board of directors for the year in December	No deficiency

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			29,2021.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3)In order to prevent from any dishonest behavior, the company requires that employees should take the initiative to explain to the company if anything about ethical concerns and conflicts of interest is happened.Ther is no violation of the ethics happened to the employees in the year of 2021.	No deficiency
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The Company has established an effective accounting system and internal control system to ensure the implementation of the Ethics Management System; and the audit plan focuses on each operation cycle to check whether the Ethics Management System is actually implemented	No deficiency
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5)The total of 752 people had participation in the educational training about the integrity management issues held by the company in 2021. The people participated in and passed the test for the employee ethics management announcement course.	No deficiency
III.Operation of the integrity channel				
(1)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The company has established " Procedures for Handling Complaints and Reports" and the "Procedures for Protecting Whistleblowers", and has set up the mailbox for employees, and the legal department as the specific responsible unit deals with the related affairs in accordance with the regulations on the procedures stated above mentioned. In 2021, the Company did not receive any complaints against the integrity of the Company's management.	No deficiency
(2)Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2) The Company assigned dedicated units to conduct investigations on relevant matters, while the identity of the whistleblower and the content of the report will be kept confidential.	No deficiency

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
(3)Does the company provide proper whistleblower protection?	✓		(3)The Company assigns dedicated personnel to handle accusation cases, and will actively investigate on the case, while the identity of the whistleblower and the content of the report will be kept confidential.	No deficiency
IV. Enhanced information disclosure (1)Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		(1)In addition to the integrity management procedures and behavior guidelines on the official website of the company, in accordance with the RBA Responsible Business Alliance Guidelines,it is prohibited in any forms of bribery, corruption, extortion and embezzlement of public funds, and actively promotes the enterprises integrity, the core values with integrity and to prevent from corruption happened. (2)At least once a year, the company conducts educational announcements for current directors, managers and employees on the "Administrative Management for Preventing Insider Trading" ,related laws and regulations , for new directors and managers within 3 months on board mentoring,and for new employees, it will be educated by personnel during pre-employment training. (3) In the year of 2021, the current directors have been arranged to participate in the "2021 Annual Prevention of Insider Trading Announcement Conference" and it also provided relevant educational announcement to managers and employees on December 17, 2021. The training information is included the confidential operation of the material information, the reasons for the formation of the internal trading, the identificational process and the description of the trading example, and it uploaded the course electrical briefing, audio	No deficiency

Assessed items	State of Operations			Gaps with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the cause of the said gaps
	Yes	No	Explanation	
			and video files to the internal system as refernace for staffs who did not attend on the day.	
V. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the policies and their implementation: None				
VI.Other important information to facilitate a better understanding of the company's ethical corporate management policies (under situations such as review and revision of regulations): (I)The company operates with a clean, transparent, and responsible attitude, formulates policies based on integrity, and establishes good corporate governance and risk control mechanisms to create a sustainable development business environment. Directors, managers, and employees represent the symbol of the company's integrity management whether they perform business internally or externally. The company's external website, annual report and public brochure all disclose the compliance with the integrity management code. (II)The company's board of directors has precisely implemented the system of avoiding directors' interests. (III)The company will always pay attention to the development of domestic and foreign standards of integrity management, based on this review the company's relevant management measures were formulated. (IV)The company abides by the company law, the securities trading law, the international accounting standards, relevant laws and regulations recognized by the Financial Supervisory Commission as the basis for the implementation of honest operation.				

7. Corporate Governance Guidelines and Regulations:

Regarding the relevant regulations of the Corporate Governance Code, the Company has formulated the Corporate Governance Practice Code, Shareholder Meeting Rules, Board Meeting Rules, Integrity Management Code, Integrity Management Operation Procedures and Conduct Guidelines, etc., which are currently exposed in the Corporate Governance section of the company 's website. In addition, relevant regulations are also disclosed in the Corporate Governance Zone of the Open Information Observatory, the Annual Report of the Shareholders 'Meeting and the Proceedings Manual, which can be found on the company 's website and the Open Information Observatory and other channels.

8. Other Important Information Regarding Corporate Governance:

(1)The company continues to invest resources to strengthen corporate governance operations. At present, there is a salary and compensation committee and an audit committee. The company's webpage also has a corporate governance area to expose relevant regulations, and to disclose important information in real time, devoted to safeguarding the rights to know of investors and shareholders.

(2)The situation of the company 's accounting and audit personnel obtaining relevant domestic and foreign licenses: Internal auditor's license: one person in the accounting department.

(3)Directors of the Company, managers and supervisor of corporate governance training and training situations.

Title	Name	Training date	Institution	Training course	Training hours
Chairman	Mike Yang	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Chairman	Mike Yang	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Director and President	Tony Tsai	Nov 9, 2021	Taiwan Securities and Futures Institute	2021 Insider Trading Prevention Seminar	3 hours
Director and President	Tony Tsai	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Director and President	Tony Tsai	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Director and President	Tony Tsai	Nov 24, 2021	Accounting Research and Development Foundation	How to Effectively Perform the Functions of a Corporate Governance Director - and the Legal Liability of Managers	3 hours
Director	Wen-Cheng Cheng	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Director	Wen-Cheng Cheng	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Corporate Director Representative	Ji-Ceng Ma	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Corporate Director Representative	Ji-Ceng Ma	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Corporate Director Representative	Ji-Ceng Ma	Nov 26, 2021	Taiwan Securities and Futures Institute	Analysis and strategic use of corporate financial information	3 hours
Corporate Director Representative	Ji-Ceng Ma	Dec 23, 2021	Taiwan Securities and Futures Institute	How directors can analyze the bottom of the financial statements to grasp the enterprise risk management	3 hours
Corporate Director Representative	Shin-Chin Huang	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Corporate Director Representative	Shin-Chin Huang	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Corporate Director Representative	Yaw- Zen Chang	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Corporate Director Representative	Yaw- Zen Chang	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Independent Director	Guo-Chao Hong	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Independent Director	Guo-Chao Hong	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours
Independent Director	Ming-Cheng Liang	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
Independent Director	Ming-Cheng Liang	Nov 15, 2021	Taiwan Securities and Futures Institute	Artificial intelligence technology development and application opportunities	3 hours

Title	Name	Training date	Institution	Training course	Training hours
Independent Director	Ling-Shih Meng	Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
		Nov 15, 2021		Artificial intelligence technology development and application opportunities	3 hours
		Nov 18, 2021		The Impact of the Latest Tax Law Changes on Business Operations and Responses	3 hours
		Dec 10, 2021		Global Risk Awareness - Opportunities and Challenges in the Next Decade	3 hours
Head of Corporate Governance	FN Huang	Nov 2, 2021	Accounting Research and Development Foundation	Compliance Audit Practice for Corporate "Investment" and "Mergers and Acquisitions	6 hours
		Nov 15, 2021	Taiwan Securities and Futures Institute	Electric Vehicle and Battery System Development Trends and Application Opportunities	3 hours
		Nov 15, 2021		Artificial intelligence technology development and application opportunities	3 hours
Accounting Manager	Eunice Tai	Sep 27, 2021 ~ Sep 28, 2021	Accounting Research and Development Foundation	Continuing Education Course for Stock Exchange Accounting Supervisors of Issuing Issuers	12 hours
Financial Manager	Candy Yeh	Jan 19, 2021	Grand Fortune Securities	Corporate Governance 3.0 - A Blueprint for Sustainable Development	3 hours
		Mar 17, 2021	Deloitte	Business Event Audit Law Highlights	3 hours
		May 7, 2021	TWSE	2021 Insider Trading Prevention Seminar	3 hours
Audit Manager	Agnes Chang	Aug 17, 2021	The Institute of Internal Auditors	How to Use Digital Technology to Investigate and Improve Operational Processes and Fraud Detection-Audit Practices	6 hours
		Oct 26, 2021		Fraud risk auditing practice and management	6 hours

(4)The company's internal major information processing situation

In order to follow the internal major information processing operations, the company has specially formulated "financial and non-financial information management operations" and "prevention of internal transaction management operations" in the internal control system. And announced the disclosure on the company's internal website to enable all colleagues to follow the company's major financial business information processing and control, To avoid the possibility of negligent violations and insider transactions.

9.The state of implementation of the Company's internal control system

(1) Statement of Internal Control System

Phoenix Silicon International Corporation
Internal Control Disclosure Statemen

Date: February 23, 2022

The internal control system of the Company in 2021(2021/1/1-2021/12/31), based on the results of self-assessment, is hereby stated as follows:

Ⅰ.The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board and the Managers of the Company, and the Company has established such system. The objectives of internal control system reasonably ensure the achievement of operational effectiveness and efficiency objectives (including profits, performance, and safeguard of asset security), the reliability, timeliness, transparency, and regulatory compliance of reporting.

Ⅱ.The internal control system has inherent limitations, which is designed to provide reasonable assurance on the achievement of the aforementioned three goals. The effectiveness of the internal control system is also subject to changes for external environments and conditions. However, the Company's internal control system contains self-monitoring mechanisms and once a defect is identified, the Company will take corrective action.

Ⅲ.The Company has made judgments on the effectiveness of internal control systems in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Handling Guidelines"). The design and implementation of the internal control system are determined as follows. The assessment items of the internal control system, which are adopted by the “Handling Guidelines,” are based on the process of management control, and divided into five constituent elements: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each constituent element includes a number of items. For the aforementioned items, please refer to the “Handling Guidelines.”

Ⅳ.The Company has already adopted the aforementioned assessment items of the internal control system to evaluate the design and operating effectiveness of the internal control system.

Ⅴ.Based on the results of the assessment items mentioned above, the Company's internal control system (including the monitoring and management of the subsidiaries) as of December 31, 2021, including the degree of achievement of operational effectiveness and efficiency objectives, the reporting of the Company is reliable, timely, transparent, and complies with applicable rules, the design and operating effectiveness of the relevant internal control system are valid and can reasonably ensure that the objectives mentioned above are achieved.

Ⅵ.This Statement shall be published in the Company's annual report and public offering prospectus. If the content of the above disclosure is unlawful, such as falsehood or concealment, it will entail legal liabilities such as Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

Ⅶ.This Statement has been passed by the Board of Directors in the meeting held on February 23, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Phoenix Silicon International Corporation

Chairperson：

President：

(2) CPA Audit Report Should Be Disclosed If CPA Is Entrusted To Perform Internal Audit: NA

10. Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.

11. As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.

(1) Important resolutions and implementation status of the annual Shareholders' Meeting.

Shareholders' Meeting	Resolution	Review of Implementation Status
Shareholders' General Meeting Jul 5, 2021	Recognize the 2020 annual business report and financial statements.	Approved as proposed.
	Acknowledgment of the 2020 Earnings Distribution	Approved as proposed. After the resolution of the shareholders' meeting, the cash dividend distribution operation was completed on Oct 5, 2021(NTD0.6 per share, totaling NTD 79,444,800).
	Election of Directors	Completion of the full re-election of the ninth term of directors for the period from Jul 05, 2021 to Jul 04, 2024.
	Discussion to approve the lifting of non-competition restrictions for directors	Approved as proposed.
	New common share issuance through the increase of capital by capitalization of capital reserve	Approved as proposed. In accordance with the resolution of the shareholders' meeting, 7,944,480 new shares were issued from the capital reserve, with 60 shares allotted at no cost per thousand shares. The change of registration was approved by the Hsinchu Science Park Administration, Ministry of Science and Technology on Sep 17, 2021, and the shares were issued and listed on Oc 05, 2021.
First Extraordinary Shareholders' Meeting Oct 26, 2021	Amendment to the Articles of Incorporation.	Approved as proposed.
	By-election of an Independent Director.	To complete the by-election of one Independent Director for the period from Oct 26, 2021 to Jul 04, 2024.

(2) Important resolutions of the Board of Directors

Board of Directors Date	Board of Directors Term	Contents of Motion
Feb 2, 2021	8th term 24th Meeting	1.The case of the company's year-end bonus amount for managers in 2020.
Feb 23, 2021	8th term 25th Meeting	1. The company's 2020 financial report. 2. Assessment the independence and suitability of the Company's

Board of Directors Date	Board of Directors Term	Contents of Motion
		CPA. 3. The appointment of CPA to audit the financial statements and the remuneration of the CPA. 4. The Company's 2020 employee compensation distribution. 5. The Company's 2020 directors' remuneration distribution. 6. Approved the "Statement of Internal Control System" of 2020. 7. The Company's re-election of directors. 8. Convene Annual General Shareholders' Meeting of 2021. 9. Accept written proposals from shareholders holding more than 1% of the shares.
Mar 16, 2021	8th term 26th Meeting	1.Purchase of real estate in Taichung City, Wuchi Chungang Chungkang Export Processing Zone.
Apr 13, 2021	8th term 27th Meeting	1.Salary adjustment for managers. 2.2020 Business Report. 3.2020 Earnings Distribution. 4.New common share issuance through the increase of capital by capitalization of capital reserve. 5.Nomination and review of Director candidates. 6.Discussion to approve the lifting of non-competition restrictions for Directors 7.Convene Annual General Shareholders' Meeting of 2021(additional matters).
May 4, 2021	8th term 28th Meeting	1.The Company's financial report for the first quarter of 2021.
Jun 8, 2021	8th term 29th Meeting	1.To reschedule the date and place of 2021 Annual General Shareholders' Meeting.
Jul 14, 2021	9th term 1st Meeting	1. Election of the new Chairman of the Board of Directors of the Company. 2. Appointment of the 4th Remuneration Committee members. 3. Establishment of Chungkang Branch.
Aug 3, 2021	9th term 2nd Meeting	1. Amendment to the "Organizational Rules of the Remuneration Committee ". 2. Appointment of the 4th Remuneration Committee members.
Aug 6, 2021	9th term 3rd Meeting	1.The Company's financial report for the second quarter of 2021. 2. Appointment of manager of Chungkang Branch. 3. Capital expenditure of Chungkang Branch. 4.To set the ex-dividend base date, payment date and related matters.
Aug 26, 2021	9th term 4th Meeting	1.The company's 2020 Directors' remuneration distribution. 2.The company's managers' 2020 employee compensation plan. 3. Amendment to the Articles of Incorporation. 4. By-election of an Independent Director. 5.Nomination and review the qualifications of Independent Director candidates. 6. Convene Extraordinary Shareholders' Meeting of 2021. 7. Accept written proposals from shareholders holding more than 1% of the shares.
Oct 4, 2021	9th term 5th Meeting	1. Approved to lend capital to Phoenix Battary Corporation.
Nov 4, 2021	9th term 6th Meeting	1.The company's financial report for the third quarter of 2021. 2. Establishment of Chungkang Branch and related matters. 3. Acquisition of right-to-use assets.

Board of Directors Date	Board of Directors Term	Contents of Motion
		4. Not to participate in the cash capital increase of Phoenix Battary Corporation. 5. Propose an internal audit plan for 2022.
Dec 28, 2021	9th term 7th Meeting	1. Formulate the company's 2022 operation plan. 2.Disposal of equity shares of Phoenix Battery Corporation. 3. Not for election as the third director and supervisor of Phoenix Battary Corporation. 4. Amendments the "Rules of Procedure of the Board of Directors' Meetings". 5. Amendments the" Rules of Procedure for Shareholders Meetings".
Jan 23, 2022	9th term 8th Meeting	1.The case of the company's year-end bonus amount for managers in 2021. 2.Revision of the "Regulations Governing the Distribution of Directors' Compensation and Emoluments". 3. Adjustment of the remuneration package for the President. 4. Managers retention bonus. 5. Establishment of Employee Stock Ownership Association. 6. The Company signed a syndicated loan agreement with Land Bank of Taiwan.
Feb 23, 2022	9th term 9th Meeting	1.The company's 2021 financial report. 2. Assessment the independence and suitability of the Company's CPA. 3. Approved the "Internal Control System Statement" of 2021. 4. Amendment to the Articles of Incorporation. 5. Discussion to approve the lifting of non-competition restrictions for directors. 6. The company's 2021 employee compensation distribution. 7. The company's 2021 director's remuneration distribution. 8. Convene Annual General Shareholders' Meeting of 2022. 9. Amendments the " Level of Authority ". 10. Amendments the "Regulations for the Management of Employee Bonus Budget and Allocation".
Apr 14, 2022	9th term 10th Meeting	1.Salary adjustment for managers. 2.The company's 2021 directors' remuneration distribution. 3.The company's 2021 managers and employee compensation distribution. 4.2021 Business Report. 5.2021 Earnings Distribution. 6.New common share issuance through the increase of capital by capitalization of capital reserve. 7. Amendments to the "Handling Procedures for Acquisition or Disposal of Assets". 8.Amendments to the "Handling Procedures for Conducting Derivative Transactions". 9. To change the senior management of the Company engaged in the supervision and control of derivative transactions. 10. Convene Annual General Shareholders' Meeting of 2022. (additional matters). 11.The Company's applies for a financing line from the bank. 12. The Company's capital expenditure.

12. As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed

Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.

13. As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairperson, President, Accounting And Audit Managers): None.

(V) Information Regarding Audit Fees

1. Information on CPA Fees

Unit: NT$ thousand

<table>
<tr><th>Accounting Firm</th><th>Name of CPA</th><th>Audit Period</th><th>Audit Fees</th><th>Non- Audit Fees</th><th>Total</th><th>Remarks</th></tr>
<tr><td rowspan="2">PwC Taiwan</td><td>Chien-Yu Liu</td><td rowspan="2">Jan 1, 2021～Dec 31, 2021</td><td rowspan="2">1,830</td><td rowspan="2">1,040</td><td rowspan="2">2,870</td><td rowspan="2">Non-audit fees are mainly for tax audit certificates, consultation and review of salary information of employees not in executive positions on full-time basis.</td></tr>
<tr><td>Chih-Cheng Hsieh</td></tr>
</table>

2.When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

3.When the audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

3.When the audit fees paid for the current year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons, therefore shall be disclosed: None.

4.The audit fees include fees paid by the Company to the CPA for the audit, review and second review of financial reports, and for financial forecast reviews.

(VI) Information on replacement of Independent Auditors

1. Regarding the former CPA

<table>
<tr><td>Date of replacement</td><td colspan="3">Since the financial statements of the first quarter of 2022.</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">To accommodate the internal adjustment of PwC Taiwan, the Company's CPA were changed from Dia-nyi Li and Chih-Cheng Hsieh to Chien-Yu Liu and Chih-Cheng Hsieh.</td></tr>
<tr><td rowspan="3">Describe whether the Company is terminated or the CPA did not accept the appointment</td><td>Party / Condition</td><td>CPA</td><td>Consignor</td></tr>
<tr><td>Engagement terminated automatically</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Engagement discontinued</td><td>Not applicable</td><td>Not applicable</td></tr>
</table>

The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion	None.		
Any disagreement in Opinion with the issuer	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or procedure of auditing
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Specific Disclosures mentioned in Article 10.6.1.4~7 of the Regulation)	None.		

2.Regarding the successor CPA

Name of the firm	PwC Taiwan
Name of CPA	Chien-Yu Liu and Chih-Cheng Hsieh.
Date of appointment	Since the financial statements of the first quarter of 2022.
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	Internal audit firm adjustment, not applicable.
Written Opinions from the successor CPA that are Different from the Former CPA Opinions	Internal audit firm adjustment, not applicable.

3. The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

(Ⅶ)The Chairperson, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

(VIII)Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report:

1.Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	2021		Current year to Mar 29, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Mike Yang	128,026	-	-	-
Director and President	Tony Tsai	21,000	-	-	-
Director	Wen-Cheng Cheng	151,029	-	-	-
Director	Ting Dong Liang Investment Co., Ltd Representative：Shin-Chin Huang	118,660	-	-	-
Director	An Grace Investment Corporation Ltd. Representative：Ji-Ceng Ma	(524,525)	260,000	(215,000)	-
Director	Min Ho Shuen Investments Inc Representative：Yaw- Zen Chang	109,051	-	-	-
Independent Director	Ming-Cheng Liang	-	-	-	-
Independent Director	Guo-Chao Hong	-	-	-	-
Independent Director	Ling-Shih Meng	-	-	-	-
Vice President	Eric Pan	(27,000)	-	20,000	-
Vice President	Stephen Jiao	5,100	-	-	-
Vice President	FN Huang	300	-	-	-
Vice President	TK Huang	300	-	-	-
Accounting Manager	Eunice Tai	-	-	-	-
Financial Manager	Candy Yeh	-	-	-	-
Major shareholder	Applied Materials，INC	913,636	-	-	-

2.Shares Trading with Related Parties:

Unit: Shares/ NT$

Name	Reasons for share transfer	Transaction date	Counterparty	The relationship between the counterparty of the transaction and the company, directors, supervisors, managers and shareholders holding more than 10% of the shares	Number of shares	Trading price
Mike Yang	Discipline (gift)	Sep 3, 2021	Ai- Lin Yang	Spouse of the Chairman	60,000	53.7

3. Shares Pledge with Related Parties: None.

(IX) Relationship Information of the Top 10 Shareholders among who are Related Parties

Mar 29, 2022；Unit: Shares；%

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		among who are related parties		Remarks
	Shares	Shareholding ratio	Shares	Sharehold-ing ratio	Shares	Sharehold-ing ratio	Name	Relation ship	
Applied Materials,INC	16,140,909	11.50	-	-	-	-	None	None	-
Representative：DICKERSON GARYE	-	-	-	-	-	-	None	None	-
TransGlobe Life Insurance Inc.	3,800,000	2.71	-	-	-	-	None	None	-
Representative：Teng-Te Peng	-	-	-	-	-	-	None	None	-
Wen- Cheng Cheng	2,668,186	1.90	-	-	-	-	None	None	-
Allianz Taiwan Science and Technology Fund Account	2,438,000	1.74	-	-	-	-	None	None	-
Min Ho Shuen Investments Co.,Ltd	1,926,571	1.37	-	-	-	-	None	None	-
Representative：Yaw- Zen Chang	1,576,835	1.12	447,694	0.32	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Pai -Tsung Ting	1,745,820	1.24	-	-	-	-	None	None	-
Yaw- Zen Chang	1,576,835	1.12	447,694	0.32	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Yaw-Sheng Chang	1,576,833	1.12	436,775	0.31	-	-	Yaw-Zen Chang	Second-degree relatives	-
Kwo- Feng Lin	1,511,703	1.08	-	-	-	-	None	None	-
JP Morgan Investment Dedicated Account, trusted to Chase	1,374,980	0.98	-	-	-	-	-	-	-

(X) Total Numbers and Equity of Shares Held in any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company

Feb 18, 2022；Unit: thousand shares; %

Reinvested entities	Investment by PSI		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Phoenix Battery Co., Ltd.	11,493	30.61	2,052	5.46	13,545	36.07

IV. Capital Overview

(I) Capital and Shares

1. Source of capital

Units: NT$ thousands; thousand shares

Year/ month	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increased by Assets Other than Cash	Other
Mar 1987	10	66,000	660,000	16,500	165,000	Established	None.	Note 1
Jun 1987	10	66,000	660,000	66,000	660,000	Capital increase by cash of 495,000	None.	Note 2
Mar 1988	12	110,000	1,100,000	88,000	880,000	Capital increase by cash of 220,000	None.	Note 3 Note 4
Oct 2002	–	110,000	1,100,000	74,800	748,000	Reduce capital 132,000	None.	Note 5
Nov 2004	11	110,000	1,100,000	92,400	924,000	Capital increase by cash of 176,000	None.	Note 6
Jun 2013	10	110,000	1,100,000	93,452	934,520	Employee stock option certificate conversion 10,520	None.	Note 7
Aug 2013	11	200,000	2,000,000	111,452	1,114,520	Capital increase by cash of 180,000	None.	Note 8 Note 9
Dec 2013	10	200,000	2,000,000	112,828	1,128,280	Employee stock option certificate conversion 13,760	None.	Note 10
Oct 2014	51	200,000	2,000,000	116,828	1,168,280	Capital increase by cash of 40,000	None.	Note 11
Jul 2018	24.6	200,000	2,000,000	132,408	1,324,080	Capital increase by cash of 155,800	None.	Note 12
Sep 2021	10	200,000	2,000,000	140,352	1,403,525	Capital increase by capital surplus of 79,445	None.	Note 13
Nov 2021	10	400,000	4,000,000	140,352	1,403,525	Increase authorized capital	None.	Note 14

Note1:Approval Document No. The 3 March 1997 Letter No. Science-Park-Listed-Company -03691 of Science Park Administration.
Note2: Approval Document No. The 25 June 1997 Letter No. Science-Park-Listed-Company -12733 of Science Park Administration.
Note3: Approval Document No. The 8 January 1998 Letter No. Science-Park-Listed-Company -00764 of Science Park Administration, and increase it's capital by NTD 440,000 thousand dollar.
Note4: Approval Document No. The 12 March 1998 Letter No. Science-Park-Listed-Company -05498 of Science Park Administration.
Note5:Approval Document No. The 17 July 2002 Letter No. Taiwan Finance Securities –I-0910139697 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 October 2002 Letter No. Science-Park-Listed-Company -250718 of Science Park Administration.)
Note6:Approval Document No. The 15 June 2004 Letter No. Taiwan Finance Securities –I-0930126884 of the Securities and Futures Commission, Ministry of Finance (Approval Document No. The 24 November 2004 Letter No. Science-Park-Listed-Company -0930032881 of Science Park Administration.)
Note7:Approval Document No. The 17 June 2013 Letter No. Science-Park-Listed-Company -1020017445 of Science Park Administration.
Note8:Approval Document No. The 21 May 2013 Letter No. Science-Park-Listed-Company -1020014869 of Science Park Administration, and increase it's capital by NTD 900,000 thousand dollar.
Note9:Approval Document No. The 6 August 2013 Letter No. Science-Park-Listed-Company -1020023675 of Science Park Administration.
Note10:Approval Document No. The 9 December 2013 Letter No. Science-Park-Listed-Company -1020037416 of Science Park Administration.
Note11:Approval Document No. The 27 October 2014 Letter No. Science-Park-Listed-Company -1030031283 of Science Park Administration.
Note12:Approval Document No. The 20 July 2018 Letter No. Science-Park-Listed-Company -1070021327 of Science Park Administration.
Note13:Approval Document No. The17 Sep 2021 Letter No. Science-Park-Listed-Company -1100027115 of Science Park Administration.
Note14:Approval Document No. The 9 Nov 2021 Letter No. Science-Park-Listed-Company -1100032613 of Science Park Administration.

Units: Shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	140,352,480	259,647,520	400,000,000	The stock is an TSE stock

Shelf Registration: Not applicable.

2. Shareholder structure

Mar 29, 2022；Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Foreign institutions and foreigners	Individuals	Total
Number of Shareholders	0	11	160	51	31,276	31,498
Number of shares held	0	7,389,600	6,075,273	19,443,741	107,443,866	140,352,480
Holding Percentage (%)	0.00	5.27	4.33	13.85	76.55	100.00

3.Diffusion of ownership

(1) Common Shares

Mar 29, 2022；Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~ 999	14,531	602,307	0.43
1,000~ 5,000	13,694	25,013,390	17.82
5,001~ 10,000	1,769	12,508,335	8.91
10,001~ 15,000	565	6,669,340	4.75
15,001~ 20,000	239	4,236,584	3.02
20,001~ 30,000	270	6,583,666	4.69
30,001~ 40,000	97	3,381,196	2.41
40,001~ 50,000	59	2,650,288	1.89
50,001~ 100,000	122	8,679,672	6.18
100,001~ 200,000	86	12,049,388	8.59
200,001~ 400,000	34	9,705,203	6.92
400,001~ 600,000	14	6,531,056	4.65
600,001~ 800,000	4	2,695,000	1.92
800,001~1,000,000	1	987,055	0.70
1,000,001and above	13	38,060,000	27.12
total	31,498	140,352,480	100.00

(2) Preferred Shares: The Company does not issue preferred shares

4. Major Shareholders (Top ten shareholders)

Mar 29, 2022；Unit: Person; Share; %

Shares / Name of Major Shareholders	Number of shares held	Percentage (%)
Applied Materials,INC	16,140,909	11.50
TransGlobe Life Insurance Inc	3,800,000	2.71
Wen- Cheng Cheng	2,668,186	1.90
Allianz Taiwan Science and Technology Fund Account	2,438,000	1.74
Min Ho Shuen Investments Co.,Ltd	1,926,571	1.37
Pai- Tsung Ting	1,745,820	1.24
Yaw- Zen Chang	1,576,835	1.12
Yaw- Sheng Chang	1,576,833	1.12
Kwo- Feng Lin	1,511,703	1.08
JP Morgan Investment Dedicated Account, trusted to Chase	1,374,980	0.98

(1) Major shareholders of corporate shareholders

Mar 29, 2022

Corporate shareholders	Major shareholders of corporate shareholders
Applied Materials, Inc.	The Vanguard Group, Inc. (8.28%) BlackRock Institutional Trust Company, N.A.(5.33%)
TransGlobe Life Insurance Inc.	China Weiyi Co., Ltd. (100%)
Min Ho Shuen Investments Co.,Ltd	CHANG TSENG,PI-YUEH (46.69%)、Chang Yaw Zen (51.29%)

(2) The main shareholder is a legal person and its main shareholder

Mar 29, 2022

corporate shareholders	Major shareholders of corporate shareholders
China Weiyi Co., Ltd.	Wen-Hui Lin (25.75%) Teng-Te Peng (25.75%)

5.Fair market value, net worth, profit, dividend per share and other relevant information for the most recent two fiscal years:

Unit: NT$; thousand shares

Item \ Year			2020	2021	Current Year till March 31, 2022
Market price per share	Maximum		76.00	62.00	62.40
	Minimum		35.95	37.85	48.00
	Average		53.20	53.89	56.65
Net worth per share	Before distribution		17.55	17.93	-
	After distribution		15.99	16.16	-
Earnings per share	Weighted average shares		132,408	140,353	140,353
	Original EPS		1.02	1.68	-
	Adjusted EPS		0.96	(Note2)	
Dividend per share	Cash dividends		0.6	0.8(Note1)	-
	Issuance of stock dividends	Distribution from earnings	-	-	
		Distribution from capital reserve	0.6	(Note2)	-
	Accumulated unpaid dividends		-	-	-
Return on investment Analysis	Price-to-earning (P/E) ratio		52.16	32.08	-
	Price-to-dividend (P/D) ratio		88.67	67.36	-
	Cash dividend yield		1.13%	1.48%	-

Note1：The cash dividends of 2021 as resolved by the Board of Directors on April 14, 2022.
Note2：The distribution of 2021 retained earnings not yet approved by Shareholders’ Meeting.

6. Dividend Policy and Execution Status

(1) Dividend Policy

If there is a surplus in the annual final accounts, it should first make up for the losses, pay taxes, and deposit 10% as the statutory surplus reserve. However, the statutory surplus reserve is not included in the total capital. The Company shall provide or revolve special surplus reserves as needed. The balance plus the previously undistributed surplus is the distributable surplus. Depending on the Company's operating conditions, the Board of Directors shall make the shareholder's dividend and dividend distribution proposal and submit the proposal to the shareholders' meeting for resolution.

If the Company distributes dividends and bonuses or statutory surplus reserve and capital reserve, if it is paid in cash, the board of directors is authorized to attend with more than two-thirds of the directors, and more than half of the Directors present agree to do so, and report to the shareholders meeting. The provisions of the preceding paragraph shall be subject to the resolution of the shareholders meeting.

When forming its dividend policy, the Corporation considers various factors such as its plans relating to current and future development, the overall investment environment, its financial needs, competition in the domestic and foreign markets, as well as the interest of shareholders and the principles of stability and balance in the distribution of dividends. Each year it will set aside as shareholder dividends an amount of not less than 10% of the earnings available for distribution. Dividends to shareholders may be distributed in cash or shares, but in any event the amount of cash dividends may not be less than 50 % of the total dividends.

(2) Proposed dividend distribution of shareholders' meeting

The proposed dividend distribution on the year 2021 as below：

Unit: NT$

Item	Amount
Unappropriated retained earnings at beginning of year	127,898,373
Actuarial (loss) gain included retained earning	(1,653,122)
2021 net income after tax	235,653,778
Legal reserve	(23,400,066)
Earnings available for distribution	338,498,963
Common shares cash dividends(per share NT$0.8)	(112,281,984)
Unappropriated retained earnings at end of year	226,216,979

Note：The distribution of 2021 retained earnings not yet approved by Shareholders' Meeting.

7.Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share:

Unit: NT$ thousand

<table>
<tr><th colspan="3">Year / Item</th><th>2021(forecast)</th></tr>
<tr><td colspan="3">Beginning paid-in Capital(NT$)</td><td>$ 1,403,525</td></tr>
<tr><td rowspan="3">Dividend Distribution</td><td colspan="2">Cash dividend per share(NT$)</td><td>0.8 (Note1)</td></tr>
<tr><td colspan="2">Stock dividend per share for capital increase from retained earnings(Share)</td><td>—</td></tr>
<tr><td colspan="2">Stock dividend per share for capital increase from capital reserve(Per Share)</td><td>0.06 (Note2)</td></tr>
<tr><td rowspan="7">Business Performance Variation</td><td colspan="2">Operating profit</td><td rowspan="7">N/A (Note3)</td></tr>
<tr><td colspan="2">Year-on-year increase/decrease(%) of operating profit</td></tr>
<tr><td colspan="2">Net profit after tax</td></tr>
<tr><td colspan="2">Year-on-year increase / decrease (%) of net profit after tax</td></tr>
<tr><td colspan="2">Earnings per share</td></tr>
<tr><td colspan="2">Year-on-year increase / decrease of earnings per share</td></tr>
<tr><td colspan="2">Average return over investment (annualized)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and its P/E ratio</td><td rowspan="2">If cash dividend is distributed instead of capital increase from retained earnings</td><td>Pro forma earnings per share (NT$)</td><td rowspan="6">N/A (Note3)</td></tr>
<tr><td>Pro forma average return over investment (annualized)</td></tr>
<tr><td rowspan="2">If no capital increase from capital reserve</td><td>Pro forma earnings per share (NT$)</td></tr>
<tr><td>Pro forma average return over investment (annualized)</td></tr>
<tr><td rowspan="2">If no capital reserve and cash dividend is distributed instead of capital increase from retained earnings</td><td>Pro forma earnings per share (NT$)</td></tr>
<tr><td>Pro forma average return over investment (annualized)</td></tr>
</table>

Note 1: Cash dividends for 2021 have been approved by the board of directors on April 14, 2022.
Note 2: Pending resolution by 2022 Annual General Shareholders' Meeting.
Note 3: Company is not required to disclose 2022 financial forecast.

8. Employee Bonus and Directors' Remuneration:

(1)Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:

The Company makes a profit, it will pay 10%~15% of the employee's compensation and 2% as remuneration for directors according to the profit status of the current year.

The employee compensation could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions.

The current year's profit situation referred to in the first item refers to the current year's pre-tax benefits minus the distribution of employee's compensation and directors' remuneration.

(2)Accounting treatment for the difference between the estimated remuneration to employees, directors and supervisors and the actual amount distributed:

The company provides remuneration to employees and directors in proportion to the company's articles of association. Under the current expenses, the amount of remuneration for employees is 43,888 thousand and the amount of directors' remuneration is 5,852 thousand. There is no difference between the allotment amount and the annual estimated amount of the recognized expense, so there is no need to disclose the difference, the reason and the handling situation.

(3)Information on the amount of compensation for distribution as approved by the Board of Directors:

A.The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed:

The distribution of compensation as approved by the Board of Directors on February 23, 2022 are as follows:

Unit: NT$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for difference
Employee cash dividends	43,888	43,888	-	-
Employee stock dividends	-	-	-	-
Remuneration of directors	5,852	5,852	-	-

B.The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or standalone financial report for the current period: None.

(4)The actual distributed compensation to employees and remuneration to directors and supervisors in the previous year:

Unit: NT$ thousand

Distribution	Actual distributed amount as resolved by the Shareholders' Meeting	The original estimated amount approved by the Board of Directors	Differences	Reason for difference
Employee cash dividends	12,860	12,860	-	-
Employee stock dividends	-	-	-	-
Remuneration of directors	2,572	2,572	-	-

On February 23, 2021, the Board resolved to appropriate compensation to employees for 2020 in the amount of NT$12,860 thousand and remuneration to directors of NT$2,572 thousand. There is no difference between the actual number of distributions and the number of recognitions.

9. Repurchase by the Company of its own shares：None.

(Ⅱ)Issuance of Corporate Bonds

1. Issuance of Corporate Bonds

Type of corporate bond	First issuance of unsecured convertible corporate bonds in Taiwan
Date of Issuance	November 13, 2019
Par value	NT$100,000
Place of issuance and transaction	Issued by the Republic of China; Listed on TPEx
Issuing price	Issued at 109.920% of the par value
Total issuance amount	NT$1,000,000,000
Coupon rate	0%
Term	3 years Maturity Date: November 13, 2022
Guarantee agency	None
Trustee	Fubon Securities Co., Ltd. Trust Department
Underwriting agency	Fubon Securities Co., Ltd.
Certifying attorney	Not applicable
Certified Public Accountant	Not applicable
Method of redemption	The holder of the convertible corporate bond converts the bond into ordinary shares of the Company in accordance with Article 10 of this regulation, or that the Company purchases back the bond in advance in accordance with Article 18 of this regulation , the Company will redeem the bond in a lump sum payment equals to its 100.7519% at the maturity date by cash.
Unredeemed principal	NT$994,680,000
Terms of redemption or prepayment	Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds
Restrictive provisions	None
Name of credit rating agency, rating date, and results of corporate bond ratings	NA

Other rights	Total value of bonds already converted to common shares as of the date of publication of the annual report	NT$5,400,000
	Regulations for distribution and conversion (exchange or subscription)	Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds
Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks		The issuance of the unsecured convertible corporate bond is for the purpose of purchasing machinery and equipment, which has a positive effect on future EPS. Hence, there is no question of dilution of profits. In addition, the Company had taken into account its development vision and shareholders rights before formulating the issuance conditions. Therefore, there is no significant impact as to dilute equities.
Name of the commissioned custodian of exchangeable underlying object		NA

2. Status of Corporate Bonds:

Type of corporate bond		First issuance of unsecured convertible corporate bonds in Taiwan		
Item / Year		2020	2021	The current year ends on Mar 31, 2022
Market price of convertible corporate bond	Maximum	110.25	108.50	111.80
	Minimum	96.90	100.15	102.25
	Average	103.97	104.98	106.14
Conversion price		73.6	68.6	68.6
Date of issue (transaction) and conversion price at issue		Conversion price when issued on November 13, 2019: 76.1		
Methods for fulfilling the conversion obligation		Issuance of new shares		

(Ⅲ)Status of Preferred Stocks: None.

(Ⅳ)GDR Issuance: None

(Ⅴ)Employee Stock Options: None.

(Ⅵ)Status of New Shares Issuance of Limited Stocks for Employees: None.

(Ⅶ)Status of New Shares Issuance in Connection with Mergers and Acquisitions: Not applicable.

(Ⅷ)Financing Plans and Implementation

The funding plan for the unsecured convertible bonds issued on November 13, 2019, was completed in the third quarter of 2021, and the progress of funding execution is as follows：

<table>
<tr><th>Item</th><th>Contents</th></tr>
<tr><td>Date of Issuance</td><td>November 13, 2019</td></tr>
<tr><td>Purpose of Issuance</td><td>Purchase of equipment and replenishment of operating capital</td></tr>
<tr><td>Funding progress of 2021</td><td>The Company's cumulative actual implementation progress for 2021 is $1,020,935 thousand, which has been fully implemented.
Unit: NT$ thousand
<table>
<tr><th rowspan="2">Item</th><th colspan="2">September 30, 2021</th></tr>
<tr><th>Accumulated actual amount</th><th>Accumulated Actual Progress</th></tr>
<tr><td>Purchase of machinery and equipment</td><td>1,020,935</td><td>100%</td></tr>
<tr><td>replenishment of operating capital</td><td>79,224</td><td>100%</td></tr>
<tr><td>Total</td><td>1,100,159</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Difference between expected benefits and actual achievement</td><td>The company's main equipment has been put into production in 2020, and some plant equipment and improvement projects are carried out according to actual needs. By 2021, the cumulative estimated implementation progress has been fully implemented. The capital utilization plan projects and implementation progress, and the achievement of expected benefits</td></tr>
</table>

V. Operational Highlights

(I) Business Activities

1.Business Scope

(1)The Company shall engage in the following business

Phoenix Silicon International (Psi) provide semiconductor wafer processing services, which includes process development, manufacturing, and sales of wafer reclaim and wafer thinning processes. The main applications of the end products are for fab process monitoring and consumer, industrial, and automotive electronic components.

(2)Business proportion

unit：NTD thousand；%

Year / Item	2020		2021	
	Net operating revenue	Proportion %	Net operating revenue	Proportion %
Semiconductor wafer service	2,267,585	100.00	2,651,386	100.00
Total	2,267,585	100.00	2,651,386	100.00

(3)Current Products and Service

<table>
<tr><th>Item</th><th colspan="2">product name</th><th>Main purpose or function</th></tr>
<tr><td rowspan="5">semiconductor wafer service</td><td rowspan="2">Wafer reclaim</td><td>6”, 8”, 12” wafer reclaim</td><td>Used by IC manufacturers for machine testing and process data validation.</td></tr>
<tr><td>8”, 12” test wafer</td><td>Used by IC manufacturers for quality verification of thin films for various processes.</td></tr>
<tr><td rowspan="3">Wafer thinning</td><td>6”, 8” wafer thinning</td><td rowspan="3">Consumer and industrial electronics, power management for automotive and aerospace applications, medical and optoelectronics-related optoelectronic semiconductor components.</td></tr>
<tr><td>Wafer Frontside and backside metal process</td></tr>
<tr><td>CP testing</td></tr>
</table>

(4) Future New Products and Services

A. Removal of copper contamination inside silicon wafer
B. Grinding, polishing and cleaning processes for 3nm reclaim wafer.
C. Grinding, polishing and cleaning processes for high-power application wafers (GaN, SiC, etc.).
D. 1.5 mil ultra-thin wafer
E. Point of care diagnosis chip design and manufacture
F. 12” BGBM process development
G. New test wafer process
H. Front side etching process improvement development

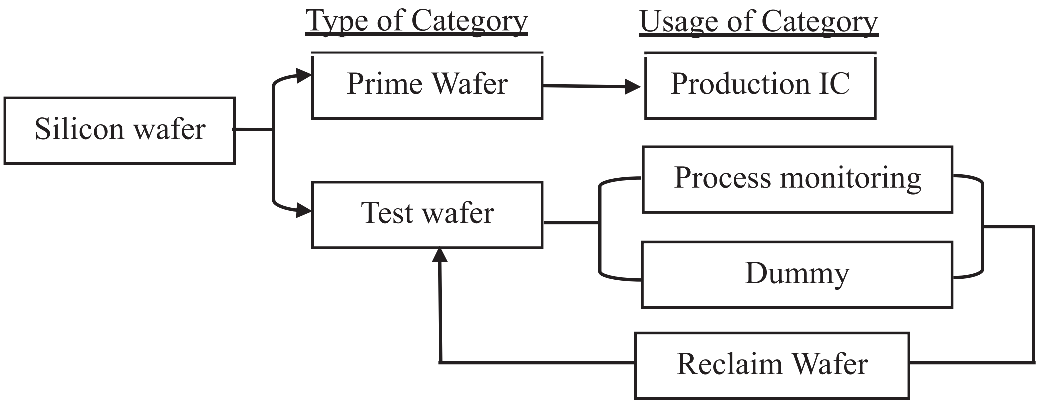
2.Industry Overview

(1)Industrial Current Status and Future Development

Psi is in semiconductor industry and the main services are wafer reclaim and wafer thinning processing services. The brief introduction of the three sectors are list as follows:

A. Wafer Reclaim Service

Silicon wafer can be categorized by size or application. From wafer size point of view, 12” silicon wafer is already the mainstream product. From application point of view, silicon wafer can be categorized into two type, prime wafer and test wafer (shown as the figure below)



【Source:Psi】

Two type of test wafers (monitor wafer and dummy wafer) are used in semiconductor processing for process monitoring. Psi provides wafer reclaim service allow these wafers back to fabs as test wafer. The growth of wafer reclaim market is closely related to wafer start and utilization of fabs. SIA indicated that the growth rate of global semiconductor industry is 26% in 2021. Taiwan is the major manufacturing site of global semiconductor industry having many the most competitive 12” fabs. And Taiwan semiconductor industry total grow 26.7%. According to the survey by the Industrial Technology Research Institute, the global semiconductor industry market will grow at 17.7% in 2022.

Taiwan takes the lead in advanced wafer foundry processes. As the demand for advanced wafer foundries grows, our company's business also grows with customers' demand for reclaim wafers.

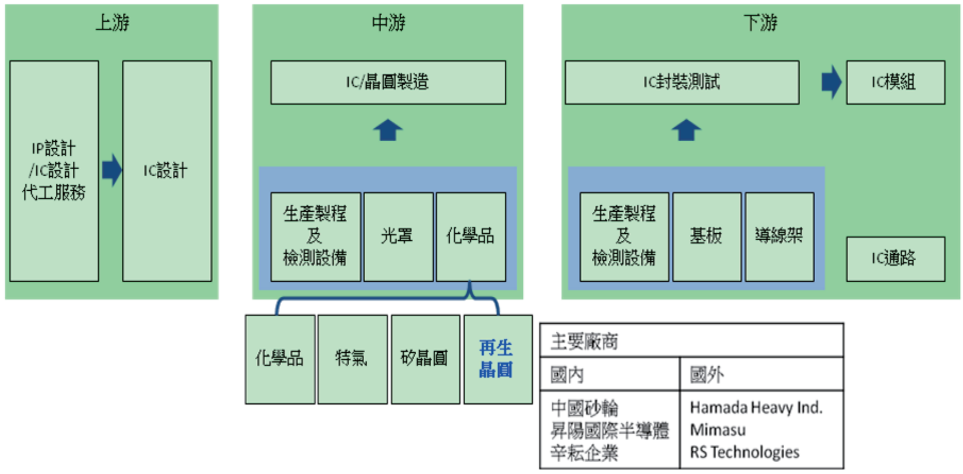
B. Wafer thinning service

Wafer thinning service is characterized as the middle end of the semiconductor process. This sector includes new technologies like Wafer bumping, and WLP (ex. Fan out WLP、WLCSP、3D WLP、WL optics). Processes such as lithography, wafer thinning, wafer grinding, and back metallization are used in the sector. In the more than 500 billion US dollars IC value chain, front-end (including IC design and fab manufacturing) takes about 90%, back-end is around 9%, and middle end accounts for more than 1%. Due to the consumer electronic market growth and windows system upgrade induced computer system upgrade demand, power management IC and discrete component demand increase extensively. The needs for middle end processing are also increase alone with this demand. Beside IDM companies like NXP, Nexperia, Ampleon, Infineon, TI, and On-semi release business to OEM, most of design houses are in Taiwan and China, discrete component fab and foundry in Taiwan and China growth extensively. Most of these products require backside grinding and backside metallization, and therefore bring in many middle end processing service demands.

Power semiconductor components are the critical parts to power conversion and control. The appropriate power semiconductor components not only increase production efficiency, product quality and performance, but also save energy and reduce raw material consumption. For the growing energy market, power semiconductor components can enhance the energy efficiency of the electronic power supply. Especially for the renewable energy applications, power semiconductor components help to reduce the loss during power transmission, hence improve the energy efficiency. With the global trend and policy for energy saving and carbon reduction, the demand of power semiconductor components grows accordingly. Based on Yano Research Institute report, the main market for power semiconductor components are home appliances, next generation vehicle (EV, hybrid car), new energy, and industrial applications.

(2)Relationship with Front-, Middle- and Back-end Companies

IC manufacturing process starts form IC design, fab processing, assembly, to testing. The designed circuit is transferred and duplicated to wafer through lithography process. After the whole process, CP test is applied to identify good/bad dies. Good dies are picked up from the diced wafer for further assembly and final test. Most of the major international companies covered from design, manufacturing, assembly, test, and even to system assembly, which is the so-called IDM (Integrated Device Manufacturer) business model. Most of the Taiwan companies applied the model of vertical division of work and focused on different segments in the supply chain. They are the IC design in the front end, Mask and IC manufacturing in the middle end, and assembly and testing in the back end. The major businesses of Psi are wafer reclaim and wafer thinning services. Wafer reclaim service applied stripping, polishing, and cleaning processes to restore the wafer conditions for use as monitor wafer again. Wafer thinning service thin down the device wafer to the target thickness, deposit front and back side metal per customer demand, and apply CP test. Our services are part of the IC manufacturing process, which belongs to the middle end of the supply chain. A brief semiconductor supply chain is illustrated as the figure below.

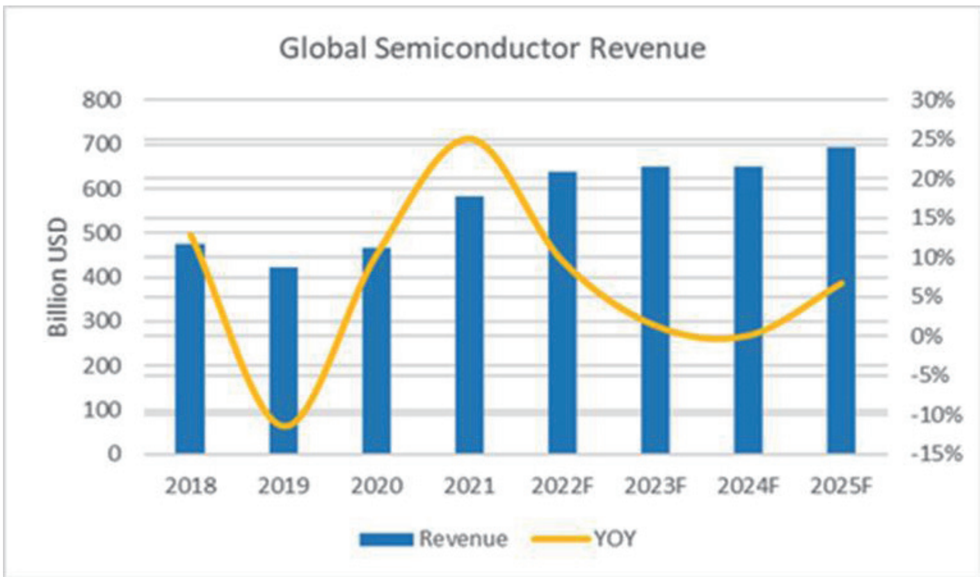


【Source:OTC，Introduction to Semiconductor Industry Chain and Psi】

3. Product Development Trends

(1)Wafer Reclaim Service

Taiwan is the most competitive semiconductor manufacturing center with the highest density of 12-inch wafer fab worldwide. Following the growing demand of advanced technology node, Taiwan manufacturers, including TSMC, Micron, UMC, PSMC, NTC, MXIC, and Winbond, keep invest in 300mm capacities and capabilities. Hugh amount of test wafers are needed for these development and expansions. Reclaim wafer offers cost advantage compare to new test wafer. While the cleanliness performance is improved to match customer requirement, 12-inch reclaim wafer replace most of the new test wafer applications. The demand of 12-inch reclaim wafer grows follow the path of Taiwan semiconductor market growth.



【Source: Gartner, Nov. 2021】

(2)Wafer Thinning Service

ICs are kept shrinking to meet the modern 3C products requirement of small form factor and high power efficiency. However, under the physical constraint, the planar shrink of transistor become difficult. Thin down the wafer thickness is beneficially on this aspect. For example, thinner wafer can help to reduce the TSV size and result in space saving. Therefore, the chip size can be further shrunk. Reduce the wafer thickness can also reduce the final thickness of the packaged IC. Nowadays, the required device wafer thickness is driven from 260um to 50um (2 mil). On the other hand, handling of thin wafer is very critical. To avoid the risk of broken during transportation between multiple sites, a total solution provider who can provide full line of the middle end processes is preferred by the customers. Therefore, the middle end process providers are aggressively extending their service range from front side and back side metallization, to CP test.

Based on more than 20 years' experience on wafer reclaim service, Psi is knowledgeable on wafer thinning and chemical etching processing. After introducing e-beam evaporator, Psi set up the full BGBM production line and provide the service to SBR(Schottky Barrier Diode), TMBS(Trench MOS Barrier Schottky), Power Driver IC, and other devices. Psi also set up front side metallization and CP test production line. With full range of processing service, Psi is a total solution provider in middle end of semiconductor supply chain.

4.Competition Status

(1)Comparison of products of main competitors of the products of the company and its Competition

A. Wafer regeneration

Company	Country	Product Dimension	Main Product	Strength / Weekness
Scientech Corporation	Taiwan	12 inch	Wet bench、reclaim wafer	Psi keep improving process capability and having cost advantage
Kinik Company	Taiwan	8 &12 inch	Grinding wheel, Precision tool, reclaim wafer	

B. wafer thinning

Company	Country	Product Dimension	Main Product	Strength / Weekness
Chipbond Technology Corporation	Taiwan	6 &8 inch	Wafer Thinning Gold ball Bumping	Provide customers with more flexible process services
Micro Metal Electronics Co.,Ltd	Taiwan	6 &8 inch	Wafer thinning	Company has the technology and experience of mass production below 2mil
Mosel Vitelic Inc.	Taiwan	6 inch	Foundry, wafer thinning	
Integrated Service Technology INC.	Taiwan	8 inch	Wafer thinning, CP test	
AVIC (Chongqing) Microelectronics Co., Ltd.	China	8 inch	Foundry, wafer thinning	
PacTech Corp.	Malaysia	8 inch	Foundry, wafer thinning	a.Company has the technology and

Company	Country	Product Dimension	Main Product	Strength / Weekness
				experience of mass production below 2mil b.Company has complete Taiwan semiconductor industry chain support

C. Potential Competition

(A)Wafer Reclaim Service

Since most of the Japanese semiconductor companies are out of the technology competition, Japanese reclaim wafer suppliers like RS tech and Hamada are approaching to Taiwan and China market. With continuous process and quality improvement, Psi provide high level performance and good COO service to the customers. Psi is the major supplier for local customers and provide high grade products for the advanced technology nodes. Based on the performance and cost advantage, Psi is the good choice among the competitors.

(B) Wafer Thinning Service

Fabs are the potential new competitors for middle end processing service. In fact, VIS, CSMC, CR Micro, Hua Hong, UMC, and PSMC are working on 200mm BGBM process. To be competitiveness among these potential new players, Psi keep driving to thinner thickness, better quality performance and line yield.

3. Technology and R&D Overview

(1) R&D expenses for the year 2020 and up to the issuance date of this annual report

Unit: NT$ thousand

Item/Year	2021	2022 First Quarter
R&D expenses	132,689	32,256
Operating revenue	2,651,386	727,061
R&D expenses of operating revenue (%)	5	4

Note：The consolidated financial statements for the first quarter of 2022 have not yet been reviewed by the CPA.

(2) Newly Developed Technology and Products in Recent Years

Year	Product Category	R & D results	Benefits
2021	Wafer reclaim foundry service	19nm reclaim wafer product development	Provide high-standard products to reduce customer production costs
		Develop technology to reduce copper content in bulk	Meet customer demand for high-standard products, increase wafer regeneration rate, and reduce customer production costs
		New test wafer process technology	Expand business scope, ramp up revenue, and improve technical level
2021	Mid-end process foundry services	6”/8” wafer carrier bonding process technology	Improve existing process yield and increase customer satisfaction

Year	Product Category	R & D results	Benefits
		development	
		6” GaN substrate thinning process development	Expand research and development field to hard and brittle materials, increasing service items, raising technical thresholds, and increasing revenue
2021	BGBM Front Side process build up	12” BGBM process technology development	Increase next-generation manufacturing technology and service capabilities
		Development of front side etch process.	Improve the front side etch process and approach the roadmap of high product spec. & fan out the different application field.
2021	Point of care diagnosis chip	The prototype of lung cancer tracking chip pass plasma sample test	5 ng/ml of detection limit, specificity > 95%, accuracy > 95% in plasma sample
		Multiple in one liquid biopsy chip for heart failure	Linearity >0.95, 5 ng/ml detection limit of type I biomarker approved

4. Long-term and Short-term Development

(1) Marketing Strategy

A. Fulfill Customer satisfactory, continuous quality and yield improvement, stable and short lead time, and quick response to customer complaint and follow up QS9000 to increase competitive.

B. Provide alternative solutions for various customer demands to increase domestic and overseas share.

(2) Production Strategy

A. Fully utilize capacity and improve yield to shorten cycle time. Strengthen Psi’s core competency to provide value added products to customers.

B. Implement quality management system and provide high quality standard products to the customers.

(3) Development Strategy

Our company's research and development spirit focuses on the "higher value-added development" of existing products, so that products can increase added value through innovation, create higher profits, and lay a leading advantage in the market.

2. Long-term Development

(1) Marketing Strategy

A. Strength international service capability and aggressively develop worldwide business.

B. Introduce new processes and tools through the cooperation with existing customers. Promote the processes and tools to 1st tire customers to set up technology and marketing barrier.

(2) Production Strategy

Establish long-term partnerships with domestic and foreign fabs, customers and agents, stabilize wafer source quality and sales channels, actively promote various quality certifications ATF16949 and IOS13485, comprehensively improve quality and quantity, and aim to become a world-scale factory.

(3) Development Strategy

A. Cooperate with the improvement of production process, create more core technologies, develop towards high value-added products, and continue to develop related technologies.

B. Cooperate with domestic and foreign academic research institutions or fabs to obtain key technologies to enhance product levels and accelerate product development.

(Ⅱ)Markets and Sales Overview

1.Market analysis

(1) Sales Area

Unit: NT$ thousand；%

Area \ Year		2020 Amount	2020 %	2021 Amount	2021 %
Domestic sales		1,980,963	87.36	2,374,626	89.56
Export	Asia	255,895	11.29	250,281	9.44
	Europe	9,534	0.42	7,043	0.27
	Americas	21,193	0.93	19,436	0.73
	Sub-total	286,622	12.64	276,760	10.44
Total		2,267,585	100.00	2,651,386	100.00

(2) Market share

Our company’s main product is wafer reclaim and wafer thinning. Wafer reclaim service is focus on regional services. Therefore, according to MoneyDJ statistics, Taiwan’s main wafer recycling foundry supplier Kinik Company, Scientech Corporation and our company’s monthly output at the end of 2021 Statistics show that the total is about 760,000 pieces. The company's monthly output is about 360,000 pieces, so its market share in Taiwan is about 47%. Moreover, our wafer thinning service capacity is 75,000 pieces monthly and share 20% in Taiwan.

(3) Supply and demand status and growth in the future market

A.Wafer Reclaim Foundry Service

Wafer reclaim foundry services are focus on regional services. Customers are mainly domestic wafer foundry industry. As wafer size increases, the product cleanliness requirements are increased. The machine equipment capital expenditures would be higher that will let this field to be high barrier to entry. Except Japan semiconductor industry has become a major competitor for new market entry due to industrial transformation and foundry reclaim services. The barriers to entry created by industry characteristics make it difficult for competitors to enter. Taiwan ’s wafer reclaim industry forms an oligopolistic market.

Taiwan's large-scale professional IC foundries are in an absolute leading position in advanced processes below 7nm and continue to expand advanced process production capacity. Looking forward to the strong market and customer demand in the future, we will plan capital investment in a timely manner to meet the needs of customers in terms of quality and quantity.

B. Wafer Thinning Service

The global market of power semiconductors will be dominated by the demand for home appliances, next-generation vehicles (electric vehicles, hybrid energy vehicles), new energy industry machines, factory equipment, etc., and the trend of product demand for thinning processes is increasing. As international semiconductor IDM companies outsource their manufacturing processes, a new mid-tier process market has emerged. Most wafer thinning foundry service providers in the market are wafer foundries, which all have thinning technology. The wafer thinning foundry process needs flexibility, standardized and mass-produced fabs will be higher technology gap.

According to the latest research report of Evolve Business Intelligence, estimated global MOSFET output value of 7.35 billion U.S. dollars in 2021. Estimated to be 11.33 billion U.S. dollars in 2028. The GAGR of MOSFET from 2021 to 2028 is 6.34% in global. Under the demand for energy saving and miniaturization, and highly demanded for mobile phones /portable electronic products (called mobility product). The elimination rate of electronic products is increasing year by year, which has recently driven the development and market demand for high-performance new products. Because the rise of medical / health electronic devices and the increasing penetration of LED (Light Emitting Diode) lighting systems, and green energy management systems (including lighting, temperature, and security) will be used in smart homes, smart building and smart cities can maintain strong growth momentum. Psi is continuing to strive more power device customers and strengthen approach with discrete device customers in order to get rid of the crowding-out effect caused by the fab's strategic integrated foundry, Psi also actively promotes thinning technology as the core, and expands its service scope to various types Semiconductor devices, which will be the focus of the layout and this is very beneficial for the operation of product wafer thinning foundry..

(4)Competitive Advantage

A.High production technology content

There are professional technical personnel and continuous improvement of professional technology, providing semiconductor manufacturers with a high degree of technical service in our company. The performance of removal, flatness and cleanliness that can be achieved the strickly quality requirement of customers. Not only satisfied the quality and capacity, but also provide the cost reduction solution to customers. In the process, the wafer thinning technology and high yield rate, 8-inch equivalent production volume of more than 5.9 million pieces.

B.Most customers are international semiconductor manufacturers and enhance our market Competitiveness.

Because Psi located in the high density 12-inch Semiconductor wafer foundries, that let us become highly competitive manufacturing center and to be very closely semiconductor supply chain and certificated our process ability by end customers. We always keep long term relationship with customers, not only sales but also manufacturing members to achieve customers requirement aggressively. Our R&D members also research the technical for the application of new products in advance, to establish a new type of supply chain and value chain services for customers. Committed to improving product yield and reducing unnecessary costs, successfully surpassing the advantages of foreign competitors in delivery, flexibility and cost, won the recognition of internationally renowned semiconductor customers, and awarded the outstanding supplier award, the technical ability won the international The factory is definitely one of the advantages of Psi's future market competition.

C.Multiple patent

In addition to continuously improving process capabilities and establishing new product applications, our company has also continued to deploy micro-electromechanical mid-range processes and battery niche patents. It has successively obtained multiple invention patents and new type patents, and many invention patents are pending application for approval. The patents will be the key to differentiate and differentiate our company from competitors.

D.Automation Production Line

In addition to process technology, our company has introduced a one-stop fully automated production line. In addition to maintaining the original high-quality production, it can further improve production efficiency and reduce labor costs. Under mass production, customers will have much more competitive price and contributes to business expending.

(5)Advantages & disadvantages of development prospects and countermeasures

A.Favorable factors

a.The domestic semiconductor professional division is complete

Taiwan's semiconductor industry specializes with complete upstream and downstream industry chains that can divide and co-work perfectional. For dividing and co-work perfectional, the effect of industrial cluster is remarkable. The advantages such as the improvement of peripheral support industry, and the wafer foundry, packaging and testing plant are economic scale with perfect manufacturing abilities and high flexibilities. World grade service with quality and high responsibilities, that can provide high quality and competitive international product. This is merit for future development.

b.The future growth of the product industry and the end application market will continue to grow

The application of end products with Psi’s process service such as consumer electronics product, smart car, the product terminals our company serves are used in consumer electronics product, smart cars, the Internet of Things and other products, IoT (Internet of Things) etc. The main consumer electronics product is mobile phone. Even the demand and growth of mobile phone market is slow, still high demand in the market. Moreover, the mobility product requests light, thin, short, small and low power consumption. Therefore, more and more specialize process of wafer & sensors are required. Smart cars will replace traditional cars as mainstream and the key to the achievement of smart car must rely on the wide application of sensors. It is expected that in the future, Psi will provide a wider range of applications for process services, and demand will continue to grow.

c. Most of the customers are internationally renowned large factories

Psi’s main customers are global famous semiconductor makers, according to achieve the certification of ISO9001 & IEQC for our quality assurance. In the meantime, we can support customers to establish relative product information and technical supporting on time. Moreover, Psi & customers keep continue to co-develop with new product application, such as new material’s discovery, wafer frontside metallization, electro-plating, Wafer chip probing and test and die saw, etc. To create new type supply chain and valuable chain services for customers. As to such co-work with customers, we get the best supply awards from customers. Expects ongoing close cooperation with customers, we can get stable and growth sales.

B.Adverse factors and countermeasures

a.Rapid market changes, short life cycle of end-application products and fierce competition.

Semiconductor technology is changing rapidly, product features and specifications continue to be new. Rapid changes in market demand, prompting our company's semiconductor medium-process industry to be at any time to advance in research and development and process technology. With upstream design manufacturers and wafer foundry to develop new products process applications, and to achieve in line with the product to be light, thin, short, small trend.

Countermeasure:

Responding to the changing market of the semiconductor industry and its technology, our company’s competitive for the continuous development of advanced processes and new technologies. Strengthen cooperation with major customers, and integrate upstream and downstream industrial technology, provide customers with high value-added contract services, support the international first-line large factory customers to seize the market.

With the automotive electronics, IoT and artificial intelligence and other markets gradually fermentation, main customers of Psi have been in various types of products. To reduce the operational risk of reduced market demand of mature products. In the future, we continue to cooperate with international large factory customers with our capable process flow, it will enable the application of contract services to be more extensive in response to rapid market changes and competition among the industry.

b.Risk of brain drain in research and development

Because the semiconductor develops rapidly, it increases the R&D manpower not only overseas but domestic semiconductor companies. That is the reason why the R&D manpower always shortage. Therefore, the senior & experience R&D will be head hunting always. That is the R&D loss main reason.

Countermeasure:

Through the technical heritage of senior technical personal, experience sharing, case studies and in-house education and on job training, etc. Create a technician-cultivating mechanism, to reduce the impact of personnel movements, while actively recruiting outstanding talent, and then build a strong research and development team. In addition, to provide a good working environment and establish an institutionalized employee benefit reward system, to enhance the strength of the workforce. For the R&D personnel are required to sign a confidential contract, and for the technology developed to do appropriate information preservation. In order to prevent the movement of research and development personnel caused by our company's technology cannot be continued and the risk of technology outflow. Psi already IPO since 2018/Jul.

By raising our company's visibility, attracting talented people, and sharing our company's operating results with employees through the issuance of employee warrants, restricting new employee rights and employee remuneration, etc., to enhance employees' aspirations.

c.Companies with wafer production experience join the competitive contract services market

Our company's emerging Mid-End industry is the focus of the semiconductor upstream and downstream industrial chain. Because these emerging technologies are part of the industry supply chain, it easily to make gray zone. Semiconductor manufacturers in the previous and second segments want to enter the middle process, the back end sealing manufacturer and the printed circuit carrier are also potential competitors in the new embedded components and the interposer market.

Countermeasure:

Our Company's customers for the world's well-known semiconductor Total Solution manufacturers, through joint development orders with customers, establish a tacit understanding of cooperation, and understand the end market demand to adjust process technology in advance. Psi also with the world's well-known fab foundry, solid order source, and master the terminal demand, leading the introduction of high-quality power components, the establishment of market benchmark image. Our company has accumulated multi-year experience and provides Total Turnkey Solution, which will strengthen customer relationships and assist customers in solving process and technology issues in the future.

2.The Production Procedures and Applications of Main Products

(1) Major Products and Their Application

A.Wafer Reclaim Service

Process monitoring is critical for Fab operation. No matter for tool condition verification, process parameters optimization, and process condition monitoring, lots of test/monitor wafers are needed. For example, in thin film module, various films are deposited on wafers, the properties of these films are measured to ensure the performance meet the target. Similar monitoring activities are also applied in all modules. Therefore, test/monitor wafer is inevitable consumable for mass production. Reclaim wafer can be substituted for test/monitor wafer in most of these monitoring and offer cost advantages.

B.Wafer Thinning Service

Wafer thinning process is mainly applied on analog power semiconductor device. BGBM process, which allow the device to meet the electrical characteristics and assembly requirement, is an inevitable process for power semiconductor device. With the introduction of front side metallization process, CP test, and dicing, Psi also offer turn-key solution to the customers. Not only provide full range of services, Psi also support customers to simplify supply chain management. Quality and cycle time control is improved and therefore fulfill the goal of customer satisfactory.

(2) Process Flow

A. Wafer Reclaim Process

SORTING ⇒ STRIPPING ⇒ LAPPING ⇒ ETCHING

⇒ POLISHING ⇒ PRE - CLEAN ⇒ IMECH.& ELEC INSPECTION ⇒ FINAL - CLEAN

⇒ SURFACE INSPECTION ⇒ PACKING

B. Wafer Thinning Process

IQC ⇒ FRONT SIDE METAL ⇒ PR COATING

⇒ LITHOGRAPHY ⇒ METAL ETCHING ⇒ WAFER TAPING

⇒ WAFER GRINDING ⇒ BACK TREATMENT ⇒ DE-TAPING

⇒ FINAL - CLEAN ⇒ BACK SIDE METAL ⇒ INSPECTION

⇒ CIRCUIT PROBING ⇒ OQC ⇒ PACKING

3.The Supply Status of the Main Raw Materials

The main raw material including 8" tape, slurry, silver, and hydrogen peroxide(H_2O_2). All the suppliers are international and local famous companies with high quality and stable supply. Psi not only maintain long term cooperation with the suppliers, but also execute supplier audits periodically to ensure the product quality. Most of the raw material come from multiple suppliers to ensure the stability of raw material supply.

Main materials	Supplier name	Supply situation
hydrogen peroxide(H_2O_2)	A Company	good
8" Tape	B Company	good
Slurry	C Company	good
Ag	D Company	good

4. Name of clients who have accounted for 10% or more of the annual purchase (sales) in either of the last two years; the amount and ratio of such purchase (sales); the reason for changes

(1) Net purchase accounted for 10% or more of the annual purchase

Unit: NT$ thousand；%

Item	2020				2021			
	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer
1	Others	618,233	100.00	-	Others	735,731	100.00	-
	Net purchase	618,233	100.00		Net purchase	735,731	100.00	
Reasons for changes：None								

(2) Net sales accounted for 10% or more of the annual sales

Unit: NT$ thousand；%

Item	2020				2021			
	Company	Amount	Ratio to net annual sales(%)	Relationship with the Issuer	Company	Amount	Ratio to net annual sales(%)	Relationship with the Issuer
1	AA Company	1,155,921	50.97	None	AA Company	1,541,497	58.14	None
2	AB Company	224,192	9.89	None	AB Company	288,352	10.88	None
3	Others	887,472	39.13	-	Others	821,537	30.98	-
	Net sales	2,267,585	100.00		Net sales	2,651,386	100.00	
Reasons for changes： Changes in the company's sales customers will increase or decrease mainly affected by the market and individual customer's business needs and performance.								

4.Table of production volume and value for the last two years

Unit: thousand pieces; NT$ thousand

Year / Production volume / Main Product	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
semiconductor wafer service	5,539	4,769	1,905,543	6,207	5,838	1,981,882
Total			1,905,543			1,981,882

5.Table of Sales volume and value for the last two years

Unit: thousand pieces; NT$ thousand

Year / Sales volume / Main Product	2020				2021			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
semiconductor wafer service	4,288	1,980,963	293	286,622	5,493	2,374,626	300	276,760
Total	4,288	1,980,963	293	286,622	5,493	2,374,626	300	276,760

(III)Hunan Resources

Unit:person

Year		2020	2021	2022 as of March 31
Number of employees (persons)	Direct Staff	432	404	419
	Indirect Satff	410	403	434
	Total	842	807	853
Average Age		35.73	36.09	36.67
Average Seniority (years)		4.05	4.16	4.69
Education %	Doctors	1.19%	1.24%	1.05%
	Masters	12.83%	13.26%	13.01%
	Bachelor's Degree	67.93%	68.77%	70.57%
	Senior high schools and below	18.05%	16.73%	15.37%
	Total	100.00%	100.00%	100.00%

(IV)Environmental Protection Expenditures

1.The loss (including indemnity) caused by pollution to the environment, the total amount of penalty in the last years to the day this report was printed, and disclose the policy in response (including corrective action plan) to the situation and possible spending (including the loss deriving from the failure to take action in response to the situation, penalty, and the estimated amount of indemnity. If it is not possible to make reasonable estimation, explain with evidence): None.

(V)Labor Relations

1.Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

(1) Employee Benefits:

Provide stable growth salary and employee promotion methods and employee incentive methods to recognize the contributions and contributions of all colleagues to the company. In addition to general benefits such as labor insurance, health insurance, group insurance, and pension payments, the company's employees include annual bonuses, birthday and festival gifts, year-end parties, weddings and funerals, scholarship subsidies, and maternity subsidies. , Free indoor parking lot, staff restaurant serving Chinese food, dinner and supper and other meals, as well as meal allowances for colleagues and free self-service beverage machines.

(2) Training and Practice

The Company provides a wide array of training programs through on-the-job training of different areas of specialization, and programs for self-development, including orientation for the new employees, on-the-job training programs, training in occupational health and safety, program on professional topics, and other external training on related duties to train personnel with professional capacity and ready for challenges.

(3) Retirement Policy

In compliance with the requirements set forth in the Labor Standards Law, the Company has stipulated a defined benefit pension plan, and contributes on a monthly basis 4% of the total salary (wages) as pension fund, which is deposited in a designated account with the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Fund.

Employees will be based on the new system (the employer will appropriate 6% of their respective monthly salaries to the personal accounts at the Labor Insurance Bureau).

(4) Labor-Management coordination

The rules and regulations of the Company were instituted in accordance with the Labor Standard Act. Labor-Management conference is held at regular intervals under the Regulations Governing Labor-Management Conferences. The Labor-Management relation of the Company has long been harmonious with through channels for communications. Discussion would be held in the Labor-Management Conference and the Employee Welfare Committee on matters related to the benefits on both sides. Communication of this kind helps to improve mutual understanding of the needs and expectation. All of the Company share the common value of coexistence and mutual prosperity and create a better future of the Company in joint effort.

(5) Measures To Protect Employee Rights

The Company has a viable management system with various rules and regulations explicitly stated. The content covers the rights and obligations, as well as the benefits of the employees. The content of benefits is subject to routine review and adjustment to protect the rights of all employees.

(6) Work environment and employee personal safety protection measures

A. In view of the importance of the work environment and the personal safety protection measures of the company, the company has introduced the ISO 14001 environmental management system and ISO 45001 occupational safety and health management system, which complies with the requirements of ISO provisions and relevant requirements of government agencies. It is controlled by operating control methods. Obtained obvious results and control. The main goals and management plans are summarized as follows：

Item	Target	Program	Presentation	Implementation situation
1	Pass fire safety inspection	According to fire inspection related measures	Fire facilities, fire lines and regular safety inspections.	Equipped with qualified fire protection facilities, making signs and advocacy
2	Installation of leakage protection devices to protect electrical pipelines.	Power safety management program	According to the OPSE-014 power safety management program.	1. No personal electrical appliances are allowed in the factory. 2. It is prohibited to connect extension cables in the factory.
3	The product properties are in compliance with environmental protection specifications, ensuring that no impurities such as organic solvents and non-environmental materials are added during the test	Product property control	During the test, it is not allowed to change raw materials, auxiliary materials, tools or equipment, and it is forbidden to add impurities such as organic solvents. The components that the maintenance personnel need to replace must meet the same suppliers used in the environmental protection materials regulations, and the product names and specifications of the same batch must be replaced or replaced by non-environment materials for private use.	Compliant with ISO 9001.
4	Bright working environment and fire safety inspection facilities	Control of the work environment	Lighting equipment and fire extinguishers should be sufficient. If they are inadequate or damaged, they should be replaced immediately. Regular inspections should be performed once a month	It complies with the ISO 45001 standard and passed the audit of the fire control authority.
5	Environmental permit	Pollution projects have obtained environmental permits	The plant has a fixed pollution source prevention permit, a water pollution prevention permit, and a letter of approval for the waste cleaning plan.	Meets ISO 14001 specifications
6	Operating environment meets regulatory standards	Working environment detection	Every 6 months, the operation environment monitoring is performed to ensure that the operation environment control factors meet regulatory standards	Comply with Occupational Safety and Health Law

Item	Target	Program	Presentation	Implementation situation
7	Implement prevention of fires, earthquakes and other disasters to protect human lives and reduce the chance of disasters in an all-round way	Fire protection plan	According to the fire protection law, the necessary matters of fire prevention shall be implemented, and the purpose of preventing fire, earthquake and other disasters shall be implemented.	Hsinchu City Fire Bureau inspection and approval..
8	Business Continuity Plan	establish business bontinuity plan	Establish BCP based on risk indicators in the factory	Meets RBA specifications
9	Contractor's operation is harmless	Contracted Safety Management	Effectively manage contracted operations to ensure operation safety	Comply with Occupational Safety and Health Law
10	Proper use of protective gear	establish protective gear using SOP	Operate according to the OPSE-003 protective gear management program in the factory to provide operator safety protection	Comply with ISO 45001 and Occupational Safety and Health Law

B. Safety environment

The company is located in the Science Park. It is a leased land self-built factory building. Except that the factory building performs fixed fire safety inspections every year, it conducts building security inspections every two years, and reports inspection records to government agencies. The system engineer in the plant also performs an independent fire inspection every month. The employees also cooperate in participating in the plant fire training and emergency response drills to understand the escape line and increase the ability to respond. The company also performs an operating environment test every 6 months to Ensure that the pollution factor of the working environment meets the permitted concentration of regulations.

C. Comprehensive security guarantee

The company's operating environment planning and design take safety as the first consideration and comply with relevant laws and regulations to protect the personal safety of employees. Regular fire safety inspections and a "fire manager" to plan the fire safety operations of our factory. Our insurance covers "fire and public accident insurance" to protect company property and equipment; employees participate in "group insurance" to provide life protection and Medical quality, including medical insurance such as life insurance, accident insurance, and hospitalization insurance; resident security personnel regularly inspect the perimeter environment of the factory area; infrared sensors are set on the perimeter of the factory area, which will be triggered when outsiders enter the factory through abnormal channels. Alarm, security personnel will immediately track to ensure the safety of plant personnel.

(7) Code of Conduct or Ethics

In order to enable employees to have a better understanding of ethics, rights, obligations and the code of conduct, the Company hereby works out the relevant measures and regulations to provide basis for all employees. The relevant measures are briefed as follows:

A.Rules on decision-making right and right decentralization

To improve work efficiency, strengthen the management on right decentralization and effectively standardize the rights of employees at different levels.

B.Organizational structure and duties of each department

Definitely regulate the organizational functions of each unit and the duties of each post.

C.The Employee Handbook is prepared to help employees understand the relevant measures and regulations

(A)Tutoring programs for new employees： to eliminate the new employees' insecurity towards the new environment and soon familiarize the working environment and colleagues after reporting for duty and help them to get their mind and body ready for work and reduce the turnover rate within a short period.

(B)Code of business ethics： to improve all employees' behavioral quality, business ethics and expertise and try to maximize the Company's benefit within the legal scope. Every employee has the responsibility to prevent the Company's interests from being lost or impaired and is obliged to maintain the Company's reputation so as to guarantee its permanent growth and development.

(C)Employment rules and regulations： defines clearly working conditions, human resources management principals, and lays out clear ground rules for being part of the Company.

(D)Leave-related measures for employees： to provide basis for employees to take and ask for a leave.

(E)Reward and punishment system： Rewards or punishment are given to employees whose behavior or conduct has brought benefit or loss for the Company in operation.

(F)Performance assessment method for employees：employees' working achievements and performance are assessed annually as the basis for salary adjustment, promotion, issuance of bonus and arrangement for training courses.

2.The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report: Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

(VI)Cyber security Cyber Security Management

1.Cyber security Cyber security risk management framework

The company has a Cyber security working group, which holds monthly Cyber security meetings" Cyber Security Management's meeting" to review Cyber security policies about Cyber Security and report to the board of directors on a regular basis.

2.Cyber security Cyber security Management Policy

Ensure that any data processed, stored, transmitted, and disclosed by the company can be protected, prevent damage, theft, leakage, tampering, abuse, and infringement, formulate, and implement Cyber security statements, and enhance the confidentiality, integrity, and availability of the information service system.

3. Cyber security Management Implement

(1)Security Control for Computers and Information Systems

Implement control measures on system development, acquisition and maintenance, information system processing, computer equipment and system software, network system security, etc. Confirm that all operations comply with Cyber security and regulatory requirements.

(2)Personal and Confidential documents and contents Management

A. According to the Company's Personal Data Security Maintenance and Management Measures", the custody, distribution, transmission and maintenance of personal assets are strictly controlled to maintain the Company's operational safety and interests. It also strengthens the Company's competitive advantage and controls of core technology and business information.

B.During the education and training for newcomer colleagues regarding the management regulations, the Company will strengthen its publicity and explanation.

(3)The Company has good control over the overall planning of the information system, software and hardware construction and maintenance, database backup and restore exercises, and system security protection and control. In the mean time, it will continue to implement server virtualization. By reducing the number of physical servers, the results of environmental protection, energy saving and maintenance cost reduction can be achieved, and disaster prevention, security, monitoring, notification mechanisms, exception management and backup can also be strengthened.

(4)Implement security education and training and regularly conduct disaster recovery drill practice.

4. Increase resources for Cyber security

(1) Endpoint Protection

A.Restrict employees using e-mail to content or carry confidential documents and trade secret send to inappropriate outsiders.

B.Restrict employees' behavior about using Internet , file transfer software or instant messaging software to transmit confidential documents.

C. Restrict employees using personal computer and laptop peripheral storage devices (USB, Bluetooth...) to copy confidential documents and contents.

D. Restrict employees using the printer and transport machine input/output device to print confidential documents and contents.

E. Conduct comprehensive publicity and inspection on the limit of third-party confidential documents and contents and the prohibition of the use of unauthorized software (including intellectual property rights).

F. Keep a complete record of operations (including reading, depositing, withdrawing, and printing) to protect the company's confidential documents and contents.

(2)Printing Protection

A. The confidential documents and contents of printing, photocopying (copying), scanning, faxing and other operations: It has been imported into the Cyber security system of the business machine, by controlling all the printing, photocopying (copying), scanning, faxing, etc. performed by the business machine The operation can only be executed after the colleagues swipe the card to identify the correct qualification of the executor, and the problem of confidential documents and contents being taken by mistake or being read by others has been solved.

B. Centrally control and restrict the confidentiality of printing, photocopying (copying), scanning, faxing and other operations, and remove the printers and fax machines owned by all departments, which has solved the loophole that the confidential documents and contents is difficult to trace.

C. Prevent printing waste: reduce resources consumption caused by misprinting and misprinting.

D. Print volume control: It can control the number of printed sheets and print details.

(3) Policy advocacy

A. Regularly review the Cyber security policy to meet the requirements of reasonable confidentiality measures under the Trade Secret Law.

B. Regularly publicize information on Cyber security, business secrets and other related information on the bulletin board every week.

(4) Authority management and control: For the management and control of abnormal personnel, the authority management and control procedures for abnormal personnel have been formulated.

5. In the most recent year and as of the date of publication of the annual report, if the loss, possible impact, and countermeasures of a major Cyber security incident cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated: None.

(VII)Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2019/08/01~2036/11/30	Land lease contract No. 6,8, Li-Hsin Road	Limited to purpose use
Land Lease Agreement	Hsinchu Science Park Administration	2020/01/21~2027/12/31	Land lease contract No. 12-2, Creation 4th Road	Limited to purpose use
Land Lease Agreement	Chungkang Branch, Export Processing Zone Administration, MOEA	2021/11/01~2031/10/30	Land lease contract No. 2, Jianqi Road, Wuchi District, Taichung, Taiwan	Limited to purpose use
Syndicated Credit Agreement	Land Bank and another 6 banks	2022/03/02~2028/03/01	Credit line for the purchase of plant, machinery and equipment and working capital totaling NT$3 billion	Financial ratios, etc.
Plant Lease Agreement	Phoenix Battery Corporation	2018/02/01~2023/01/31	Plant Lease contract of 3rd floor of No. 8, Li-Hsin Road	Early termination of contract

VI. Financial Information

(Ⅰ) Five Years Financial Summary

1. Brief financial statements and consolidated income statement

(1) Consolidated Condensed Balance Sheet (Based on IFRS)

A. Consolidated Condensed Balance Sheet

Unit: NT$ thousand

Item \ Year		Financial data for the most recent five years(Note 1)				
		2017	2018	2019	2020	2021
Current assets		1,111,883	1,561,903	2,626,523	1,901,432	1,827,286
Property, plant and equipment		1,565,583	1,536,209	2,388,908	2,819,389	3,635,757
Intangible assets		27,396	30,801	33,238	29,506	30,184
Other assets		125,742	181,586	358,504	373,002	834,752
Total assets		2,830,604	3,310,499	5,407,173	5,123,329	6,327,979
Current liabilities	Before distribution	709,247	726,353	1,053,046	1,746,790	1,709,160
	After distribution	861,124	938,206	1,317,862	1,826,235	1,821,442
Non-current liabilities		520,293	345,331	1,881,531	1,052,643	2,101,763
Total liabilities	Before distribution	1,229,540	1,071,684	2,934,577	2,799,433	3,810,923
	After distribution	1,381,417	1,283,537	3,199,393	2,878,878	3,923,205
Equity attributable to owners of the parent company		1,601,064	2,188,422	2,437,270	2,307,565	2,517,056
Share capital	Before distribution	1,168,280	1,324,080	1,324,080	1,324,080	1,403,525
	After distribution	1,203,328	1,324,080	1,324,080	1,403,525	Not assigned
Capital reserve	Before distribution	190,438	502,474	634,768	634,768	610,258
	After distribution	155,390	502,474	634,768	555,323	Not assigned
Retained earnings	Before distribution	242,346	361,868	478,422	348,717	503,273
	After distribution	90,469	150,015	213,606	269,272	390,991
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	50,393	35,326	16,331	-
Total equity	Before distribution	1,601,064	2,238,815	2,472,596	2,323,896	2,517,056
	After distribution	1,449,187	2,026,962	2,207,780	2,244,451	2,404,774

Note 1: The last five years financial information had been audited by CPA.The financial statements for the first quarter of 2022 have not been approved by the board of director and reviewed by CPA.

Note 2: The Company established a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

Note 3: In December 2021, Phoenix Battary Corp.(PBC) increased the capital, and the Company did not respond to the capital increase according to the shareholding ratio, which resulted in the shareholding ratio decreased from 71.51% to 33.42%, and PBC elected all Directors and Supervisors therefore, the relationship with the Company was changed from a subsidiary to an affiliated company.

B.Parent Company only Balance Sheet (Based on IFRS)

Unit: NT$ thousand

Item \ Year		Financial data for the most recent five years(Note1)				
		2017	2018	2019	2020	2021
Current assets		875,373	1,338,403	2,437,139	1,747,562	1,827,286
Property, plant and equipment		1,472,258	1,442,208	2,259,018	2,718,023	3,635,757
Intangible assets		25,858	29,462	32,397	29,327	30,184
Other assets		120,816	291,983	423,464	392,737	834,752
Total assets		2,689,643	3,102,056	5,152,018	4,887,649	6,327,979
Current liabilities	Before distribution	674,979	618,374	923,458	1,591,772	1,709,160
	After distribution	826,856	830,227	1,188,274	1,671,217	1,821,442
Non-current liabilities		413,600	295,260	1,791,290	988,312	2,101,763
Total liabilities	Before distribution	1,088,579	913,634	2,714,748	2,580,084	3,810,923
	After distribution	1,240,456	1,125,487	2,979,564	2,659,529	3,923,205
Equity attributable to owners of the parent company		-	-	-	-	-
Share capital	Before distribution	1,168,280	1,324,080	1,324,080	1,324,080	1,403,525
	After distribution	1,203,328	1,324,080	1,324,080	1,403,525	Not assigned
Capital reserve	Before distribution	190,438	502,474	634,768	634,768	610,258
	After distribution	155,390	502,474	634,768	555,323	Not assigned
Retained earnings	Before distribution	242,346	361,868	478,422	348,717	503,273
	After distribution	90,469	150,015	213,606	269,272	390,991
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,601,064	2,188,422	2,437,270	2,307,565	2,517,056
	After distribution	1,449,187	1,976,569	2,172,454	2,228,120	2,404,774

Note 1: The last five years financial information had been audited by CPA.

Note 2: The Company established a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

Note 3: In December 2021, Phoenix Battary Corp.(PBC) increased the capital, and the Company did not respond to the capital increase according to the shareholding ratio, which resulted in the shareholding ratio decreased from 71.51% to 33.42%, and PBC elected all Directors and Supervisors therefore, the relationship with the Company was changed from a subsidiary to an affiliated company.

(2) Consolidated statement of Comprehensive Income (Based on IFRS)

A. Consolidated statement of Comprehensive Income

Unit: NT$ thousand, (except for earnings (loss) per share (EPS) expressed in NT$)

Item \ Year	Financial data for the most recent five years(Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	1,855,819	2,121,873	2,649,059	2,267,585	2,651,386
Gross profit	607,476	720,946	889,440	535,203	666,642
Operating profit and loss	254,463	299,549	430,868	147,514	232,554
Non-operating income and expenses	(29,523)	(23,424)	(14,608)	9,141	29,815
Income before tax	224,940	276,125	416,260	156,655	262,369
Net income from continuing operation	167,109	198,885	317,028	178,038	255,174
Loss from discontinued operation	-	-	-	(62,480)	(37,711)
Net income (loss)	167,109	198,885	317,028	115,558	217,463
Other comprehensive income (net after tax) for the current period	(1,727)	515	(3,688)	558	(1,653)
Total comprehensive income for the current period	165,382	199,400	313,340	116,116	215,810
Net income (loss) attributed to owners of the parent company	167,109	232,634	332,095	134,553	235,654
Net income (loss) attributable to non-controlling interests	-	(33,749)	(15,067)	(18,995)	(18,191)
Total comprehensive income attributable to owners of the parent company	165,382	233,149	328,407	135,111	234,001
Total comprehensive income attributable to non-controlling interests	-	(33,749)	(15,067)	(18,995)	(18,191)
Earnings per share	1.43	1.87	2.51	0.96	1.68

Note 1: The last five years financial information had been audited byCPA. The financial statements for the first quarter of 2022 have not been approved by the board of directors and reviewed by CPA.

Note 2: The Company established a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

Note 3: In December 2021, Phoenix Battary Corp.(PBC) increased the capital, and the Company did not respond to the capital increase according to the shareholding ratio, which resulted in the shareholding ratio decreased from 71.51% to 33.42%, and PBC elected all Directors and Supervisors therefore, the relationship with the Company was changed from a subsidiary to an affiliated company.

B.Parent Company only Statement of Comprehensive Income (Based on IFRS)

Unit: NT$ thousand, (except for earnings (loss) per share (EPS) expressed in NT$)

Year / Item	Financial data for the most recent five years(Note)				
	2017	2018	2019	2020	2021
Operating revenue	1,841,049	2,018,052	2,465,694	2,272,675	2,656,741
Gross profit	628,247	748,194	881,372	535,203	666,642
Operating profit and loss	309,793	393,658	484,909	147,320	232,329
Non-operating income and expenses	(84,853)	(83,784)	(53,582)	(34,150)	10,520
Income before tax	224,940	309,874	431,327	113,170	242,849
Net income from continuing operation	167,109	232,634	332,095	134,553	235,654
Loss from discontinued operation	-	-	-	-	-
Net income (loss)	167,109	232,634	332,095	134,553	235,654
Other comprehensive income (net after tax) for the current period	(1,727)	515	(3,688)	558	(1,653)
Total comprehensive income for the current period	165,382	233,149	328,407	135,111	234,001
Net income (loss) attributed to owners of the parent company	167,109	232,634	332,095	134,553	235,654
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	165,382	233,149	328,407	135,111	234,001
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.43	1.87	2.51	0.96	1.68

Note 1: The last five years financial information had been audited by CPA.

Note 2: The Company established a subsidary company Phoenix Battery Corporation, Ltd. in February, 2017, and split its energy business unit to the subsidiary company on July 1, the same year.

Note 3: In December 2021, Phoenix Battary Corp.(PBC) increased the capital, and the Company did not respond to the capital increase according to the shareholding ratio, which resulted in the shareholding ratio decreased from 71.51% to 33.42%, and PBC elected all Directors and Supervisors therefore, the relationship with the Company was changed from a subsidiary to an affiliated company.

2. The Names of CPAs and Their Audit Opinions for the Most Recent Five Years

Year	Name of the accounting firm	Name of CPA	Audit Opinion
2017	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2018	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2019	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2020	PwC Taiwan	Tien-Yi Li, Chih-Cheng Hsieh	Unqualified opinion
2021	PwC Taiwan	Chien-Yu Liu, Chih-Cheng Hsieh	Unqualified opinion

(Ⅱ) Five Years Financial Analysis

1.Financial analysis - under IFRS

(1)Financial analysis (consolidated under IFRS)

Item	Year	Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure	Liabilities to asset ratio (%)	43.44	32.37	54.27	54.64	60.22
	Ratio of long-term funds to fixed assets (%)	135.50	168.22	182.26	119.76	127.04
Solvency	Current ratio (%)	156.77	215.03	249.42	108.85	106.91
	Quick ratio (%)	118.83	185.70	224.86	93.87	96.25
	Interest coverage ratio	19.25	24.85	21.41	6.24	13.54
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.57	5.97	7.08	6.34	5.73
	Average collection days	66	62	52	58	64
	Inventory turnover ratio (times)	3.60	4.21	5.57	4.94	7.00
	Payables turnover ratio (times)	13.91	13.07	13.17	11.86	13.11
	Average inventory turnover days	102	87	66	74	52
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.19	1.37	1.35	0.87	0.82
	Total asset operating revenue ratio (times)	0.68	0.69	0.61	0.43	0.46
Profitability	Return on assets (%)	6.41	6.75	7.99	4.52	4.81
	Shareholder's equity return ratio (%)	10.41	10.36	13.46	7.42	10.54
	Pre-tax income to paid-in capital ratio (%)	19.25	20.85	32.54	11.83	18.69
	Net profit ratio (%)	9.00	9.37	11.97	7.85	9.62
	Earnings per share (NT$)	1.43	1.87	2.51	0.96	1.68
Cash flow	Cash flow ratio (%)	68.77	74.17	64.55	31.85	39.67
	Cash flow adequacy ratio (%)	93.53	93.32	66.95	68.26	55.09
	Cash flow reinvestment ratio (%)	7.84	7.52	7.14	5.08	6.10
Leverage	Operating revenue leverage	4.74	3.69	4.20	10.71	8.00
	Financial leverage	1.05	1.04	1.05	1.25	1.10

Analysis of deviation for the last two years over 20%：

1.Interest protection multiple: The increase of 116.99% in 2021 compared with 2020 was due to the increase in pre-tax net profit and the decrease in interest expenses.

2.Inventory turnover ratio: The increase of 41.70% in 2021 compared with 2020 was due to decrease in cost of good sold and inventory.

3. Average inventory turnover days: The decrease of 29.73% in 2021 compared with 2020 was due to increase in Inventory turnover ratio.

4.The rate of return on equity: The increase of 42.05% in 2021 compared with 2020 was due to the increase in net profit before tax due to the increase in revenue, resulting in a simultaneous increase in the rate of return on equity.

5.Pre-tax net profit to paid-in capital ratio: The increase of 57.99% in 2021 compared with 2020 was due to the simultaneous increase in pre-tax net profit due to the increase in revenue.

6.Net profit ratio: The increase of 22.55% in 2021 compared with 2020 was due to the simultaneous increase in after-tax benefits due to the increase in revenue.

7. Earnings per share: The increase of 75.00% in 2021 compared to 2020 was due to the simultaneous increase in the profits and losses attributable to the owners of the parent company due to the increase in revenue.

8.Cash flow ratio: The increase of 24.55% in 2021 compared with 2020 was due to the increase in net cash flow from operating activities.

9.Financial leverage : The decrease of 25.30% in 2021 compared with 2020 is due to the decrease in operating profit.

Note : The last five years financial information had been audited byCPA. The financial statements for the first quarter of 2022 have not been approved by the board of directors and reviewed by CPA.

(2)Parent Company Only Financial Statements

Item	Year	2017	2018	2019	2020	2021
		Financial Analysis for the Last Five Years				
Financial structure	Liabilities to asset ratio (%)	40.47	29.45	52.69	52.79	60.22
	Ratio of long-term funds to fixed assets (%)	136.84	172.21	187.19	121.26	127.04
Solvency	Current ratio (%)	129.69	216.44	263.91	109.79	106.91
	Quick ratio (%)	111.07	197.45	248.31	100.14	96.25
	Interest coverage ratio	19.72	32.48	27.01	4.78	12.61
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.58	5.93	6.86	6.66	5.74
	Average collection days	66	62	53	55	64
	Inventory turnover ratio (times)	5.37	9.45	10.50	9.93	10.18
	Payables turnover ratio (times)	13.11	12.84	13.84	13.57	14.08
	Average inventory turnover days	68	39	35	37	36
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.22	1.38	1.33	0.91	0.84
	Total asset operating revenue ratio (times)	0.69	0.70	0.60	0.45	0.47
Profitability	Return on assets (%)	6.57	8.29	8.67	3.87	4.56
	Shareholder’s equity return ratio (%)	10.41	12.28	14.36	5.67	9.77
	Pre-tax income to paid-in capital ratio (%)	19.25	23.40	32.58	8.55	17.30
	Net profit ratio (%)	9.08	11.53	13.47	5.92	8.87
	Earnings per share (NT$)	1.43	1.87	2.51	0.96	1.68
Cash flow	Cash flow ratio (%)	79.39	99.06	77.16	34.29	39.13
	Cash flow adequacy ratio (%)	97.13	96.24	71.59	72.25	57.66
	Cash flow reinvestment ratio (%)	9.67	9.78	8.03	5.12	6.08
Leverage	Operating revenue leverage	3.86	2.78	3.47	10.76	8.06
	Financial leverage	1.04	1.03	1.04	1.25	1.10

Analysis of deviation for the last two years over 20%：

1. Interest coverage ratio: The increase of 163.81% in 2021 compared with 2020 was due to the increase in income before tax and the decrease in interest expenses.
2. The rate of return on equity: The rate of return on equity increased by 72.31% in 2021 compared to 2020 was due to the increase in revenue and net income, resulting in a simultaneous increase in the rate of return on equity.
3. Pre-tax net profit to paid-in capital ratio: The increase of 102.34% in 2021 compared with 2020 was due to increase in revenue.
4. Net profit ratio: The increase of 49.83% in 2021 compared to 2020 was due to the simultaneous increase in after-tax benefits due to the decrease in revenue.
5. Earnings per share: The increase of 75% in 2021 compared to 2020 was due to the simultaneous increase in the profits and losses attributable to the owners of the parent company due to the increase in revenue.
6. Cash flow adequacy ratio: The decrease of 20.19% in 2021 compared to 2020 was due to the increase in net cash flow from operating activities.
7. Operating leverage: The decrease of 25.09% in 2021 compared with 2020 is due to the increase in operating profit.

Note1: The last five years financial information had been audited by CPA.

Note 2: The calculation formula is as follows:

1. Financial structure
   (1) Debt to asset ratio = total debts / total assets.
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Liquidity
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current asset - inventories) / Current liabilities
   (3) Interest coverage ratio = Earnings before interests and taxes (EBIT) /Interest expenses over this period
3. Operating ability
   (1) Receivables operating revenue ratio (including accounts receivables and notes receivables resulting from business operations) = Net sales /Average accounts receivable in various periods (including accounts receivables and notes receivables resulting from business operations).
   (2) Average collection days = 365 / Receivables turnover ratio.
   (3) Inventory turnover ratio = Cost to sales / Average inventory value
   (4) Payables turnover ratio (including accounts payables and notes payables resulting from business operations) = Costs to sales / Average accounts payables in various periods (including accounts payables and notes payables resulting from business operations).
   (5) Average inventory turnover days = 365 / Inventory turnover ratio.
   (6) Property, plant, and equipment (PP&E) operating revenue ratio = Net sales / Average value of PP&E
   (7) Total asset operating revenue ratio = Net sales / Average total asset value.
4. Profitability
   (1) Return on assets (ROA) = [Post-tax profit or loss + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Post-tax profit or loss / Average total equity value.
   (3) Net profit ratio = Post-tax profit and loss / Net sales.
   (4) Earnings per share = (Income or loss attributable to owners of parent company – Dividends on preferred shares) / Weighted average number of issued shares.
5. Cash flow
   (1) Cash flow ratio = Net operating cash flow / Current liabilities.
   (2) Net cash flow adequacy ratio = Net operating cash flow in the most recent five years / (Capital expenditures + Inventory increase + Cash dividend) in the most recent five years.
   (3) Cash flow re-investment ratio = (Net operating cash flow – Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue - Variable operating cost and expense) / Operating income.
   (2) Financial leverage = Operating income / (Operating income – Interest expenses).

2.Financial analysis - R.O.C. Financial Accounting Standards: The Company has adopted International Financial Reporting Standards (IFRSs) and is therefore not applicable.

(Ⅲ)Audit Committee's Report in the Most Recent Year：

Phoenix Silicon International Corporation
Audit Committee's Review Report

The Board of Directors has prepared the Company's Financial Statements, 2021 Business Report and proposal for distribution of 2021 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2021 Business Report and proposal for distribution of 2021 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please review.

Phoenix Silicon International Corporation

Chairman of the Audit Committee：Ming-Cheng Liang 

On the date of April 14, 2022

(Ⅳ)Consolidated Financial Statements：Please refer to pages 110-191.

(Ⅴ)Parent Company Only Financial Statements：Please refer to pages192-263.

(Ⅵ)The Company should disclose the financial impact on the Company if the Company and its affiliated companies have incurred any financial difficulties in a recent year and as of the date of this Annual Report：None.

Ⅶ.Review and analysis of financial conditions and performance and risk issues

(Ⅰ)Analysis of Financial Status

Unit: NT$ thousand；%

Item \ Year	2021	2020	Different		
			Amount	%	Remark
Current assets	1,827,286	1,901,432	(74,146)	(3.90)	
Property, plant, and equipment	3,635,757	2,819,389	816,368	28.96	(1)
Intangible assets	30,184	29,506	678	2.30	
Other assets	834,752	373,002	461,750	123.79	(2)
Total assets	**6,327,979**	**5,123,329**	**1,204,650**	23.51	
Current liabilities	1,709,160	1,746,790	(37,630)	(2.15)	
Non-current liabilities	2,101,763	1,052,643	1,049,120	99.67	(3)
Total liabilities	**3,810,923**	**2,799,433**	**1,011,490**	36.13	
Share capital	1,403,525	1,324,080	79,445	6.00	
Capital reserve	610,258	634,768	(24,510)	(3.86)	
Retained earnings	503,273	348,717	154,556	44.32	(4)
Equity attributable to owners of the parent company	**2,517,056**	**2,307,565**	**209,491**	9.08	
Non-controlling interest	0	16,331	(16,331)	-	(5)
Total equity	**2,517,056**	**2,323,896**	**193,160**	8.31	

1. Explanation of significant change of items (The amount changed by more than 20%, and the amount more than 10 million)：
   (1)Increase in property, plant, and equipment: due to the purchase of plant and machinery for the expansion of production capacity.
   (2)Increase in other assets：due to the increase in investments accounted for under equity method、right-of-use assets and Other non-current assets.
   (3)Inecrease in non-current liabilities：due to the increase in long-term borrowings.
   (4)Inecrease in retained earnings：due to the increase in net income.
   (5)Decrease in non-controlling interests: due to lost control over the Phoenix Battery Corporation, the relationship with the Group was changed from a subsidiary to an associate and the company was no longer included in the Group's consolidated financial statements.

2.Significant influence and the plan for response: None.

(Ⅱ)Analysis of Operating Results

1. Comparative analysis of financial performance

Unit: NT$ thousand；%

Item \ Year	2021	2020	Increased (decreased) amount	Change ratio (%)	Remark
Operating revenue	2,651,386	2,267,585	383,801	16.93	
Operating cost	1,984,744	1,732,382	252,362	14.57	
Gross profit	666,642	535,203	131,439	24.56	(1)
Operating expenses	434,088	387,689	46,399	11.97	
Operating income	232,554	147,514	85,040	57.65	(2)
Non-operating income and expenses	29,815	9,141	20,674	226.18	(3)
Income before tax	262,369	156,655	105,714	67.48	(2)
Income tax expense	(7,195)	21,383	(28,578)	(133.65)	(4)
Net income	255,174	178,038	77,136	43.33	(2)
Loss from discontinued operations	(37,711)	(62,480)	24,769	(39.64)	(5)
Other comprehensive income	(1,653)	558	(2,211)	(396.24)	
Total comprehensive income	215,810	116,116	99,694	85.86	(6)

Explanation of significant change of item (The amount changed by more than 20%, and the amount more than 10 million)：

(1)Increase in operating gross profit: due to increase in sales revenue.

(2)Increase in operating profit, net profit before tax, and net profit for the current period: the increase in operating gross profit causes a simultaneous inecrease in operating profit, net profit before tax, and net profit for the current period.

(3)Increase in non-operating income and expenses:due to increase in gains on disposals of investments.

(4)Income tax (expense) benefit decrease: due to the increase in income before tax, the income tax benefit decreases.

(5) Loss from discontinued operations: The decrease in loss from affiliated companies for the period.

(6)Increase in the total comprehensive benefits for the current period: due to the increase in operating income and gross profit, the comprehensive net profit for the current period increased.

2. The analysis of operating gross profit changes

Unit: NT$ thousand

	The increased/decreased number of change of the initial and later period	Reason for difference			
		Price difference	Cost difference	Sales difference	Quantity difference
Gross profit	131,439	(154,449)	150,555	(992)	136,325
Remark	1.Unfavorable variance of price difference: Adjust product portfolio and price for market demand 2.Favorable variance of cost difference: Capacity improvement and cost down strategy 3.Favorable variance of quantity difference: Increasing sales volume with increasing market demand.				

3. Major Capital Expenditure Items influence on Financial Business:

The Company's operating scales continue to grow and its financial structure is sound to meet the needs of future operation growth.

(Ⅲ) Analysis of Cash Flow:

1.Analysis of cash flow changes for the most two year

Unit: %

Year / Item	2021	2020	Increased (decreased) ratio (%)
Cash flow ratio	39.67	31.85	24.55
Cash flow adequacy Ratio	55.09	68.26	(19.29)
Cash reinvestment ratio	6.10	5.08	(20.08)
Reason for increased or decreased: Increase in cash flow ratio: due to the increase in net cash flow from operating activities in 2021. Decrease in cash reinvestment ratio: due to the increase in the value of property, plant and equipment in 2021.			

2.Change and Analysis of Cash Flow in 2022

Unit: NT$ thousand

Cash Balance at the period beginning	Net Cash Provided by Operating Activities in the period	Net Cash Used in Financing Activities in the Period	Cash Balance at the Period end	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
1,081,999	856,574	(1,198,166)	740,407	-	-
(1) Analysis of changes in cash flow this year: A.Inflow of operating activities: due to the expected increase in operating income. B.Outflows from investment and financing activities: The increase in cash outflows was due to the purchase of additional equipment and expansion of factories in order to expand the scale of operations, the distribution of cash dividends to shareholders and the repayment of medium and long-term borrowings. (2) Remedial measures and liquidity analysis for estimated cash shortage:Not applicable.					

(Ⅳ) Major Capital Expenditure Items influence on Financial Business

1. Utilization of major capital expenditures and sources of funds

The company's major capital expenditure for the year 2021 is to expand the manufacturing processes of reclaim wafer and the productivies of thinning the wafer led to purchase machineries and equipments. The amount of equipments purchased is NT$ 389,739 thousand dollars. The source of funds is mainly from its own funds and bank loans. These capital expenditures are aiming to increase the productions of reclaim wafers and thinning wafer. So that the annual production in 2021 increased by 22.41% compared with 2020. In addition, if the company has a capital expenditure plan, it will consider the current financial situation and the expected return status in future. Therefore, it will not have adversely affect the company's financial condition.

2.The anticipated benefits: expanding business in domestic and overseas markets, increasing productivity and product quality, and enhancing the future competitiveness of the Company.

(Ⅴ)Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year.

1.Reinvestment policy:

In consideration of the Company's overall competitiveness and the improvement of operating performance, on May 25, 2017, the shareholders' meeting decided to reorganize the Company's structure and on July 1, 2017, transfer the related businesses (including assets and liabilities) of its energy business unit to another subsidiary, Phoenix Battery Co., Ltd. (hereinafter referred to as Phoenix Battery) , which is a 100% owned by the Company. Phoenix Battery issued new shares as the consideration for the transferred business. The capital increase case was completed in January 2018. The Company's shareholding in Phoenix Battery was therefore dropped from 100% to 71.51%.

Phoenix Battery Corporation increased its capital by issuing new shares in November 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date, and the relationship with the Group was changed from a subsidiary to an associate and the company was no longer included in the Group's consolidated financial statements.

The company sold part of the equity of Phoenix Battery Corporation in January 2022, and the shareholding ratio reduced from 33.42% to 30.61%.

2.Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

In 2021, the Company recognized investment loss from Phoenix Battery was NT$24,064 thousand dollars, a decrease of NT$23,559 thousand dollars from the NT$47,623 thousand dollars investment loss recognized in 2020. The main reason for the loss is that the operation of the reinvested company has not reached the economic scale, and the revenue is still insufficient to cover the costs and expenses. In order to focus on the industry, the company has continued to reduce the shareholding ratio of the investment company in order to reduce losses and improve overall profitability.

3.Investment plan in the year ahead: None.

(Ⅵ) Analyze and assess the following risks in the most recent year up to the publication date of the Annual Report.

1.Effect of interest Rate, exchange rate changes and inflation on the Company’s profit / losses and countermeasures:

(1)Effect of interest rate changes on the Company's profit and loss and future countermeasures.

The interest expenses of The Company and its subsidiaries in the year 2020 and 2021 were NT$12,585 thousand dollars and NT$3,269 thousand dollars respectively, accounting for 8.03% and 1.25% of the net profit before tax, mainly due to borrowing from the banks. The change of insterest rates would have a certain impact, Since the net profit before tax in 2021 increased compared with that in 2020, the ratio of interest expense to net profit before tax decreased accordingly.

The Company regularly evaluates the bank borrowing rate and maintains good relationships with banks in order to obtain a more favorable borrowing rate to reduce interest expenses. In addition, we have been able to obtain interest subsidies from the government to effectively reduce borrowing costs.

The Company also observes the impact of changes in financial market interest rates on the company's funds at any time, with a view to take any required measure. All correspondent financial institutions with the Company are institutions with certain appraisal and scale at home and abroad in order to obtain stable and safe capital investment returns.

(2)Effect of exchange rate changes on the Company's profit and loss and future countermeasures

The company's main sales are denominated in U.S. dollars, and purchases are mainly denominated in New Taiwan dollars. The Company's net exchange loss for 2020 and 2021 were NT$19,363 thousand dollars and NT$18,390 thousand dollars, accounted for operating profit were 13.13% and 7.91% respectively. It shows that the changes of exchange rate has a certain impact on the company's profit and loss, Due to the significant appreciation of the New Taiwan Dollar in 2021, the exchange loss increase compared to 2020.

The company regularly assesses the fluctuations of exchange rate and uses spot and forward foreign exchange transactions to reduce risks at proper time in accordance with the Company's Procedures for acquiring or disposing of assets and Procedures for dealing with derivative commodities to minimize the impact on the Company's profit. In addition, the Company's financial department maintains a close relationship with the financial institutions, keeps observing the changes in exchange rates, fully grasps the international exchange rate trends and changes, and actively responds to the impact of exchange rate fluctuations. Besides that, the financial department will also adopt pre-sale forward foreign exchange and other methods according to the risk-averse requirements to reduce the impact of exchange rate changes and to adjust foreign currency positions in the spot market. In addition, the company keeps a variety of foreign currency accounts, adjusts the position of foreign currency held according to the actual capital demands or exchange rate trends, pays the accounts payable with sales income in the same currency, and uses the automatic hedging feature to avoid exchange risk.

(3)Effect of inflation on the Company's profit and loss and future countermeasures

According to the Consumer Price Index for 2020 published by the Accounting Office of the Executive Yuan, the annual growth rate is 1.96%, it is the largest increase in 13 years, as of the date of the Annual Report, the Company's profit and loss has not had a significant impact due to inflation.

The company and its subsidiaries keep track of any price fluctuation at upstream material market and keep good relationships with suppliers. In the future, we will continue to closely observe the changes in the price index, study the impact of inflation on the Company, and adjust the raw materials inventory in a timely manner to respond to any pressure caused by inflation. In addition, according to the changes in the market price of materials. When the preset tolerance range is exceeded, the Company will actively request suppliers to adjust to avoid a major impact on the Company due to inflation.

2.Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

(1)The Company has always insisted on the principle of focusing on the industry and pragmatic operation. The financial policy is based on the principle of conservatism, and does not engage in high-risk, high-leverage investment businesses. If the derivative commodity exchanges are engaged, it is mainly to adhear to the principle of conservatism and stability, and to avoid the risk of real foreign exchange fluctuations. Due to it mainly belongs to the nature of risk aversion, the related risks are still limited

(2)The Company has established the operation procedures such as "Management of Loans to Others", "Procedures for Endorsement and Guarantee", "Procedures for Acquisition or Disposal of Assets" and "Procedures for Financial Derivatives Transactions". As the basis for the company to engage in related operations.

(3)As of the date of publication of the annual report of the Company, there is no endorsement or guarantee for others. In addition, due to the necessity of short-term financing, the Company has a loan to the affiliated Company Phoenix Battery. The loan is processed in accordance with the “Management of Loans to Others” established by the Company.

3.Future Research & Development Projects and Corresponding Budget:

(1) Future R & D plan

The Company's product and technology development has always been matching with customers and market needs, and pay close attention to future industry trends and development. To develop products and technologies will have market growth and future potential. The future product development plans are listed as follows：

A. Removal of copper contamination inside silicon wafer
B. Grinding, polishing and cleaning processes for 3nm reclaim wafer.
C. Grinding, polishing and cleaning processes for high-power application wafers (GaN, SiC, etc.).
D. 1.5 mil ultra-thin wafer
E. Point of care diagnosis chip design and manufacture
F. 12” BGBM process development
G. New test wafer process
H. Front side etching process improvement development

(2) Expected R & D expenses

The Company's estimated expenses for R & D is gradually invested according to the progress of new product and new technology development, and continues to invest in research and development funds depending on market changes and R & D progress of new products. With the growth of turnover in the future, the annual investment will be approximately 5% ~ 10% is used as research and development funds to expand the Company's operating scale and increase its competitiveness.

4.Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The company and its subsidiaries attach importance to important domestic and foreign policy and legal changes, consult with lawyers, accountants and other units, and plan appropriate response measures to comply with the law and reduce the impact on the company. Therefore, policy and legal changes are not significant to the company’s finances and business.

5.Effect on the Company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response.

The semiconductor industry is affected by the economic cycle and rapid changes in product demand. In addition to continuously investing in research and development funds each year to develop advanced processes and new technologies, the company also reduces costs and develops application markets to respond to technological changes and industrial changes.

Cyber security risk assessment analysis and management;

(1)Cyber security risks and management Implement

The company has established comprehensive network and computer-related Cyber security protection measures, but cannot guarantee that its computer systems that control or maintain important corporate functions such as the company's manufacturing operations and accounting can completely avoid network attacks from any third-party paralyzed systems. These network attacks illegally invade the company's internal network system, and carry out activities such as sabotaging the company's operations and damaging the company's goodwill. In the event of a serious cyber attack, the company's system may lose important company contents, and the production line may be shut down. The company continuously reviews and evaluates its cyber security regulations and procedures to ensure their appropriateness and effectiveness, but cannot guarantee that the company will not be affected by emerging risks and attacks amid the ever-changing Cyber security threats. Cyberattacks may also attempt to steal company trade secrets and other confidential documents and contents, such as the proprietary information of customers or other interested parties and the personal information of the company's employees.

Malicious hackers can also attempt to invade the company's network system with computer viruses, destructive software or ransomware to interfere with the company's operations, extort or extort the company, gain control of the computer system, or spy on confidential documents and contents. These attacks may result in the company having to compensate customers for delays or interruption of orders; or incurring substantial costs to implement remedial and improvement measures to strengthen the company's cyber security systems; We shall bear significant legal responsibility for related legal cases or regulatory investigations resulting from the leakage of employee, customer or third-party information under the obligation of confidentiality.

In order to prevent and reduce the damage caused by the above malicious network attacks, the company will implement relevant improvement measures and continue to update them, such as the establishment of a virus-scanning mechanism for machines entering the factory to prevent machines containing malicious software from entering the company; strengthening the network Road firewall and network control to prevent the spread of computer viruses across machines and factories; build endpoint anti-virus measures according to computer types; strengthen phishing email detection. Although the company continues to strengthen Cyber security protection measures, if encountering malicious software and hacker attacks, it may not guarantee that the company will be free from infringement, but the company will do its best to defend all rights and interests.

(2)Major Cyber security incidents

Please list the losses and possible impacts of major Cyber security incidents in the most recent year and up to the date of publication of the annual report: none.

6. Impact of Changes in Company Image on Crisis Management and Countermeasures

The semiconductor industry is heavily affected by the business cycle and the rapid changes in product demands. In addition to continuously investing in research and development expenditures to develop advanced processes and new derivative technologies, the Company is also committed to lower the costs and to developing application markets in response to the impact of technological and industrial changes.

7.Expected Benefits and Possible Risks Associated With any Merger and Acquisitions

The Company insists on the enterprise spirit of stable operation and maintains a consistent excellent corporate image, and through strict internal control and crisis management mechanisms, effectively takes precautionary measures and ensures the sustainable operation of the enterprise.

8.Expected Benefits and Possible Risks Associated with any Plant Expansion:

In February, 2020, the Company purchased a plant at No. 12-2, Yanxin 4th Road. It is expected that part of the storage space of the Lixing Road plant will be moved to the newly purchased factory area. The plant vacated by the original factory will be used to expand production capacity. It is expected that more excellent talents will be hired to achieve the Company's established profit and growth goals, to improve the Company's operating performance, and to achieve the goals of sustainable operation and continuous growth. As for the expansion of the factory, the investment risk of the Company's financial situation is minal.

9.Risks Associated with any Consolidation of Sales or Purchasing Operations:

(1) Purchase

The main raw materials of the products of the Company is slurry, 8 inch tape, Ag, etc. Purchasing policy is a comprehensive evaluation of factors such as supplier quality, price, delivery and coordination. In addition to continuing to establish good relationships with existing suppliers, and in the meantime, actively seek other excellent suppliers. Among the procurement targets of the Company, there is no large-scale purchase from a single supplier, and its proportion is still scattered. Therefore, there is no risk of concentrated purchases or unstable sources of supply.

(2) Sales

The Company is mainly engaged in wafer manufacturing process, so its customers are mainly semiconductor manufacturers, and wafer manufacturers are an oligopolistic market, so the Company has a concentration of sales.

The Company is mainly engaged in the wafer foundry manufacturing process. Therefore, customers are mainly semiconductor manufacturers. Due to the domestic wafer foundry is an oligopolistic market, so the Company has a situation of concentration of sales. In 2020 and 2021, the ratio of sales to the largest sales customer to net revenue was 50.98% and 58.14%, respectively. In addition, the Company is committed to improving its process capabilities, assisting customers in developing new products, and actively engaging with other semiconductor customers to expand its business scope.

10. Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None.

11.Impact of Change in Management and its Potential Risks: None.

12.Litigation or Non-litigation Matters：

(1) As the manufacturing process employed by Integrated Service Technology Inc. ("iST") infringed on PSI's patent (No. I588880), on September 10, 2019 PSI filed a lawsuit with the Intellectual Property Court, claiming that iST and its statutory representative shall jointly compensate PSI's loss in the amount of NT$ 1 hundred million.

The Intellectual Property Court rejected the judgment on June 23, 2020. PSI filed an appeal, but the intellectual property court rejected the appeal in the second instance on May 27, 2021. Then PSI filed an appealed to the Supreme Court, but the Supreme Court rejected the appeal on September 29, 2021. Thus the whole case was affirmed. However, PSI's patent certificate No. I588880 "Manufacturing Process of Wafer Thinning" is still valid. This case does not affect the company's operations.

(2)Ming-che Li (李明澈) reproduced and utilized PSI's trade secrets without PSI's authorization, it’ s enough to enable IST to shorten their time in researching and developing BGBM process, reduce manpower and material resources ,and seize the product market to engage in unfair competition, thus gaining benefits. Therefore, The Taiwan Hsinchu District Prosecutors Office had rendered an Indictment to above persons in accordance with Article 13-1(1)(2) and Article 13-4 of the Trade Secrets Act. It’s now on trial by Taiwan Hsinchu District Court.

(3)For the above persons’ infringement of PSI's trade secrets , resulting in PSI's damages, PSI filed an Ancillary Civil Action with the Taiwan Hsinchu District Court, claiming compensation for our loss in the amount of NT$5,636,098,000 against the above persons, Kuo-chu Liu (劉國儒) and the related person.

(4)The Company's affiliated company” Phoenix Battery Corporation”, the business premises located at No. 518-1, Sec. 4, Chung-Hua Road, Hsinchu City, has reached a settlement with the other party in the case of a fire incident on May 07, 107, which caused damage to other floors of the building, and part of the occupants and their owners and the management committee demanded damages from Phoenix Battery Corporation.

13.Other major risks and countermeasures:None.

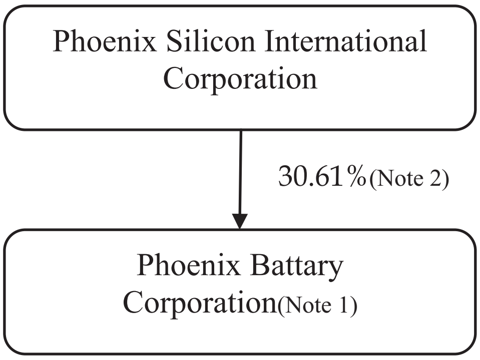
VII.Other Major Events: None.

VIII.Special Disclosure

(Ⅰ) Profiles of the affiliates

1. Consolidated Business Report of Affiliated Businesses

(1) Organizational chart of associates



Note 1：In December 2021, Phoenix Battary Corp.(PBC) increased the capital, and the Company did not respond to the capital increase according to the shareholding ratio, which resulted in the shareholding ratio decreased from 71.51% to 33.42%, and PBC elected all Directors and Supervisors at the shareholders' meeting on December 29, 2021, therefore, the Company lost the control of PBC from this date, and the relationship with the Company was changed from a subsidiary to an affiliated company.

Note 2：In January 2022, the Company disposed of part of its shareholding in PBC, decreasing its shareholding from 33.42% to 30.61%.

(2) Basic information of each affiliated businesses

Company name	Date of establishment	Address	Paid-in Capital	Main business
Phoenix Battary Corporation	Feb 22, 2017	3F, No. 8, Li-Hsin Road, Science Park, Hsinchu 300, Taiwan, R.O.C.	NT$375,500 thousand	lithium ion battery for energy storage.

(3)Information on the same shareholders of companies that are considered to have a controlling and subordinate relation: None.

(4)Industries covered by the business scope of all associates：

A.Research, design, manufacture, and sales of reclaim wafer, test wafer, product wafer, solar cell, lithium ion battery for energy storage.

B.Operate concurrently the import and export trade business related to the Company's business.

(5) Information on directors, supervisors and presidents of associates

Feb. 18, 2022

Company name	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio(%)
Phoenix Battary Corporation	Director	Feng-Sheng Tsai	1,000,000	2.66
		Mike Yang	151,225	0.40
		Chein-Chung, Chu	-	-
		An Grace Investment Corporation Ltd.	1,371,127	3.65
		Representatives:：Ji-Ceng Ma	-	-
	Supervisor	Tzu-Pai, Kao	-	-
		Hong-Da Investment Co., Ltd.	2,000,000	5.33
		Representatives:Yi-Cheng Chen	-	-
	President	Mike Yang	151,225	0.40

(6) Operational overview of associates:

December 31, 2021；Unit: NT$ Thousand

Company name	Currency	Total assets	Total liabilities	Net value	Revenue	Profit from operations	Profit or loss for the year (After income tax)
Phoneix Battary corporation	NTD	401,261	184,343	216,918	194,060	(67,181)	(42,234)

2.Combined Financial Statements of Affiliated Enterprises: The entities that are required to be included in the combined financial statements of the Company for 2021 (January 1 to December 31, 2021) under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.27, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements has already been covered in the consolidated financial statements. Hence, we do not prepare a separate set of combined financial statements.

3. Affiliation Reports: Not applicable.

(Ⅱ)Private Placement Securities in the Most Recent Years: None.

(Ⅲ)The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

(IV)Other Necessary Supplement:：None.

IX、**Any Events that Had Significant Impacts**

Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights mor Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

PHOENIX SILICON INTERNATIONAL CORPORATION

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

PHOENIX SILICON INTERNATIONAL CORPORATION

Representative: Mike Yang

February 23, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000429

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation.

Opinion

We have audited the accompanying consolidated balance sheets of Phoenix Silicon International Corporation and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of 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 judgment, 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:

Accuracy of revenue recognition

Description

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(20) for details of operating revenue account.

The Group is primarily engaged in the professional processing of semiconductor wafer, such as reclaim, thinning and other services. Service revenue were derived from the transfer of services over time and satisfied performance obligation. The Group measured the completion degree of performance obligation with the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation as the basic determination. Considering the estimates of expected total cost were uncertain and will affect the accuracy of revenue recognition based on the completion degree of performance obligation of unfinished orders, thus, we consider the accuracy of revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Obtained an understanding and assessed the accounting policy of revenue recognition and tested the effectiveness of related internal control's design and execution. Checked the related evidence and calculation of the completion degree measurement of performance obligation

Audit of capitalisation of property, plant and equipment

Description

Please refer to Note 4(14) for accounting policies on property, plant and equipment and Note 6(7) for details of property, plant and equipment.

The Group is primarily engaged in the professional processing of semiconductor wafer, such as reclaim, thinning and other services. In order to continuously develop advanced technical capacity to satisfy customers' demand, the Group has to increase its capital expenditure. Considering the amount of capital expenditure of current year was material, thus, we consider the capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Evaluated and tested the effectiveness of related internal control of the timing of additions and recognition of depreciation of property, plant and equipment. Sampled and verified related purchase orders, invoices and others to confirm that the transaction has been adequately approved and the accuracy of accounted amount is correct. Sampled the acceptance report to confirm that the assets have reached usable state and whether the timing of listing into general inventory and recognising depreciation were adequate.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the consolidated financial statements of PHOENIX SILICON INTERNATIONAL CORPORATION 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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
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 auditor's 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 auditor's 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Liu, Chien-Yu

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 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.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,081,999	17	$ 1,140,746	22
1110	Financial assets at fair value through profit or loss - current	6(2)	17,750	-	595	-
1136	Current financial assets at amortised cost	6(3) and 8	-	-	3,500	-
1140	Current contract assets	6(20)	77,591	1	128,884	3
1150	Notes receivable, net	6(4)	185	-	100	-
1170	Accounts receivable, net	6(4)	462,950	8	359,570	7
1180	Accounts receivable due from related parties, net	6(4) and 7	331	-	-	-
1200	Other receivables		2,733	-	2,020	-
1220	Current income tax assets		-	-	2,277	-
130X	Inventories	6(5)	165,659	3	247,462	5
1410	Prepayments		16,510	-	14,207	-
1470	Other current assets		1,578	-	2,071	-
11XX	**Current Assets**		1,827,286	29	1,901,432	37
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(3) and 8	12,417	-	12,417	-
1550	Investments accounted for under equity method	6(6)	125,503	2	-	-
1600	Property, plant and equipment	6(7)(9) and 8	3,635,757	57	2,819,389	55
1755	Right-of-use assets	6(8)	324,312	5	245,422	5
1780	Intangible assets	6(9)	30,184	1	29,506	1
1840	Deferred income tax assets	6(28)	31,349	1	20,229	-
1900	Other non-current assets		341,171	5	94,934	2
15XX	**Non-current assets**		4,500,693	71	3,221,897	63
1XXX	**Total assets**		$ 6,327,979	100	$ 5,123,329	100

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11) and 8	$ -	-	$ 30,000	-
2120	Financial liabilities at fair value through profit or loss - current	6(12)	-	-	1,258	-
2130	Current contract liabilities	6(21)	157	-	32,642	1
2170	Accounts payable		153,441	3	149,408	3
2200	Other payables	6(13)	373,734	6	300,872	6
2220	Other payables to related parties	6(13) and 7	5	-	-	-
2230	Current income tax liabilities		12,440	-	-	-
2280	Current lease liabilities		11,462	-	14,367	-
2320	Long-term liabilities, current portion	6(14)(15)	1,156,060	18	1,217,023	24
2399	Other current liabilities, others		1,861	-	1,220	-
21XX	**Current Liabilities**		1,709,160	27	1,746,790	34
	Non-current liabilities					
2540	Long-term borrowings	6(15) and 8	1,734,296	27	764,315	15
2550	Provisions for liabilities - non-current	6(17)	16,600	-	22,383	-
2570	Deferred tax liabilities	6(28)	1,510	-	-	-
2580	Non-current lease liabilities		316,037	5	234,578	5
2600	Other non-current liabilities	6(16)	33,320	1	31,367	1
25XX	**Non-current liabilities**		2,101,763	33	1,052,643	21
2XXX	**Total Liabilities**		3,810,923	60	2,799,433	55
	Equity					
	Share capital	6(18)				
3110	Share capital - common stock		1,403,525	22	1,324,080	26
	Capital surplus	6(19)				
3200	Capital surplus		610,258	10	634,768	12
	Retained earnings	6(20)				
3310	Legal reserve		141,374	2	127,863	3
3350	Unappropriated retained earnings		361,899	6	220,854	4
31XX	**Equity attributable to owners of the parent**		2,517,056	40	2,307,565	45
36XX	Non-controlling interest		-	-	16,331	-
3XXX	**Total equity**		2,517,056	40	2,323,896	45
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Disaster Loss	10				
3X2X	**Total liabilities and equity**		$ 6,327,979	100	$ 5,123,329	100

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	2021 AMOUNT	2021 %	2020 AMOUNT	2020 %
4000	Sales revenue	6(21)	$ 2,651,386	100	$ 2,267,585	100
5000	Operating costs	6(5)(26)	(1,984,744)	(75)	(1,732,382)	(76)
5950	Net operating margin		666,642	25	535,203	24
	Operating expenses	6(26)(27)				
6100	Selling expenses		(36,034)	(1)	(37,798)	(1)
6200	General and administrative expenses		(265,669)	(10)	(220,548)	(10)
6300	Research and development expenses		(132,689)	(5)	(129,086)	(6)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	304	-	(257)	-
6000	Total operating expenses		(434,088)	(16)	(387,689)	(17)
6900	Operating profit		232,554	9	147,514	7
	Non-operating income and expenses					
7100	Interest income	6(22)	1,129	-	3,088	-
7010	Other income	6(23)	2,389	-	46,861	2
7020	Other gains and losses	6(24)	47,219	2	(10,889)	(1)
7050	Finance costs	6(25)	(20,922)	(1)	(29,919)	(1)
7000	Total non-operating income and expenses		29,815	1	9,141	-
7900	**Profit before income tax**		262,369	10	156,655	7
7950	Income tax (expense) benefit	6(28)	(7,195)	-	21,383	1
8000	**Profit for the year from continuing operations**		255,174	10	178,038	8
	Discontinued operations					
8100	Loss from discontinued operations	6(10)	(37,711)	(2)	(62,480)	(3)
8200	**Profit for the year**		$ 217,463	8	$ 115,558	5

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31 2021 AMOUNT	2021 %	2020 AMOUNT	2020 %
	Other comprehensive income Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial (loss) gain on defined benefit plan	6(16)	($ 2,066)	-	$ 697	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	413	-	(139)	-
8300	**Other comprehensive (loss) income for the year**		($ 1,653)	-	$ 558	-
8500	**Total comprehensive income for the year**		$ 215,810	8	$ 116,116	5
	Profit (loss), attributable to :					
8610	Owners of the parent		$ 235,654	9	$ 134,553	6
8620	Non-controlling interest		(18,191)	(1)	(18,995)	(1)
	Total comprehensive income for the year		$ 217,463	8	$ 115,558	5
	Comprehensive income, attributable to :					
8710	Owners of the parent		$ 234,001	9	$ 135,111	6
8720	Non-controlling interest		(18,191)	(1)	(18,995)	(1)
	Profit before income tax, net		$ 215,810	8	$ 116,116	5
	Basic earnings per share	6(29)				
9710	Basic earnings (loss) per share from continuing operations		$ 1.85		$ 1.30	
9720	Basic earnings (loss) per share from discontinued operations		(0.17)		(0.34)	
9750	Total basic earnings per share		$ 1.68		$ 0.96	
	Diluted earnings per share	6(29)				
9810	Diluted earnings (loss) per share from continuing operations		$ 1.74		$ 1.26	
9820	Diluted earnings (loss) per share from discontinued operations		(0.15)		(0.31)	
9850	Total diluted earnings per share		$ 1.59		$ 0.95	

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent						
				Retained Earnings				
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Total unappropriated retained earnings (accumulated deficit)	Total	Non-controlling interest	Total equity
Year 2020								
Balance at January 1, 2020		$ 1,324,080	$ 634,768	$ 95,022	$ 383,400	$ 2,437,270	$ 35,326	$ 2,472,596
Profit (loss)		-	-	-	134,553	134,553	(18,995)	115,558
Other comprehensive income		-	-	-	558	558	-	558
Total comprehensive income (loss)		-	-	-	135,111	135,111	(18,995)	116,116
Distribution of 2019 earnings:	6(20)							
Legal reserve		-	-	32,841	(32,841)	-	-	-
Cash dividends		-	-	-	(264,816)	(264,816)	-	(264,816)
Balance at December 31, 2020		$ 1,324,080	$ 634,768	$ 127,863	$ 220,854	$ 2,307,565	$ 16,331	$ 2,323,896
Year 2021								
Balance at January 1, 2021		$ 1,324,080	$ 634,768	$ 127,863	$ 220,854	$ 2,307,565	$ 16,331	$ 2,323,896
Profit (loss)		-	-	-	235,654	235,654	(18,191)	217,463
Other comprehensive loss		-	-	-	(1,653)	(1,653)	-	(1,653)
Total comprehensive income (loss)		-	-	-	234,001	234,001	(18,191)	215,810
Distribution of 2020 earnings:	6(20)							
Legal reserve		-	-	13,511	(13,511)	-	-	-
Cash dividends		-	-	-	(79,445)	(79,445)	-	(79,445)
Capital Surplus Transferred to Capital	6(18)(19)	79,445	(79,445)	-	-	-	-	-
Changes in shares of affiliates and joint ventures recognized under the equity method	6(19)(30)	-	54,935	-	-	54,935	(54,935)	-
Non-controlling interests capital increase	6(30)	-	-	-	-	-	200,000	200,000
Share-based payment transactions		-	-	-	-	-	1,830	1,830
Reduction in non-controlling interests in mergers	6(30)	-	-	-	-	-	(145,035)	(145,035)
Balance at December 31, 2021		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056	$ -	$ 2,517,056

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		$ 262,369	$ 156,655
Loss from discontinued operations before tax	6(10)	(37,711)	(62,480)
Profit before tax		224,658	94,175
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(26)	549,632	477,189
Amortization	6(26)	17,026	17,972
Expected credit impairment benefit / bad debt expenses	12(2)	(304)	257
Gain on financial assets at fair value through profit or loss	6(2)(12)(24)	(12,707)	(4,800)
Interest expense	6(25)	24,031	32,986
Share-based payment transaction		1,830	-
Interest income	6(22)	(1,147)	(3,112)
Gain on disposals of property, plant and equipment	6(24)	(1,406)	(3,718)
Impairment loss on property, plant and equipment	6(24)	1,960	2,143
Impairment (return benefit) loss on intangible asset	6(24)	(101)	541
Gain on disposal of investments	6(24)	(53,524)	-
Loss on financial assets at amortized cost	6(24)	73	-
Customer default payments with assets		-	(28,912)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial asset or financial liability at fair value through profit or loss		4,694	6,324
Contract assets		51,293	42,175
Notes receivable		(85)	56
Accounts receivable		(116,948)	(5,221)
Accounts receivable－related parties		(336)	-
Other receivables		(791)	22,470
Inventories		(31,924)	(1,904)
Prepayments		(7,618)	(1,166)
Other current assets		448	(335)
Changes in operating liabilities			
Contract liabilities		(19,333)	19,654
Notes payable		1,050	-
Accounts payable		13,560	6,581
Accounts payable- related parties		331	-
Other payables		47,556	(66,986)
Other payables- related parties		5	-
Provision of liabilities	6(17)	361	(363)
Other current liabilities		1,205	657
Net defined benefit liability		(1,016)	(601)
Long-term payables		925	1,478
Cash inflow generated from operations		693,398	607,540
Interest received		1,225	3,263
Interest paid		(15,007)	(17,044)
Income tax paid		(1,675)	(37,357)
Net cash flows from operating activities		677,941	556,402

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		($ 2,000)	($ 2,123)
Proceeds from disposal of financial assets at amortized cost		500	-
Acquisition of financial assets at fair value through profit or loss		(10,400)	-
Decrease in cash in the accounts of subsidiaries	6(31)	(169,407)	-
Acquisition of property, plant and equipment	6(31)	(1,629,004)	(913,332)
Proceeds from disposal of property, plant and equipment		10,182	9,795
Acquisition of intangible assets	6(31)	(21,834)	(14,781)
Increase in refundable deposits		(3,718)	(5,919)
Decrease in refundable deposits		549	1,965
Net cash flows used in investing activities		(1,825,132)	(924,395)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(32)	752,057	104,829
Decrease in short-term borrowings	6(32)	(741,407)	(111,175)
Repayment of convertible corporate bonds	6(32)	(5,426)	-
Increase in long-term borrowings	6(32)	1,216,690	618,203
Repayment of long-term borrowings	6(32)	(238,379)	(635,317)
Increase in guarantee deposits	6(32)	78	290
Decrease in guarantee deposits	6(32)	(100)	(146)
Repayment of principal portion of lease liabilities	6(32)	(15,624)	(14,525)
Cash dividends paid	6(20)	(79,445)	(264,816)
Cash increase in non-controlling equity in subsidiaries	6(30)	200,000	-
Net cash flows from (used in) financing activities		1,088,444	(302,657)
Net decrease in cash and cash equivalents		(58,747)	(670,650)
Cash and cash equivalents at beginning of year	6(1)	1,140,746	1,811,396
Cash and cash equivalents at end of year	6(1)	$ 1,081,999	$ 1,140,746

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organisation

Phoenix Silicon International Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) in March 1997 and has begun operations in June 1998. The Company is primarily engaged in the research, development, manufacture and sale of regenerative wafers, test wafers, product wafers, solar cells, energy storage lithium batteries and the import and export trade related to the Company's business.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 23, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

			Ownership(%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2021	December 31, 2020	Description
Phoenix Silicon International Corporation	Phoenix Battery Corporation	Battery manufacturing business	-	71.51%	Note

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date, and the relationship with the Group was changed from a subsidiary to an associate and the company was no longer included in the Group's consolidated financial statements.

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

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

E. Significant restrictions: None.

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

As of December 31, 2020, the non-controlling interest amounted to $16,331. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest				
		December 31, 2021		December 31, 2020		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)	Description
Phoenix Battery Corporation	Taiwan	$ -	-	$ 16,331	28.49%	None

Summarised financial information of the subsidiaries:

Balance sheets

	Phoenix Battery Corporation
	December 31, 2020
Current assets	$ 155,110
Non-current assets	130,695
Current liabilities	(160,013)
Non-current liabilities	(68,470)
Total net assets	$ 57,322

Statements of comprehensive income

	Phoenix Battery Corporation
	Year ended December 31, 2020
Revenue	$ 174,781
Loss before income tax	(66,672)
Income tax expense	-
Loss for the year	(66,672)
Other comprehensive income ,net of tax	-
Total comprehensive income for the year	($ 66,672)
Comprehensive income attributable to non-controlling interest	($ 18,995)

Statements of cash flows

		Phoenix Battery Corporation
		Year ended December 31, 2020
Net cash provided by operating activities	$	14,195
Net cash used in investing activities	(	5,337)
Net cash used in financing activities	(	35,205)
Decrease in cash and cash equivalents	(	26,347)
Cash and cash equivalents, beginning of year		42,514
Cash and cash equivalents, end of year	$	16,167

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions and balances

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

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

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(5) Classification of current and non-current items

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

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

(b) Assets arising mainly for trading purposes;

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

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

All assets that do not meet the above criteria are classified as non-current assets.

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

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

(b) Assets arising mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(6) Cash equivalents

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

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Investments accounted for using equity method / associates

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

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

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

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

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

(14) Property, plant and equipment

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

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

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structure	4 ~ 51 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	2 ~ 6 years
Office equipment	3 ~ 6 years
Leasehold improvements	2 ~ 20 years
Leased assets	6 years
Other equipment	3 ~ 6 years

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

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

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

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

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

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

(b) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(16) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other intangible assets are line subsidies and other expenses are amortised using the straight-line method over 3 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares) ,call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

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

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

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

(e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(22) Derecognition of financial liabilities

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

(23) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(24) Provisions

Provisions (including warranties and decommissioning liabilities, etc.) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

C. Employees' compensation and directors' remuneration

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

(26) <u>Income taxes</u>

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

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

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

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

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

(27) Share capital

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

(28) Dividends

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

(29) Revenue recognition

A. Sales revenue

(a) The Group provides manufacturing and sales of semiconductor wafers and energy storage lithium batteries. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

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

B. Sales of services

The Group provides semiconductor subcontracting services and other related businesses. In the process of providing subcontracting services, the Group considers that :

(a) Customers control the raw materials they provided and the Group accepts instructions from customers for subcontracting services for the formerly disclosed assets.

(b) The Group may only use assets provided by customers and controlled by customers for subcontracting services to create or enhance such assets and may not convert such assets to other uses.

Since the customer owns the asset, assumes the significant risks and rewards of ownership and has the right to decide the disposal of the asset, the Group recognises revenue for subcontracting services based on the degree of completion of performance obligations during the service period. The degree of completion of the Group's subcontracting services is determined based on the service costs actually incurred as a percentage of the estimated total service costs. The Group provides subcontracting services according to the specifications required by the customers and therefore the service costs incurred are not averaged over the period of service provision. The Group believes that the aforementioned approach is appropriate to measure the degree of completion of performance obligations to customers.

The customer pays the price of the subcontracting service according to the agreed payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Financing components

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

(30) <u>Government grants</u>

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(31) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was $165,659.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 322	$ 600
Checking accounts	-	1,266
Demand deposits	1,081,677	769,280
Time deposits	-	369,600
	$ 1,081,999	$ 1,140,746

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

B. The Group has no cash and cash equivalents pledged to others. For pledged time deposits that were accounted as financial assets at amortised cost, please refer to Note 8.

(2) Financial assets at fair value through profit or loss

items	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 10,400	$ -
Derivative instruments	550	595
Convertible bonds/ put options	(199)	-
Value adjustment - Listed stocks	6,700	-
Value adjustment - Convertible bonds/ put options	299	-
Total	$ 17,750	$ 595

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 6,700	$ -
Derivative instruments	7,581	7,218
Convertible bonds/ put options	300	-
Total	$ 14,581	$ 7,218

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

(units: in thousands of shares)

	December 31, 2021		December 31, 2020	
Derivative financial assets for non-hedging	Contract amount (notional principal)	Contract period	Contract amount (notional principal)	Contract period
Current items:				
Forward exchange contracts	USD 5,900	2021.11.24~ 2022.02.11	USD 1,880	2020.11.11~ 2021.2.19

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits maturing over three months	$ -	$ 500
Restricted bank deposits	-	3,000
	$ -	$ 3,500
Non-current items：		
Pledged time deposits	$ 12,417	$ 12,417

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

	Years ended December 31,	
	2021	2020
Interest income	$ 98	$ 128

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 185	$ 100
Accounts receivable	$ 462,950	$ 359,874
Less: Allowance for uncollectible accounts	-	(304)
	462,950	359,570
Accounts receivable – related parties	331	-
	$ 463,281	$ 359,570

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 462,366	$ 185	$ 347,075	$ 100
Up to 30 days	915	-	12,394	-
31 to 90 days	-	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	-	-	405	-
	$ 463,281	$ 185	$ 359,874	$ 100

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $354,762.

C. The Group has no notes and accounts receivable pledged to others as collateral.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was $185 and $100; $463,281 and $359,570, respectively.

E. As of December 31, 2021 and 2020, the Group held commercial papers provided by customers as collaterals for accounts receivable credit limits, both amounting to $11,000.

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

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 191,551	($ 44,582)	$ 146,969
Work in progress	2,717	(4)	2,713
Finished goods	16,184	(207)	15,977
Total	$ 210,452	($ 44,793)	$ 165,659

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Products	$ 12,579	($ 6,508)	$ 6,071
Raw materials	179,521	(45,351)	134,170
Work in progress	29,943	(343)	29,600
Finished goods	134,841	(57,220)	77,621
Total	$ 356,884	($ 109,422)	$ 247,462

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2021	2020
Cost of goods sold	$ 2,175,800	$ 1,918,414
Loss on decline in market value	11,879	10,715
Revenue from sales of scraps	(693)	(443)
Others	(13,360)	(13,911)
	2,173,626	1,914,775
Less: Cost of goods from discontinued operations	(188,882)	(182,393)
	$ 1,984,744	$ 1,732,382

(6) Investments accounted for under equity method

		2021
At January 1	$	-
Addition of investments accounted for using equity method		125,503
At December 31	$	125,503

A. Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date but has significant influence over the company, and the relationship with the Group was changed from a subsidiary to an associate. The Group recognised the retained 33.42% share of the investment as the investment accounted for using equity method – associate at fair value on that day, and recognised gain on disposal of investments of $53,524, and the company is no longer included in the Group's consolidated financial statements.

B. As of December 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to $125,503.

(7) Property, plant and equipment

2021	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Leased assets	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1									
Cost	$ 1,480,677	$ 3,491,861	$ 11,336	$ 22,571	$ 53,416	$ 538	$ 84,604	$ 348,180	$ 5,493,183
Accumulated depreciation	(526,454)	(2,049,304)	(7,935)	(12,955)	(33,498)	(538)	(40,967)	-	(2,671,651)
Accumulated impairment	-	(101)	-	-	(1,969)	-	(73)	-	(2,143)
	$ 954,223	$ 1,442,456	$ 3,401	$ 9,616	$ 17,949	$ -	$ 43,564	$ 348,180	$ 2,819,389
At January 1	$ 954,223	$ 1,442,456	$ 3,401	$ 9,616	$ 17,949	$ -	$ 43,564	$ 348,180	$ 2,819,389
Additions	637,758	218,672	-	489	-	-	4,856	572,181	1,433,956
Disposals	-	(8,776)	-	-	-	-	-	-	(8,776)
Reclassifications (transfers)	54,287	171,067	-	-	-	-	220	(225,574)	-
Depreciation charge	(121,739)	(388,292)	(1,029)	(3,718)	(4,470)	-	(13,683)	-	(532,931)
Impairment loss	-	(906)	-	-	(970)	-	(84)	-	(1,960)
Transfer out due to changes in consolidated entities	-	(59,638)	-	-	(12,509)	-	(1,774)	-	(73,921)
At December 31	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ -	$ 33,099	$ 694,787	$ 3,635,757
At December 31									
Cost	$ 2,012,590	$ 3,371,258	$ 9,172	$ 21,760	$ -	$ 110	$ 72,997	$ 694,787	$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	-	(110)	(39,898)	-	(2,546,917)
	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ -	$ 33,099	$ 694,787	$ 3,635,757

	2020								
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Leased assets	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1									
Cost	$ 1,342,948	$ 3,115,196	$ 10,646	$ 39,154	$ 52,094	$ 538	$ 81,167	$ 215,654	$ 4,857,397
Accumulated depreciation	(489,396)	(1,877,665)	(6,980)	(26,326)	(28,448)	(501)	(39,173)	-	(2,468,489)
	$ 853,552	$ 1,237,531	$ 3,666	$ 12,828	$ 23,646	$ 37	$ 41,994	$ 215,654	$ 2,388,908
At January 1	$ 853,552	$ 1,237,531	$ 3,666	$ 12,828	$ 23,646	$ 37	$ 41,994	$ 215,654	$ 2,388,908
Additions	169,694	402,481	690	940	1,460	-	13,213	311,163	899,641
Disposals	-	(6,018)	-	-	(59)	-	-	-	(6,077)
Impairment loss	-	(101)	-	-	(1,969)	-	(73)	-	(2,143)
Reclassifications (transfers)	31,752	145,274	-	-	-	-	1,611	(178,637)	-
Depreciation charge	(100,775)	(336,711)	(955)	(4,152)	(5,129)	(37)	(13,181)	-	(460,940)
At December 31	$ 954,223	$ 1,442,456	$ 3,401	$ 9,616	$ 17,949	$ -	$ 43,564	$ 348,180	$ 2,819,389
At December 31									
Cost	$ 1,480,677	$ 3,491,861	$ 11,336	$ 22,571	$ 53,416	$ 538	$ 84,604	$ 348,180	$ 5,493,183
Accumulated depreciation	(526,454)	(2,049,304)	(7,935)	(12,955)	(33,498)	(538)	(40,967)	-	(2,671,651)
Accumulated impairment	-	(101)	-	-	(1,969)	-	(73)	-	(2,143)
	$ 954,223	$ 1,442,456	$ 3,401	$ 9,616	$ 17,949	$ -	$ 43,564	$ 348,180	$ 2,819,389

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

	Year ended December 31,	
	2021	2020
Amount capitalised	$ 7,629	$ -
Range of the interest rates for capitalisation	1.12%~1.28%	None

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

C. Impairment information about the propert ınt and equipment is provided in Note 6(9).

(8) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings and business vehicles, Rental contracts are typically made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise employees' dorms, parking lots and warehouse. Low-value assets comprise furniture and fixtures and other equipment.

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

	December 31, 2021	December 31, 2020
	Carrying amount	Carrying amount
Land	$ 322,927	$ 230,867
Buildings	-	13,728
Transportation equipment (Business vehicles)	1,385	827
	$ 324,312	$ 245,422

	Year ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Land	$ 9,066	$ 8,330
Buildings	6,588	6,589
Transportation equipment (Business vehicles)	1,047	1,330
	$ 16,701	$ 16,249

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $103,184 and $37,675, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 4,267	$ 4,124
Expense on short-term lease contracts	3,225	2,847
Expense on leases of low-value assets	618	395

F. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were $23,734 and $21,891, respectively.

G. Extension and termination options

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

(9) Impairment of non-financial assets

A. The Group recognised impairment loss for the years ended December 31, 2021 and 2020 was $1,859 and $2,684, respectively. Details of such loss are as follows:

	Year ended December 31,	
	Recognised in profit or loss	Recognised in profit or loss
Impairment loss－machinery	$ 906	$ 101
Impairment loss－Leasehold improvement	970	1,969
Impairment loss－other equipment	84	73
(Gain on reversal of) impairment loss －intangible assets	(101)	541
	$ 1,859	$ 2,684

B. The subsidiary, Phoenix Battery Corporation, did not meet the economic scale for the years ended December 31, 2021 and 2020, that resulted in an impairment in the Phoenix Battery Corporation's property, plant and equipment and intangible assets. Phoenix Battery Corporation wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of $1,859 and $2,684, respectively. The recoverable amount is the property's fair value less costs of disposal. The fair value is classified as a level 3 fair value.

(10) Discounted operations

A. On December 29, 2021, the Group lost control over the Phoenix Battery Corporation (please refer to Note 4(3)B Note.). Phoenix Battery Corporation is an energy business segment(please refer to Note 14 for details), which have been reclassified as discontinued operations for meeting the definition of discontinued operations.

B. The cash flow information of the discontinued operations is as follows:

	Period from January 1, 2021 to December 29, 2021	Year ended December 31, 2020
Operating cash flows	($ 46,615)	$ 14,195
Investing cash flows	(4,611)	(5,337)
Financing cash flows	204,466	(35,205)
Total cash flows	$ 153,240	($ 26,347)

C. Analysis of the result of discontinued operations:

	Period from January 1, 2021 to December 29, 2021	Year ended December 31, 2020
Revenue	$ 193,834	$ 174,591
Operating costs and expenses	($ 256,666)	($ 246,213)
Non-operating revenue and expenses	25,121	9,142
Loss before tax of discontinued operations	(37,711)	(62,480)
Income tax	-	-
Loss after tax of discontinued operations	($ 37,711)	($ 62,480)

D. Profit from continuing and discontinued operations attributable to owners of the parent: Please refer to Note 6(29).

(11) Short-term borrowings

December 31, 2021: None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Bank secured borrowings (note)	$ 10,000	2.22%	Reserve account and credit guarantee fund
Bank secured borrowings (note)	20,000	1.72%	Credit guarantee fund
	$ 30,000		

A. Interest expense recognised in profit or loss amounted to $1,667 and $565 for the years ended December 31, 2021 and 2020, respectively.

B. Information about collateral for secured borrowing is provided in Note 8.

Note: According to the loan agreement signed by Phoenix Battery Corporation, the parent company's shareholding in the company shall not be less than 65% during the loan period.

(12) Financial liabilities at fair value through profit or loss

Items	December 31, 2021	December 31, 2020
Current items:		
Financial liabilities held for trading		
Derivative instruments	$ -	$ 1,058
Convertible bonds call/ put options	-	200
Valuation adjustment	-	-
Total	$ -	$ 1,258

A. Amounts recognised in profit or loss and other comprehensive income in relation to financial liabilities at fair value through profit or loss are as follows:

	Year ended December 31,	
	2021	2020
Net gains (losses) recognised in profit;		
Financial liabilities held for trading		
Derivative instruments	($ 1,874)	($ 2,518)
Convertible bonds call/ put options	-	100
Total	($ 1,874)	($ 2,418)

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

(units: in thousands of dollars)

	December 31, 2021		December 31, 2020	
Non-derivative financial liabilities	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
Current items:				
Forward foreign exchange	-		USD 5,500	2020.11.26 ~2021.2.4

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(13) Other payables

	December 31, 2021	December 31, 2020
Wages and salaries payable	$ 132,236	$ 115,675
Employees' compensation and directors' remuneration payable	58,310	31,769
Payable on machinery and equipment	92,918	48,390
Payable on repair expenses	24,810	25,182
Other accrued expenses	65,465	79,856
Total	$ 373,739	$ 300,872

(14) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	$ 1,002,078	$ 1,007,519
Less: Discount on bonds payable	(13,452)	(28,875)
	988,626	978,644
Less: Current portion or exercise of put options	(988,626)	(978,644)
	$ -	$ -

A. Issuance of domestics convertible bonds by the Group

(a) The terms of the first unsecured convertible bonds issued by the Group are as follows:

The competent authority has approved the Group's first time raising and issuance of overseas unsecured corporate bonds. The bonds are with a total issuance amount of $1,000,000 and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from November 13, 2019 to November 13, 2022. The Group will redeem the bonds at the face value and pay in full amount using cash at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

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

(c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. As of December 31, 2021, the Company adjusted the conversion price to NTD 68.60 per share.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5001% of the interests compensation upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

(f) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is less than the conversion price by 10% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

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

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $132,294 were separated from the liability component and were recognised in ‘capital surplus—share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation was 1.56%.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note 1)	2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$ 37,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	219,190
Mid-term secured loan (Note 1)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	35,250
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,089,690
Unsecured borrowings	2019.06.27~2024.12.08 Repayment by installments and installments over the agreed period	Floating rate	None	520,000
				1,901,730
Less: Current portion				(167,434)
				$ 1,734,296
Annual interest rate range				0.55%~1.20%

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral		December 31, 2021
Plant loan (Note 1)	2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$	112,800
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures		252,459
Mid-term secured loan (Note 1)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment		62,000
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment		403,000
Mid-term secured loan (Note 2)	2018.12.20~2024.12.20 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment and credit guarantee fund		50,000
Mid-term secured loan	2017.11.28~2021.11.28 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment and credit guarantee fund		3,675
Mid-term secured loan (Note 3)	2018.09.28~2024.09.28 Repayment by installments and installments over the agreed period	Floating rate	Credit guarantee fund		13,897
Unsecured borrowings	2019.06.27~2022.06.27 Repayment by installments and installments over the agreed period	Floating rate	None		97,500
Unsecured borrowings	2018.03.30~2022.05.14 Repayment by installments and installments over the agreed period	Fixed rate	None		7,363
					1,002,694
Less: Current portion				(	238,379)
				$	764,315
Annual interest rate range					0.55%~3.57%

Information about collateral for long-term borrowing is provided in Note 8.

Note 1: According to the agreement, the Company should maintain a specific net liabilities ratio and ability of interest repayment every six months during the loan period.

Note 2: According to the loan agreement signed by Phoenix Battery Corporation, the parent company's shareholding in the company shall not be less than 65% during the loan period.

Note 3: In May 2010, the Group applied for and obtained consent from the bank to extend the principal repayment period for one year in response to the relief package provided by the bank in connection with the Covid-19.

(16) Pensions

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

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 42,165	$ 39,555
Fair value of plan assets	(22,300)	(20,740)
Net defined benefit liability	$ 19,865	$ 18,815

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 39,555	($ 20,740)	$ 18,815
Current service cost	84	-	84
Interest expense (income)	198	(106)	92
	39,837	(20,846)	18,991
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(262)	(262)
Change in demographic assumptions	1,147	-	1,147
Change in financial assumptions	-	-	-
Experience adjustments	1,181	-	1,181
	2,328	(262)	2,066
Pension fund contribution	-	(1,192)	(1,192)
At December 31	$ 42,165	($ 22,300)	$ 19,865

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 39,226	($ 19,113)	$ 20,113
Current service cost	91	-	91
Interest expense (income)	343	(171)	172
	39,660	(19,284)	20,376
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(592)	(592)
Change in demographic assumptions	108	-	108
Change in financial assumptions	1,998	-	1,998
Experience adjustments	(2,211)	-	(2,211)
	(105)	(592)	(697)
Pension fund contribution	-	(864)	(864)
At December 31	$ 39,555	($ 20,740)	$ 18,815

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2021	2020
Discount rate	0.500%	0.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the Changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,344)	$ 1,406	$ 1,343	($ 1,292)
December 31, 2020				
Effect on present value of defined benefit obligation	($ 1,348)	$ 1,413	$ 1,350	($ 1,296)

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

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to $1,428.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 12.9 years. The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	$ 1,001
1-2 year(s)	1,402
2-5 years	8,673
5-10 years	4,821
	$ 15,897

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

(b) For the aforementioned pension plan, the Group recognised pension costs of $29,705 and $28,988 for the years ended December 31, 2021 and 2020, respectively.

(17) Provisions

	Warranty	Decommissioning liabilities	Total
At January 1, 2021	$ 586	$ 21,797	$ 22,383
Additional provisions	361	983	1,344
Unwinding of discount	-	1,160	1,160
Transfers out due to changes in consolidated entities	(947)	(7,340)	(8,287)
At December 31, 2021	$ -	$ 16,600	$ 16,600

Analysis of total provisions:

	December 31, 2021	December 31, 2020
Non-current	$ 16,600	$ 22,383

A. Warranty

The Group gives warranties on energy storage lithium battery products sold. Provision for warranty is estimated based on historical warranty data of the products.

B. Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will start to be used within the next 5 to 40 years.

(18) Share capital

A. As of December 31, 2021, the Company's authorised capital was $4,000,000, consisting of 400,000 thousand shares of ordinary stock (including 40,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,403,525 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

Unit: share

	2021	2020
At January 1	132,408,000	132,408,000
Capitalisation of capital surplus	7,944,480	-
At December 31	140,352,480	132,408,000

B. The capitalisation of capital surplus amounting to $79,445 was proposed by the Board of Directors on April 13, 2021, resolved by the shareholders on July 5, 2021 and approved by the regulatory authority on July 29, 2021. Its effective date was set on September 8, 2021 as resolved by the Board of Directors on August 6, 2

(19) Capital surplus

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

	2021		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1	$ 486,616	$ 15,858	$ 132,294
Capitalisation of capital surplus	(79,445)	-	-
Changes in ownership interests in subsidiaries	-	54,935	-
At December 31	$ 407,171	$ 70,793	$ 132,294

	2020		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1/December 31	$ 486,616	$ 15,858	$ 132,294

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reversed and the remainder, if any, along with prior year's undistributed earnings shall be resolved by the shareholders.

B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year, at least 10% of the Company's distributable earnings shall be appropriated as dividends and bonuses, and cash dividends and bonuses shall account for at least 50% of the total dividends and bonuses distributed.

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

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

E. The appropriations of 2020 and 2019 earnings as resolved by the shareholders at their meetings on July 5, 2021 and May 25, 2020 are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 13,511	$ -	$ 32,841	$ -
Cash dividends	79,445	0.60	264,816	2.00
Total	$ 92,956	$ 0.60	$ 297,657	$ 2.00

(21) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 2,651,386	$ 2,267,585

A. Disaggregation of revenue from contracts with customers

Revenue of the Group can be disaggregated as follows:

	Year ended December 31,	
	2021	2020
Total segment revenue - semiconductor business	$ 2,656,741	$ 2,272,675
Inter-segment revenue	(5,355)	(5,090)
Revenue from external customer contracts	$ 2,651,386	$ 2,267,585
Timing of revenue recognition		
At a point in time	$ 126,187	$ 115,350
Over time	2,525,199	2,152,235
	$ 2,651,386	$ 2,267,585

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets	$ 77,591	$ 128,884	$ 171,059
Contract liabilities - advance sales receipts	$ 157	$ 32,642	$ 12,988

	Year ended December 31,	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 32,642	$ 6,019

(22) Interest income

	Year ended December 31,	
	2021	2020
Interest income from bank deposits	$ 1,042	$ 2,976
Interest income from financial assets measured at amortised cost	98	128
Other interest income	7	8
	1,147	3,112
Less: Interest income from the discontinued operations	(18)	(24)
	$ 1,129	$ 3,088

(23) Other income

	Year ended December 31,	
	2021	2020
Rent income	$ 1,218	$ 1,146
Income from counter-party default	-	40,671
Other income, others	13,467	13,010
	14,685	54,827
Less: Other income from the discontinued operations	(12,296)	(7,966)
	$ 2,389	$ 46,861

(24) Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	$ 1,406	$ 3,777
Gains on disposals of investments (Note 6(6))	53,524	-
Foreign exchange losses	(18,390)	(19,363)
Gains on financial assets (liabilities) at fair value through profit or loss	12,707	4,800
Impairment loss recognised in profit or loss, property, plant and equipment	(1,960)	(2,143)
Reversal of impairment loss (Impairment loss) recognised in profit or loss, intangible assets other than goodwill	101	(541)
Losses on financial liabilities at amortised cost	(73)	-
Other gains and losses(Note 10)	15,821	6,859
	63,136	(6,611)
Less: Other gains and losses from the discontinued operations	(15,917)	(4,278)
	$ 47,219	($ 10,889)

(25) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Borrowings from financial institutions	$ 3,269	$ 12,585
Bonds payable	15,335	15,145
Lease liabilities	4,267	4,124
Provisions - unwinding of discount	1,160	1,132
	24,031	32,986
Less: Finance costs of the discontinued operations	(3,109)	(3,067)
	$ 20,922	$ 29,919

(26) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expense	$ 878,011	$ 769,324
Depreciation charges	549,632	477,189
Amortisation charges on intangible assets	17,026	17,972
	1,444,669	1,264,485
Less: Expenses of the discontinued operations	(116,842)	(121,960)
	$ 1,327,827	$ 1,142,525

(27) Employee benefit expense

	Year ended December 31, 2021	Year ended December 31, 2020
Wages and salaries	$ 733,554	$ 638,966
Labour and health insurance fees	66,794	58,935
Pension costs	29,881	29,251
Other personnel expenses	47,782	42,172
	878,011	769,324
Less: Expenses of the discontinued operations	(84,201)	(86,069)
	$ 793,810	$ 683,255

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $43,888 and $12,860, respectively; while directors' remuneration was accrued at $5,852 and $2,572, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on 15% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense (benefit)

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

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax:		
Current tax on profits for the year	$ 12,450	$ 17,081
Tax on undistributed surplus earnings	-	1,537
Prior year income tax under (over)estimation	3,942	(36,176)
Total current tax	16,392	(17,558)
Deferred tax:		
Origination and reversal of temporary differences	(9,197)	(3,825)
Total deferred tax	(9,197)	(3,825)
Income tax expense (benefit)	$ 7,195	($ 21,383)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Remeasurement of defined benefit obligations	($ 413)	$ 139

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate	$ 40,123	$ 9,300
Effect from items (allowed) disallowed by tax regulation	(30,075)	9,177
Tax exempt income by tax regulation	(2,329)	(1,145)
Temporary difference not recognised as deferred tax assets	(1,644)	2,064
Taxable loss not recognised as deferred tax assets	11,155	12,415
Prior year income tax under (over) estimation	3,942	(36,176)
Effect from investment tax credits	(16,002)	(18,555)
Tax on undistributed surplus earnings	-	1,537
Effect from Alternative Minimum Tax	2,025	-
Income tax expense (benefit)	$ 7,195	($ 21,383)

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

2021	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences:				
Loss on slow-moving inventories and valuation loss	$ 7,477	$ 1,481	$ -	$ 8,958
Discount on bonds payable	3,425	3,067	-	6,492
Unused compensated absence	717	(178)	-	539
Seniority bonus	2,304	185	-	2,489
Decommissioning liabilities	2,692	408	-	3,100
Pensions	3,764	(203)	413	3,974
Unrealised loss (gain) on valuation of financial assets	73	(73)	-	-
Unrealised exchange loss (gain)	(223)	443	-	220
Investment tax credits	-	5,577	-	5,577
Subtotal	20,229	10,707	413	31,349
- Deferred tax liabilities:				
Unrealised gain on valuation of financial liabilities	-	(1,510)	-	(1,510)
Total	$ 20,229	$ 9,197	$ 413	$ 29,839

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences:				
Loss on slow-moving inventories and valuation loss	$ 6,806	$ 671	$ -	$ 7,477
Discount on bonds payable	396	3,029	-	3,425
Unused compensated absence	653	64	-	717
Seniority bonus	2,008	296	-	2,304
Decommissioning liabilities	2,487	205	-	2,692
Pensions	4,023	(120)	(139)	3,764
Unrealised loss (gain) on valuation of financial assets	(212)	285	-	73
Unrealised exchange loss (gain)	382	(605)	-	(223)
Total	$ 16,543	$ 3,825	($ 139)	$ 20,229

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets for the subsidiary, Phoenix Battery Corporation, are as follows:

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2017	Amount assessed	$ 43,243	$ 43,243	2027
2018	Amount assessed	150,289	150,289	2028
2019	Amount filed	44,286	44,286	2029
2020	Amount filed	62,077	62,077	2030

E. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2021			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Investments in smart machinery and the fifth-generation mobile system	$ 5,577	$ -	2020-2022

There were no such transactions as of December 31, 2020.

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	$ -	$ 97,352

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

Authority.

(29) Earnings per share

	Year ended December 31, 2021		
Basic earnings per share	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 259,718	140,352	$ 1.85
Loss from discontinued operations attributable to the parent	(24,064)		(0.17)
Profit attributable to ordinary shareholders of the parent	$ 235,654		$ 1.68
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 259,718	140,352	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	11,948	14,608	
Employees' compensation	-	788	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	271,666	155,748	$ 1.74
Loss from discontinued operations attributable to the parent	(24,064)		(0.15)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 247,602		$ 1.59

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 182,176	140,352	$ 1.30
Loss from discontinued operations attributable to the parent	(47,623)		(0.34)
Profit attributable to ordinary shareholders of the parent	$ 134,553		$ 0.96
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 182,176	140,352	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	12,036	13,587	
Employees' compensation	-	401	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	194,212	154,340	$ 1.26
Loss from discontinued operations attributable to the parent	(47,623)		(0.31)
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 146,589		$ 0.95

(30) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

Subsidiary of the Group, Phoenix Battery Corporation, increased its capital by issuing new shares on November 15, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest by 38.09%. The transaction increased non-controlling interest by $145,065 and increased the equity attributable to owners of parent by $54,935. The effect of changes in interests in Phoenix Battery Corporation on the equity attributable to owners of the parent for the year ended December 31, 2021 is shown below:

	Year ended December 31, 2021
Cash	$ 200,000
Increase in the carrying amount of non-controlling interest	(145,065)
Capital surplus	
- recognition of changes in ownership interest in subsidiaries	$ 54,935

B. Disposal of subsidiaries

The Group had no substantial control over the Phoenix Battery Corporation starting from December 29, 2021 (please refer to Note 4(3)B.Note) and resulted in a decrease in the non-controlling interest by $140,035.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31	
	2021	2020
Purchase of property, plant and equipment	$ 1,433,956	$ 899,641
Add: Opening balance of payable on equipment	48,390	107,184
Add: Ending balance of prepayments for equipment	334,257	87,052
Less: Ending balance of payable on equipment	(92,918)	(48,390)
Less: Opening balance of prepayments for equipment	(87,052)	(103,243)
Less: Capitalisation of interest	(7,629)	-
Less: Credits of income from counter-party default	-	(28,912)
Cash paid during the year	$ 1,629,004	$ 913,332

	Year ended December 31	
	2021	2020
Purchase of intangible assets	$ 17,888	$ 14,781
Add: Ending balance of prepayments	3,946	-
Cash paid during the year	$ 21,834	$ 14,781

B. The Group lost control over the subsidiary, Phoenix Battery Corporation, on December 29, 2021 (please refer to Note 4(3)B.Note). The details of the consideration received from the transaction (including cash and cash equivalents) and assets and liabilities relating to the subsidiary are as follows:

	December 31, 2021
Cash	$ 169,407
Current financial assets at amortised cost	5,000
Accounts receivable (including related parties)	13,877
Inventories	113,727
Other current assets	5,360
Property, plant and equipment	73,921
Right-of-use assets	11,601
Other non-current assets	8,368
Short-term borrowings	(40,650)
Current contract liabilities	(13,152)
Accounts payable (including related parties)	(9,858)
Other payables	(19,381)
Other current liabilities	(1,614)
Long-term borrowings (including current portion)	(79,275)
Non-current provisions	(8,287)
Lease liabilities (including current portion)	(12,126)
	$ 216,918

(32) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 30,000	$ 978,644	$ 1,002,694	$ 248,945	$ 1,032	$ 2,261,315
Changes in cash flow from financing activities	10,650	(5,426)	978,311	(15,624)	(22)	967,889
Interest paid on lease liabilities	-	-	-	(4,267)	-	(4,267)
Amortisation of interest expense on lease liabilities	-	-	-	4,267	-	4,267
Increase in lease liabilities	-	-	-	102,202	-	102,202
Decrease in lease modification	-	-	-	(38)	-	(38)
Amortisation of interest expense on bonds payable	-	15,335	-	-	-	15,335
Adjustment for exercise of put options	-	73	-	-	-	73
Transfers out due to changes in consolidated entities	(40,650)	-	(79,275)	(7,986)	-	(127,911)
At December 31	$ -	$ 988,626	$ 1,901,730	$ 327,499	$ 1,010	$ 3,218,865

	2020					
	Short-term borrowings	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 36,346	$ 963,499	$ 1,019,808	$ 225,795	$ 888	$ 2,246,336
Changes in cash flow from financing activities	(6,346)	-	(17,114)	(14,525)	144	(37,841)
Interest paid on lease liabilities	-	-	-	(4,124)	-	(4,124)
Amortisation of interest expense on lease liabilities	-	-	-	4,124	-	4,124
Increase in lease liabilities	-	-	-	37,675	-	37,675
Amortisation of interest expense on bonds payable	-	15,145	-	-	-	15,145
At December 31	$ 30,000	$ 978,644	$ 1,002,694	$ 248,945	$ 1,032	$ 2,261,315

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Phoenix Battery Corporation (Note)	Associate
All directors, president, vice presidents	Key management compensation

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. In addition, the investee re-elected its directors and supervisors at its first shareholders' special meeting on December 29, 2021. Although the Company is the single largest shareholder of the investee, its new directors and supervisors were not appointed by the Company and other major shareholders hold more shares than the Company, which indicates that the Company has no current ability to direct the relevant activities of the investee, the Company has no control over the investee and the relationship of the investee with the Company is changed from a subsidiary to an associate.

(2) Significant related party transactions

A. Receivables from related parties:

	December 31, 2021	December 31, 2020
Purchases of goods:		
Phoenix Battery Corporation	$ 331	$ -

The receivables from related parties arise mainly from sales of supplies. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

B. Payables to related parties:

	December 31, 2021	December 31, 2020
Other payables:		
Phoenix Battery Corporation	$ 5	$ -

(3) Key management compensation

	Year ended December 31,	
	2021	2020
Short-term employee benefits	$ 35,341	$ 28,438
Post-employment benefits	853	1,070
	$ 36,194	$ 29,508

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2021	December 31, 2020	Purpose
Time deposits (shown as 'non-current financial assets at amortised cost')	$ 2,000	$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,417	10,417	Guarantee for land lease in science park
Reserve account (shown as 'current financial assets at amortised cost')	-	3,000	Short-term borrowings
Buildings and structures	1,038,803	954,223	Long-term borrowings
Machinery and equipment (including 'equipment under acceptance')	246,847	371,093	Long-term borrowings
	$ 1,298,067	$ 1,340,733	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 2,386,646	$ 356,550

B. As of December 31, 2021 and 2020, the Group's total unused letters of credit for the import of equipment and inventory were approximately $0 and $7,400, respectively.

10. Significant Disaster Loss

The leased plant (mainly used for battery cell production) of the Group's subsidiary, Phoenix Battery Corporation, located on Zhonghua Rd., Hsinchu City was damaged by a fire that occurred on May 7, 2018, resulting in damage in certain plant, equipment and inventories. As of December 31, 2021, loss arising from the fire was $103,482 (including loss on equipment of $29,296, loss on inventories of $53,233, actual post-disaster repair expenses of $11,953 and actual loss on compensation for enhancing the building claimed by the landlord amounting to $9,000). As of December 31, 2021, Phoenix Battery Corporation had accumulatively received $126,273 of insurance compensation, as it had purchased property insurance and had actively negotiated with the insurance company for the claims. Phoenix Battery Corporation recognised other (losses) gains amounting to ($18,368), $11,629,$8,701 and $20,829 under other gains and losses for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. The aforementioned repair compensation and claim had been fully settled.

In addition, as the abovementioned fire incident had also caused damage to other floors, some users, their owners and the management committee requested Phoenix Battery Corporation for compensation for damage. As of December 31, 2021, net loss on compensation was $5,400. Phoenix Battery Corporation recognised other losses amounting to $0, $3,882 and $1,518 under other gains and losses for the years ended December 31, 2018, 2019 and 2020, respectively. Phoenix Battery Corporation had purchased relevant commercial general liability insurance with an insured amount of US$1 million and had fully settled the compensation for this part.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio at a reasonable level of risks and to adjust according to the future operating strategy. The gearing ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 2,890,356	$ 2,011,338
Less: Cash and cash equivalents	(1,081,999)	(1,140,746)
Net debt	1,808,357	870,592
Total equity	2,517,056	2,323,896
Total capital	$ 4,325,413	$ 3,194,488
Gearing ratio	41.81%	27.25%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 17,750	$ 595
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,081,999	$ 1,140,746
Financial assets at amortised cost	12,417	15,917
Notes receivable	185	100
Accounts receivable (including related parties)	463,281	359,570
Other receivables	2,733	2,020
Guarantee deposits paid	2,968	7,882
	$ 1,563,583	$ 1,526,235
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	$ -	$ 1,258
Financial liabilities at amortised cost		
Short-term borrowings	$ -	$ 30,000
Accounts payable	153,441	149,408
Other payables (including related parties)	373,739	300,872
Bonds payable (including current portion)	988,626	978,644
Long-term borrowings (including current portion)	1,901,730	1,002,694
Guarantee deposits received	1,010	1,032
	$ 3,418,546	$ 2,462,650
Lease liabilities (including current portion)	$ 327,499	$ 248,945

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

ii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(12).

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

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 20,158	27.67	$ 557,772
JPY:NTD	1,983	0.2406	477
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	$ 1,697	27.67	$ 46,956
JPY:NTD	117,384	0.2406	28,243
Non-monetary items: None			

	December 31, 2020				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	15,163	28.48	$	431,839
JPY:NTD		208,579	0.2767		57,703
Non-monetary items: None					
Financial liabilities					
Monetary items					
USD:NTD	$	1,570	28.48	$	44,707
JPY:NTD		4,704	0.2767		1,302
Non-monetary items: None					

iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to ($18,390) and ($19,363), respectively.

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

	Year ended December 31, 2021				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	5,578	$	-
JPY:NTD	1%		5		-
Non-monetary items: None					
Financial liabilities					
Monetary items					
USD:NTD	1%	($	470)	$	-
JPY:NTD	1%	(	282)		-
Non-monetary items: None					

	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,318	$ -
JPY:NTD	1%	577	-
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 447)	$ -
JPY:NTD	1%	(13)	-
Non-monetary items: None			

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars. The long-term corporate bonds with fixed rate issued by the Group are not exposed to interest rate risk and fair value interest rate risk.

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

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by $4,754 and $2,581, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

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

ii. The Group regularly monitors and reviews its credit limits based on market conditions and the credit status of its counterparties and makes timely adjustments to manage credit risk. The Group only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.

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

iv. The Group considers that a default has occurred when the contract payments are not expected to be recovered and are transferred to overdue receivables.

v. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Group applies the modified approach using loss rate methodology to estimate the expected credit loss.

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

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

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

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

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets, notes receivable and other receivables. On December 31, 2021 and 2020, the loss rate methodology is as follows:

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
December 31, 2021						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 543,790	$ -	$ -	$ -	$ -	$ 543,790
Loss allowance	$ -	$ -	$ -	-	$ -	$ -

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
December 31, 2020	0~1%	25%	50%	75%	100%	
Expected loss rate	$ 490,473	$ -	$ -	$ 405	$ -	$ 490,878
Total book value	$ -	$ -	$ -	$ 304	$ -	$ 304

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, accounts receivable due from related parties, contract assets and other receivables are as follows:

	2021
	Accounts receivable
At January 1	$ 304
Provision for impairment	101
Reversal of impairment loss	(405)
At December 31	$ -

	2020
	Accounts receivable
At January 1	$ 47
Provision for impairment	304
Reversal of impairment loss	(47)
At December 31	$ 304

ix. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2021	December 31, 2020
	12 months	12 months
Financial assets at amortised cost	$ 12,417	$ 15,917

(c) Liquidity risk

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

ii. Group treasury invests surplus cash held by the Group over and above balance required for working capital management in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Group held money market position of $1,081,677 and $1,138,880, respectively, and current financial assets at amortised cost of $0 and $3,500, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii The Group has the following undrawn borrowing facilities:

	December 31, 2021	December 31, 2020
Floating rate:		
Expiring within one year	$ 780,635	$ 1,462,116
Expiring beyond one year	618,110	1,218,800
Fixed rate:		
Expiring within one year	-	-
Expiring beyond one year	-	-
	$ 1,398,745	$ 2,680,916

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

December 31, 2021	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Accounts payable	$ 153,441	$ -	$ -	$ -
Other payables	182,031	1,162	-	-
Lease liability	8,189	8,189	16,258	372,115
Bonds payable	-	1,002,078	-	-
Long-term borrowings (including current portion)	127,818	52,755	477,239	1,287,578
Guarantee deposits received	-	-	874	136
Derivative financial liabilities: None				

December 31, 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 30,170	$ -	$ -	$ -
Accounts payable	149,408	-	-	-
Other payables	150,889	120	-	-
Lease liability	9,115	9,126	17,768	268,038
Bonds payable	-	1,007,519	-	-
Long-term borrowings (including current portion)	129,290	117,194	123,634	662,907
Guarantee deposits received	-	-	910	122
Derivative financial liabilities:				
Forward exchange contracts	1,058	-	-	-
Convertible bonds Call/put options	200	-	-	-

(d) The impact of the Covid-19 pandemic on the Group's operation

The Covid-19 pandemic had no significant impact on the Group's ability to continue as a going concern, impairment of assets and financing risks based on the Group's assessment of relevant operational and financial information.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 17,100	$ -	$ -	$ 17,100
Forward exchange contracts	-	550	-	550
Convertible bonds				
Call/put options	-	-	100	100
Total	$ 17,100	$ 550	$ 100	$ 17,750
Liabilities				
Recurring fair value measurements: None				

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 595	$ -	$ 595
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,058	$ -	$ 1,058
Convertible bonds				
Call/put options	-	-	200	200
	$ -	$ 1,058	$ 200	$ 1,258

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

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

	Listed shares
Market quoted price	Closing price

ii. The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

C. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Convertible bonds	Convertible bonds
At January 1	$ 200	$ 300
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	(300)	(100)
At December 31	($ 100)	$ 200
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2021 (Note)	($ 300)	($ 100)

Note: Recorded as non-operating income and expenses.

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

F. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 by the external valuer, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bonds Call/put options	($ 100)	Binary tree valuation model	Volatility	45.15%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31. 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bonds Call/put options	$ 200	Binary tree valuation model	Volatility	45.77%	The higher the stock price volatility, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Convertible bonds Call/put options	Volatility	±5%	$ 10	$ -	$ -	$ -

	Input	Change	December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Convertible bonds Call/put options	Volatility	±5%	$ 30	$ (20)	$ -	$ -

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 3.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: The Group entered into a forward foreign exchange contract with financial institution for the year ended December 31, 2021 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net profit arising from trading in forward foreign exchange contract for the year ended December 31, 2021 was approximately $4,694.

J.Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 4.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. Reportable operating segments of the Group are strategic business units that provide various products and services. As each strategic business unit requires different technologies and marketing strategies, it must be managed separately. The Group has two reportable operating segments: semiconductor business and power business.

(2) Measurement of segment information

The Board of Directors evaluates the performance of individual operating segment based on profit (loss) after tax of individual strategic business unit. This measurement basis is in agreement with the significant accounting policies summarised in Note 4.

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

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

Year ended December 31, 2021	Semiconductor business	Power business (discontinued operation)	Total
Revenue from external customers	$ 2,656,741	$ 194,059	$ 2,850,800
Inter-segment revenue	(5,355)	(225)	(5,580)
Total segment revenue	$ 2,651,386	$ 193,834	$ 2,845,220
Segment income (loss)	$ 255,174	($ 37,711)	$ 217,463
Segment income (loss), including:			
Interest income	$ 1,129	$ 18	$ 1,147
Interest expense	$ 20,922	$ 3,109	$ 24,031
Depreciation and amortisation	$ 534,017	$ 32,641	$ 566,658
Expense of income tax	$ 7,195	$ -	$ 7,195
Segment assets	$ 6,327,979	$ -	$ 6,327,979
Other increasing (decreasing) amount of non-current assets (not including financial instrument and deferred income tax)	$ 1,265,088	$ -	$ 1,265,088
Segment liabilities	$ 3,810,923	$ -	$ 3,810,923

Year ended December 31, 2020	Semiconductor business	Power business (discontinued operation)	Total
Revenue from external customers	$ 2,272,675	$ 174,781	$ 2,447,456
Inter-segment revenue	(5,090)	(190)	(5,280)
Total segment revenue	$ 2,267,585	$ 174,591	$ 2,442,176
Segment income (loss)	$ 178,038	($ 62,480)	$ 115,558
Segment income (loss), including:			
Interest income	$ 3,088	$ 24	$ 3,112
Interest expense	$ 29,919	$ 3,067	$ 32,986
Depreciation and amortisation	$ 459,270	$ 35,891	$ 495,161
Expense of income tax	($ 21,383)	$ -	($ 21,383)
Segment assets	$ 4,845,630	$ 277,699	$ 5,123,329
Other increasing (decreasing) amount of non-current assets (not including financial instrument and deferred income tax)	$ 467,523	($ 31,585)	$ 435,938
Segment liabilities	$ 2,579,758	$ 219,675	$ 2,799,433

(4) Reconciliation for segment income (loss), assets and liabilities

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

(5) Information on products and services

Please refer to Note 6 (21) for the related information.

(6) Geographical information

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

	Years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 2,315,860	$ 4,328,456	$ 1,929,579	$ 3,181,369
Others	335,526	-	338,006	-
Total	$ 2,651,386	$ 4,328,456	$ 2,267,585	$ 3,181,369

(7) Major customer information

Revenue of the Group for the year ended December 31, 2021 amounted to $2,845,220, of which $1,541,497 and $288,352 were derived from the Group's largest customers, customer A and customer B, respectively. Apart from this, there was no other revenue from a single customer that accounts for more than 10% of the Group's total revenue.

Revenue of the Group for the year ended December 31, 2020 amounted to $2,442,176, of which $1,178,508 and $233,249 were derived from the Group's largest customers, customer A and customer B, respectively. Apart from this, there was no other revenue from a single customer that accounts for more than 10% of the Group's total revenue.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
LOANS TO OTHERS
YEAR ENDED DECEMBER 31, 2021

Table 1

Expressed in thousands to NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021	Ending Balance	Actual amount drawn down	Interest rate range	Nature of loan (Note 2)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for losses	Name	Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Note
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	Other receivables due from related parties	Y	$5,000	$ -	$ -	2.366%	2	$ -	Operating capital	$ -	Inventories	$10,000	$503,411	$755,117	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’. The same company will have the same number.

Note 2: Details of the nature of the loan as follows:
(1) Business transaction is 1.
(2) Demand for short-term financing is 2.

Note 3:Limit on the total amount of loans and loans to individuals are as follows:
(1)The ceiling on total loans to others is 40% of the Company's net assets.
(2) For business relationship, the limit amount for a single party shall not exceed 10% of the net assets value of the Company. Financial limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower. Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing.
(3)The ceiling on total loans granted to others related to short-term financing is 30% of the the Company’s net assets. The limit on loans granted to a single party is 20% of the Company's net assets.
(4)The Company provides loans to subsidiaries or loans between subsidiaries, except for the resolution of the Board of Directors that can authorise the chairman to provide loans to individual at specific amount after resolv the Board of Directors and loans in instalment within one year or redraw. Aforementioned specific amount can not exceed 10% of the Company’s net assets, except if it meets the requirements of Article 5.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2021

Table 2

Expressed in thousands to NTD
(Except as otherwise indicated)

				Ending Balance				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Shares	Book value	Percentage of ownership	Fair Value	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Stock	Wafer Technology Co., Ltd.	Current financial assets at fair value through profit or loss	200,000	$ 17,100	0.04	$ 17,100	

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
ACQUISITION OF REAL ESTATE REACHING NT$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
YEAR ENDED DECEMBER 31, 2021

Table 3

Expressed in thousands to NTD
(Except as otherwise indicated)

							If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:						
Real estate acquired by	Real estate acquired	Transaction date or date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
PHOENIX SILICON INTERNATIONAL CORPORATION	Buildings and structures	110/3/16	$ 490,000	Pays in accordance with the contract terms	AUO CRYSTAL CORP.	Non-related parties	-	-	-	-	Appraisal report of property and market price	For operation	None

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS
YEAR ENDED DECEMBER 31, 2021

Table 4

Expressed in thousands to NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2 and 6)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	1	Sales revenue	$ 5,355	At sales price and conditions available to the third party	0.20%
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	1	rental revenue	3,912	At transaction price and conditions available to the third party	0.15%

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

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

Note 3: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Only amounts exceeding $1 million will be disclosed.

Note 6: On November 15, 2021, Phoenix Battery Corporation increased capital by issuing new shares, but the Company did not acquire shares proportionally to the Company’s interest. As a result, the Company’s ownership of Phoenix Battery Corporation dropped from 71.51% to 33.42%. In addition, on December 29, 2021, Phoenix Battery Corporation re-elected its directors and supervisors, the Company was the first major shareholder of Phoenix Battery Corporation, however, the new directors and supervisors were not appointed by the Company and the total shareholding ratio of other major shareholders exceeded the Company, this showed that the Company has no actual conduct ability to related event. Thus, starting from the date, the Company lost control over this company which was classified as associates instead of subsidiary.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2021

Table 5

Expressed in thousands to NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2021					
Investor	Name of investor	Location	Main business activities	Balance as at December 31, 2021	Balance as at December 31, 2020	Shares	Ownership (%)	Book value	Net income of investee as of December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix Battery Corporation	Taiwan	Battery manufacturing business	$ 125,500	$ 251,000	12,550,302	33.42	$ 125,503	($ 42,235)	($ 24,064)	

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2021

Table 6

	Share	
Name of major shareholders	Name of shares held	Percentage of ownership
Applied Materials,Inc.	16,140,909	11.50%

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR21000430

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation.

Opinion

We have audited the accompanying parent company only balance sh eets of Phoenix Silicon International

Corporation (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. Our responsibilities under those standards are further described in the Auditor's 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 Norm of Professional Ethics for Certified Public Accountant of 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 judgment, were of most significance in our audit of the 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 parent company only financial statements are stated as follows:

Accuracy of revenue recognition

Description

Please refer to Note 4(29) for accounting policies on revenue recognition and Note 6(19) for details of operating revenue account.

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaim, thinning and other services. Service revenue were derived from the transfer of services over time and satisfied performance obligation. The Company measured the completion degree of performance obligation with the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation as the basic determination. Considering the estimates of expected total cost were uncertain and will affect the accuracy of revenue recognition based on the completion degree of performance obligation of unfinished orders, thus, we consider the accuracy of revenue recognition as a key audit matter.

How our audit addressed the matter

Our audit procedures in relation to the above key audit matter included :

Obtained an understanding and assessed the accounting policy of revenue recognition and tested the effectiveness of related internal control’s design and execution. Checked the related evidence and calculation of the completion degree measurement of performance obligation.

Audit of capitalisation of property, plant and equipment

<u>Description</u>

Please refer to Note 4(14) for accounting policies on property, plant and equipment and Note 6(7) for details of property, plant and equipment.
The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaim, thinning and other services. In order to continuously develop and build advanced technical capacity to satisfy customers' demand, the Group has to increase its capital expenditure. Considering the amount of capital expenditure of current year was material, thus, we consider the capitalisation of property, plant and equipment as a key audit matter.

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

Our audit procedures in relation to the above key audit matter included :

Evaluated and tested the effectiveness of related internal control of the timing of additions and recognition of depreciation of property, plant and equipment. Sampled and verified related purchase orders, invoices and others to confirm that the transaction has been adequately approved and the accuracy of accounted amount is correct. Sampled the acceptance report to confirm that the assets have reached usable state and whether the timing of listing into general inventory and recognising depreciation were adequate.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
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 auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause 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 control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Liu, Chien-Yu	Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan
February 23, 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.

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,081,999	17	$ 1,124,579	23
1110	Financial assets at fair value through profit or loss - current	6(2)	17,750	-	595	-
1136	Current financial assets at amortised cost	6(3)	-	-	500	-
1140	Current contract assets	6(19)	77,591	1	128,884	3
1150	Notes receivable, net	6(4)	185	-	100	-
1170	Accounts receivable, net	6(4)	462,950	8	332,330	7
1180	Accounts receivable - related parties	6(4) and 7	331	-	662	-
1200	Other receivables		2,733	-	2,020	-
1210	Other receivables - related parties	7	-	-	252	-
1220	Current income tax assets		-	-	2,274	-
130X	Inventories	6(5)	165,659	3	143,001	3
1410	Prepayments		16,510	-	10,566	-
1470	Other current assets		1,578	-	1,799	-
11XX	**Current Assets**		1,827,286	29	1,747,562	36
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(3) and 8	12,417	-	12,417	-
1550	Investments accounted for under equity method	6(6)	125,503	2	41,105	1
1600	Property, plant and equipment	6(7) and 8	3,635,757	57	2,718,023	56
1755	Right-of-use assets	6(8)	324,312	5	231,694	5
1780	Intangible assets		30,184	1	29,327	-
1840	Deferred income tax assets	6(26)	31,349	1	20,229	-
1900	Other non-current assets		341,171	5	87,292	2
15XX	**Non-current assets**		4,500,693	71	3,140,087	64
1XXX	**Total assets**		$ 6,327,979	100	$ 4,887,649	100

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021 AMOUNT	%	December 31, 2020 AMOUNT	%
	Current liabilities					
2120	Financial liabilities at fair value through profit or loss - current	6(10)	$ -	-	$ 1,258	-
2130	Current contract liabilities	6(19)	157	-	1,040	-
2170	Accounts payable		153,441	3	129,285	3
2200	Other payables	6(11)	373,734	6	260,132	5
2220	Other payables - related parties	6(11) and 7	5	-	-	-
2230	Current income tax liabilities		12,440	-	-	-
2280	Current lease liabilities		11,462	-	7,660	-
2320	Long-term liabilities, current portion	6(12)(13)	1,156,060	18	1,191,363	25
2399	Other current liabilities, others		1,861	-	1,034	-
21XX	**Current Liabilities**		1,709,160	27	1,591,772	33
	Non-current liabilities					
2540	Long-term borrowings	6(13)	1,734,296	27	715,040	14
2550	Provisions for liabilities - non-current	6(15)	16,600	-	14,892	-
2570	Deferred tax liabilities	6(26)	1,510	-	-	-
2580	Non-current lease liabilities		316,037	5	227,013	5
2600	Net defined benefit liability - non-current	6(14)	33,320	1	31,367	1
25XX	**Non-current liabilities**		2,101,763	33	988,312	20
2XXX	**Total Liabilities**		3,810,923	60	2,580,084	53
	Equity					
	Share capital	6(16)				
3110	Share capital - common stock		1,403,525	22	1,324,080	27
	Capital surplus	6(17)				
3200	Capital surplus		610,258	10	634,768	13
	Retained earnings	6(18)				
3310	Legal reserve		141,374	2	127,863	3
3350	Unappropriated retained earnings		361,899	6	220,854	4
3XXX	**Total equity**		2,517,056	40	2,307,565	47
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
3X2X	**Total liabilities and equity**		$ 6,327,979	100	$ 4,887,649	100

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

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(19) and 7	$ 2,656,741	100	$ 2,272,675	100
5000	Operating costs	6(5)(24)(25) and 7	(1,990,099)	(75)	(1,737,472)	(77)
5950	Net operating margin		666,642	25	535,203	23
	Operating expenses	6(24)(25)				
6100	Selling expenses		(36,034)	(1)	(37,797)	(1)
6200	General and administrative expenses		(265,894)	(10)	(220,743)	(10)
6300	Research and development expenses		(132,689)	(5)	(129,086)	(6)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	304	-	(257)	-
6000	Total operating expenses		(434,313)	(16)	(387,883)	(17)
6900	Operating profit		232,329	9	147,320	6
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	1,145	-	3,088	-
7010	Other income	6(21) and 7	7,142	-	51,194	2
7020	Other gains and losses	6(22)	47,219	2	(10,890)	-
7050	Finance costs	6(23)	(20,922)	(1)	(29,919)	(1)
7070	Share of loss of associates and joint ventures accounted for using equity method, net	6(6)	(24,064)	(1)	(47,623)	(2)
7000	Total non-operating income and expenses		10,520	-	(34,150)	(1)
7900	**Profit before income tax**		242,849	9	113,170	5
7950	Income tax (expense) benefit	6(26)	(7,195)	-	21,383	1
8200	**Profit for the year**		$ 235,654	9	$ 134,553	6
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(14)	($ 2,066)	-	$ 697	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	413	-	(139)	-
8300	**Other comprehensive (loss) income for the year, net of tax**		($ 1,653)	-	$ 558	-
8500	**Total comprehensive income for the year**		$ 234,001	9	$ 135,111	6
	Basic earnings per share	6(27)				
9750	Basic earnings per share		$	1.68	$	0.96
	Diluted earnings per share	6(27)				
9850	Diluted earnings per share		$	1.59	$	0.95

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

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings		
	Notes	Share capital - common share	Capital surplus, additional paid-in capital	Legal reserve	Unappropriated retained earnings	Total equity
Year 2020						
Balance at January 1, 2020		$ 1,324,080	$ 634,768	$ 95,022	$ 383,400	$ 2,437,270
Profit		-	-	-	134,553	134,553
Other comprehensive income		-	-	-	558	558
Total comprehensive income		-	-	-	135,111	135,111
Distribution of 2019 earnings:	6(18)					
Legal reserve		-	-	32,841	(32,841)	-
Cash dividends		-	-	-	(264,816)	(264,816)
Balance at December 31, 2020		$ 1,324,080	$ 634,768	$ 127,863	$ 220,854	$ 2,307,565
Year 2021						
Balance at January 1, 2021		$ 1,324,080	$ 634,768	$ 127,863	$ 220,854	$ 2,307,565
Profit		-	-	-	235,654	235,654
Other comprehensive loss		-	-	-	(1,653)	(1,653)
Total comprehensive income		-	-	-	234,001	234,001
Distribution of 2020 earnings:	6(18)					
Legal reserve		-	-	13,511	(13,511)	-
Cash dividends		-	-	-	(79,445)	(79,445)
Capital Surplus Transferred to Capital	6(16)(17)	79,445	(79,445)	-	-	-
Changes in shares of affiliates and joint ventures recognized under the equity method	6(17)	-	54,935	-	-	54,935
Balance at December 31, 2021		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056

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

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 242,849	$ 113,170
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(24)	517,204	442,048
Amortization	6(24)	16,813	17,222
Expected credit impairment benefit / bad debt expenses	12(2)	(304)	257
Gain on financial assets at fair value through profit or loss	6(2)(10)(22)	(12,707)	(4,800)
Interest expense	6(23)	20,922	29,919
Interest income	6(20)	(1,145)	(3,088)
Share of profit or loss of investments accounted for using equity method	6(6)	24,064	47,623
Gain on disposals of property, plant and equipment	6(22)	(1,358)	(3,777)
Gain on disposal of investments accounted for using equity method	6(22)	(53,524)	-
Loss of financial assets at amortized cost	6(22)	73	-
Customer default payments with assets		-	(28,912)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial asset or financial liability at fair value through profit or loss		4,694	6,324
Contract assets		51,293	42,175
Notes receivable		(85)	56
Accounts receivable		(130,316)	13,935
Accounts receivable－related parties		331	409
Other receivables		(791)	(451)
Other receivables－related parties		252	582
Inventories		(22,658)	(7,608)
Prepayments		(5,944)	(1,887)
Other current assets		221	(302)
Changes in operating liabilities			
Contract liabilities		(883)	(2,355)
Accounts payable		24,156	2,547
Other payables		67,239	(70,247)
Other payables- related parties		5	-
Other current liabilities		827	641
Net defined benefit liability		(1,016)	(601)
Long-term payables		925	1,478
Cash inflow generated from operations		741,137	594,358
Interest received		1,223	3,238
Interest paid		(12,369)	(14,351)
Income tax paid		(1,678)	(37,357)
Net cash flows from operating activities		728,313	545,888

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		$ -	($ 2,123)
Proceeds from disposal of financial assets at amortized cost		500	-
Acquisition of financial assets at fair value through profit or loss	6(2)	(10,400)	-
Additions of investments accounted for using equity method	6(6)	(3)	-
Acquisition of property, plant and equipment	6(28)	(1,627,064)	(912,755)
Proceeds from disposal of property, plant and equipment		10,134	9,795
Acquisition of intangible assets	6(28)	(21,616)	(14,152)
Increase in refundable deposits		(2,668)	(1,673)
Decrease in refundable deposits		-	1,850
Net cash flows used in investing activities		(1,651,117)	(919,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		670,000	40,000
Decrease in short-term borrowings		(670,000)	(40,000)
Repayment of convertible corporate bonds	6(29)	(5,426)	-
Increase in long-term borrowings	6(29)	1,186,690	618,203
Repayment of long-term borrowings	6(29)	(212,719)	(616,580)
Increase in guarantee deposits	6(29)	78	290
Decrease in guarantee deposits	6(29)	(100)	(146)
Repayment of principal portion of lease liabilities	6(29)	(8,854)	(8,084)
Cash dividends paid	6(18)	(79,445)	(264,816)
Net cash flows from (used in) financing activities		880,224	(271,133)
Net decrease in cash and cash equivalents		(42,580)	(644,303)
Cash and cash equivalents at beginning of year	6(1)	1,124,579	1,768,882
Cash and cash equivalents at end of year	6(1)	$ 1,081,999	$ 1,124,579

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

PHOENIX SILICON INTERNATIONAL CORPORATION

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organisation

   Phoenix Silicon International Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) in March 1997 and has begun operations in June 1998. The Company is primarily engaged in the research, development, manufacture and sale of regenerative wafers, test wafers, product wafers, solar cells, energy storage lithium batteries and the import and export trade related to the Company's business.

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

   These parent company only financial statements were authorised for issuance by the Board of Directors on February 23, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

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

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan Dollar, which is the Company's functional currency.

Foreign currency transactions and balances

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

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

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses.

(4) Classification of current and non-current items

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

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

(b) Assets arising mainly for trading purposes;

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

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

All assets that do not meet the above criteria are classified as non-current assets.

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

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

(b) Assets arising mainly for trading purposes;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All liabilities that do not meet the above criteria are classified as non-current liabilities.

(5) Cash equivalents

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

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

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

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

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

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

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

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

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

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

(11) Leasing arrangements (lessor) － operating leases

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

(12) Inventories

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

(13) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls and entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to the ownership.

D. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

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

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

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

H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

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

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

K. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the parent company only financial statements.

(14) Property, plant and equipment

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

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

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structure	4 ~ 51 years
Machinery and equipment	2 ~ 10 years
Transportation equipment	5 ~ 6 years
Office equipment	3 ~ 6 years
Leased assets	6 years
Other equipment	3 ~ 6 years

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

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

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

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

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

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

(b) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-u e asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(16) Intangible assets

A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

B. Other intangible assets are line subsidies and other expenses are amortised using the straight-line method over 3 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Convertible bonds payable

Convertible bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

(a) The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

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

(c) The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

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

(e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable and 'financial assets or liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

(22) Derecognition of financial liabilities

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

(23) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognised as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(24) Provisions

Provisions (including warranties and decommissioning liabilities, etc.) are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

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

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

C. Employees' compensation and directors' remuneration

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

(26) Income taxes

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

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

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

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

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

(27) Share capital

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

(28) Dividends

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

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

A. Sales revenue

(a) The Company provides manufacturing and sales of semiconductor wafer and energy storage lithium batteries. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

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

B. Sales of services

The Company provides semiconductor subcontracting services and other related businesses. In the process of providing subcontracting services, the Company considers that:

(a) Customers control the raw materials they provided and the Company accepts instructions from customers for subcontracting services for the formerly disclosed assets.

(b) The Company may only use assets provided by customers and controlled by customers for subcontracting services to create or enhance such assets and may not convert such assets to other uses.

Since the customer owns the asset, assumes the significant risks and rewards of ownership and has the right to decide the disposal of the asset, the Company recognises revenue for subcontracting services based on the degree of completion of performance obligations during the service period.

The degree of completion of the Company's subcontracting services is determined based on the service costs actually incurred as a percentage of the estimated total service costs. The Company provides subcontracting services according to the specifications required by the customers and therefore the service costs incurred are not averaged over the period of service provision. The Company believes that the aforementioned approach is appropriate to measure the degree of completion of performance obligations to customers.

The customer pays the price of the subcontracting service according to the agreed payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Financing components

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was $165,659.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 322	$ 390
Demand deposits	1,081,677	754,589
Time deposits	-	369,600
	$ 1,081,999	$ 1,124,579

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

B. The Company has no cash and cash equivalents pledged to others. Pledged time deposits shown as financial assets at amortised cost, please refer to Note 8.

(2) Financial assets at fair value through profit or loss

items	December 31, 2021		December 31, 2020	
Current items:				
Financial assets mandatorily measured at fair value through profit or loss				
Listed stocks				
Derivative instruments	$	10,400	$	-
Convertible bonds/ put options		550		595
Value adjustment - Listed stocks	(	199)		-
Value adjustment - Listed stocks		6,700		-
Value adjustment - Convertible bonds/ put options		299		-
	$	17,750	$	595

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,			
	2021		2020	
Financial assets mandatorily measured at fair value through profit or loss				
Listed stocks	$	6,700	$	-
Derivative instruments		7,581		7,218
Convertible bonds/ put options		300		-
	$	14,581	$	7,218

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

(units: in thousands of shares)

Derivative financial assets for non-hedging	December 31, 2021		December 31, 2020	
	Contract amount (notional principal)	Contract period	Contract amount (notional principal)	Contract period
Current items:				
Forward exchange contracts	USD 5,900	2021.11.24~ 2022.02.11	USD 1,880	2020.11.11~ 2021.2.19

The Company entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits maturing over three months	$ -	$ 500
Non-current items：		
Pledged time deposits	$ 12,417	$ 12,417

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

	Years ended December 31,	
	2021	2020
Interest income	$ 97	$ 127

B. Details of the Company's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 185	$ 100
Accounts receivable	$ 462,950	$ 332,634
Less: Allowance for uncollectible accounts	-	(304)
	462,950	332,330
Accounts receivable – related parties	331	662
	$ 463,281	$ 332,992

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 462,366	$ 185	$ 329,613	$ 100
Up to 30 days	915	-	3,278	-
31 to 90 days	-	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	-	-	405	-
	$ 463,281	$ 185	$ 333,296	$ 100

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts and notes receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to $347,749.

C. The Company has no notes and accounts receivable pledged to others as collateral.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $185 and $100; $463,281 and $332,992, respectively.

E. As of December 31, 2021 and 2020, the Company held commercial papers provided by customers as collaterals for accounts receivable credit limits, both amounting to $11,000.

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

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 191,551	($ 44,582)	$ 146,969
Work in progress	2,717	(4)	2,713
Finished goods	16,184	(207)	15,977
Total	$ 210,452	($ 44,793)	$ 165,659

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Products	$ 157,313	($ 36,024)	$ 121,289
Raw materials	5,420	(32)	5,388
Work in progress	17,654	(1,330)	16,324
Total	$ 180,387	($ 37,386)	$ 143,001

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2021	2020
Cost of goods sold	$ 1,996,183	$ 1,748,166
Loss on decline in market value	7,407	3,357
Revenue from sales of scraps	(131)	(140)
Others	(13,360)	(13,911)
	$ 1,990,099	$ 1,737,472

(6) Investments accounted for under equity method

	2021	2021
At January 1	$ 41,105	$ 88,728
Addition of investments accounted for using equity method	53,527	-
Disposal of investments accounted for using equity method	(24,064)	(47,623)
Share of profit or loss of investments accounted for using equity method	54,935	-
At December 31	$ 125,503	$ 41,105

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

B. Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Company is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Company and the combined ownership of other substantial shareholders exceeds that of the Company, which indicates that the Company has no current ability to direct the relevant activities. Therefore, the Company lost control over the company from that date but has significant influence over the company, and the relationship with the Company was changed from a subsidiary to an associate. The Company recognised the retained 33.42% share of the investment as investment accounted for using equity method – associate at fair value on November 15, 2021, and recognised gain on disposal of investments of $53,524, and the company is no longer included in the Company's parent company only financial statements.

C. As of December 31, 2021, the carrying amount of the Company's individually immaterial associates amounted to $125,503.

(7) Property, plant and equipment

	2021							
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1								
Cost	$ 1,480,677	$ 3,311,360	$ 10,401	$ 21,271	$ 538	$ 71,222	$ 348,180	$ 5,243,649
Accumulated depreciation	(526,454)	(1,949,705)	(7,000)	(11,655)	(538)	(30,274)	-	(2,525,626)
	$ 954,223	$ 1,361,655	$ 3,401	$ 9,616	$ -	$ 40,948	$ 348,180	$ 2,718,023
At January 1	$ 954,223	$ 1,361,655	$ 3,401	$ 9,616	$ -	$ 40,948	$ 348,180	$ 2,718,023
Additions	637,758	218,672	-	489	-	4,569	572,181	1,433,669
Disposals	-	(8,776)	-	-	-	-	-	(8,776)
Reclassifications (transfers)	54,287	171,067	-	-	-	220	(225,574)	-
Depreciation charge	(121,739)	(368,035)	(1,029)	(3,718)	-	(12,638)	-	(507,159)
At December 31	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ 33,099	$ 694,787	$ 3,635,757
Cost	$ 2,012,590	$ 3,371,258	$ 9,172	$ 21,760	$ 110	$ 72,997	$ 694,787	$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	(110)	(39,898)	-	(2,546,917)
	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ 33,099	$ 694,787	$ 3,635,757

	2020							
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1								
Cost	$ 1,342,948	$ 2,935,465	$ 9,711	$ 37,854	$ 538	$ 67,275	$ 215,654	$ 4,609,445
Accumulated depreciation	(489,396)	(1,800,094)	(6,045)	(25,067)	(501)	(29,324)	-	(2,350,427)
	$ 853,552	$ 1,135,371	$ 3,666	$ 12,787	$ 37	$ 37,951	$ 215,654	$ 2,259,018
At January 1	$ 853,552	$ 1,135,371	$ 3,666	$ 12,787	$ 37	$ 37,951	$ 215,654	$ 2,259,018
Additions	169,694	401,711	690	940	-	13,213	311,163	897,411
Disposals	-	(6,018)	-	-	-	-	-	(6,018)
Reclassifications (transfers)	31,752	145,274	-	-	-	1,611	(178,637)	-
Depreciation charge	(100,775)	(314,683)	(955)	(4,111)	(37)	(11,827)	-	(432,388)
At December 31	$ 954,223	$ 1,361,655	$ 3,401	$ 9,616	$ -	$ 40,948	$ 348,180	$ 2,718,023
Cost	$ 1,480,677	$ 3,311,360	$ 10,401	$ 21,271	$ 538	$ 71,222	$ 348,180	$ 5,243,649
Accumulated depreciation	(526,454)	(1,949,705)	(7,000)	(11,655)	(538)	(30,274)	-	(2,525,626)
	$ 954,223	$ 1,361,655	$ 3,401	$ 9,616	$ -	$ 40,948	$ 348,180	$ 2,718,023

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

	Year ended December 31, 2021	Year ended December 31, 2020
Amount capitalised	$ 7,629	$ -
Range of the interest rates for capitalisation	1.12%~1.28%	None

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements－lessee

A. The Company leases various assets including land, buildings and business vehicles, Rental contracts are typically made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise employees' dorms, parking lots and warehouse. Low-value assets comprise furniture and fixtures and other equipment.

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

	December 31, 2021		December 31, 2020	
	Carrying amount		Carrying amount	
Land	$	322,927	$	230,867
Transportation equipment (Business vehicles)		1,385		827
	$	324,312	$	231,694

	Year ended December 31,			
	2021		2020	
	Depreciation charge		Depreciation charge	
Land	$	9,066	$	8,330
Transportation equipment (Business vehicles)		979		1,330
	$	10,045	$	9,660

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $102,701 and $37,675, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31,			
	2021		2020	
Items affecting profit or loss				
Interest expense on lease liabilities	$	3,973	$	3,709
Expense on short-term lease contracts		3,130		2,847
Expense on leases of low-value assets		552		316

F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were $16,509 and $14,956, respectively.

G. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Leasing arrangements – lessor

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the years ended December 31, 2021 and 2020, the Company recognised rent income in the amounts of $5,130 and $5,058, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	December 31, 2021	December 31, 2020
2021	$ -	$ 3,912
2022	3,913	3,913
2023	326	326
Total	$ 4,239	$ 8,151

(10) Financial liabilities at fair value through profit or loss

Items	December 31, 2021	December 31, 2020
Current items:		
Financial liabilities held for trading		
Derivative instruments	$ -	$ 1,058
Convertible bonds/ put options	-	200
Valuation adjustment	-	-
Total	$ -	$ 1,258

A. Amounts recognised in profit or loss and other comprehensive income in relation to financial liabilities at fair value through profit or loss are as follows:

	Year ended December 31,	
	2021	2020
Net gains (losses) recognised in profit		
Financial liabilities held for trading		
Derivative instruments	($ 1,874)	($ 2,518)
Convertible bonds/ put options	-	100
Total	($ 1,874)	($ 2,418)

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

(units: in thousands of shares)

Non-derivative financial liabilities	December 31, 2021 Contract amount (Notional principal)	December 31, 2021 Contract period	December 31, 2020 Contract amount (Notional principal)	December 31, 2020 Contract period
Current items:				
Forward foreign exchange	$ -		USD 5,500	2020.11.26 ~2021.2.4

The Company entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(11) Other payables

	December 31, 2021	December 31, 2020
Wages and salaries payable	$ 132,236	$ 103,062
Employees' compensation and directors' remuneration payable	58,310	31,769
Payable on machinery and equipment	92,918	46,677
Payable on repair expenses	24,810	24,453
Other accrued expenses	65,465	54,171
	$ 373,739	$ 260,132

(12) Bonds payable

	December 31, 2021	December 31, 2020
Bonds payable	$ 1,002,078	$ 1,007,519
Less: Discount on bonds payable	(13,452)	(28,875)
	988,626	978,644
Less: Current portion or exercise of put options	(988,626)	(978,644)
	$ -	$ -

A. Issuance of domestics convertible bonds by the Company

(a) The terms of the first unsecured convertible bonds issued by the Company are as follows:

The competent authority has approved the Company's first time raising and issuance of overseas unsecured corporate bonds. The bonds are with a total issuance amount of $1,000,000 thousand dollars and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from November 13, 2019 to November 13, 2022. The Company will redeem the bonds at the face value and pay in full amount using cash at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

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

(c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. As of December 31, 2021, the Company adjusted the conversion price to NTD 68.60 per share.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5001% of the interests compensation upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

(f) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is less than the conversion price by 10% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

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

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $132,294 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation is 1.56%.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note)	2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$ 37,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	219,190
Mid-term secured loan (Note)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	35,250
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,089,690
Unsecured borrowings	2019.6.27~2022.06.27 Repayment by installments and installments over the agreed period	Floating rate	None	520,000
				1,901,730
Less: Current portion				(167,434)
				$ 1,734,296
Annual interest rate range				0.55%~1.20%

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note)	2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$ 112,800
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	252,459
Mid-term secured loan (Note)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	62,000
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	403,000
Unsecured borrowings	2019.06.27~2022.06.27 Repayment by installments and installments over the agreed period	Floating rate	None	97,500
				927,759
Less: Current portion				(212,719)
				$ 715,040
Annual interest rate range				0.55%~1.20%

Information about collateral for long-term borrowing is provided in Note 8.

Note: According to the agreement, the Company should maintain a specific net liabilities ratio and ability of interest repayment every six months during the loan period.

(14) Pensions

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

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

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 42,165	$ 39,555
Fair value of plan assets	(22,300)	(20,740)
Net defined benefit liability	$ 19,865	$ 18,815

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

	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 39,555	($ 20,740)	$ 18,815
Current service cost	84	-	84
Interest expense (income)	198	(106)	92
	39,837	(20,846)	18,991
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(262)	(262)
Change in demographic assumptions	1,147	-	1,147
Change in financial assumptions	-	-	-
Experience adjustments	1,181	-	1,181
	2,328	(262)	2,066
Pension fund contribution	-	(1,192)	(1,192)
At December 31	$ 42,165	($ 22,300)	$ 19,865

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 39,226	($ 19,113)	$ 20,113
Current service cost	91	-	91
Interest expense (income)	343	(171)	172
	39,660	(19,284)	20,376
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(592)	(592)
Change in demographic assumptions	108	-	108
Change in financial assumptions	1,998	-	1,998
Experience adjustments	(2,211)	-	(2,211)
	(105)	(592)	(697)
Pension fund contribution	-	(864)	(864)
At December 31	$ 39,555	($ 20,740)	$ 18,815

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that Fund and therefore, the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2021	2020
Discount rate	0.500%	0.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,344)	$ 1,406	$ 1,343	($ 1,292)
December 31, 2020				
Effect on present value of defined benefit obligation	($ 1,348)	$ 1,413	$ 1,350	($ 1,296)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once.

The method utilised in sensitivity analysis is the same as the method utilised in calculating net pension liability on the balance sheet.

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

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to $1,428.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 12.9 years. The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	$	1,001
1-2 year(s)		1,402
2-5 years		8,673
5-10 years		4,821
	$	15,897

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

(b) For the aforementioned pension plan, the Company recognised pension costs of $26,416 and $25,469 for the years ended December 31, 2021 and 2020, respectively.

(15) Provisions

		Decommissioning liabilities
2021		
At January 1, 2021	$	14,892
Additional provisions		983
Unwinding of discount		725
At December 31, 2021	$	16,600

Analysis of total provisions:

	December 31, 2021		December 31, 2020	
Non-current	$	16,600	$	14,892

Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will start to be used within the next 5 to 40 years.

(16) Share capital

A. As of December 31, 2021, the Company's authorised capital was $4,000,000, consisting of 400,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,403,525 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

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

Unit: share

	2021	2020
At January 1	132,408,000	132,408,000
Capitalisation of capital surplus	7,944,480	-
At December 31	140,352,480	132,408,000

B. The capitalisation of capital surplus amounting to $79,445 was proposed by the Board of Directors on April 13, 2021, resolved by the shareholders on July 5, 2021 and approved by the regulatory authority on July 29, 2021. Its effective date was set on September 31, 2021 as resolved by the Board of Directors on August 6, 2021.

(17) Capital surplus

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

	2021		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1	$ 486,616	$ 15,858	$ 132,294
Capitalisation of capital surplus			
Changes in ownership interests in subsidiaries	(79,445)	-	-
At December 31	-	54,935	-
	$ 407,171	$ 70,793	$ 132,294

	2020		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1/December 31	$ 486,616	$ 15,858	$ 132,294

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reversed and the remainder, if any, along with prior year's undistributed earnings shall be resolved by the shareholders.

B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year, at least 10% of the Company's distributable earnings shall be appropriated as dividends and bonuses, and cash dividends and bonuses shall account for at least 50% of the total dividends and bonuses distributed.

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

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

E. The appropriations of 2020 and 2019 earnings as resolved by the shareholders at their meetings on July 5, 2021 and May 25, 2020 are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 13,511	$ -	$ 32,841	$ -
Cash dividends	79,445	0.60	264,816	2.00
Total	$ 92,956	$ 0.60	$ 297,657	$ 2.00

(19) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 2,656,741	$ 2,272,675

A. Disaggregation of revenue from contracts with customers

Revenue of the Company can be disaggregated as follows:

Year ended December 31, 2021	Semiconductor business	Battery	Total
Total segment revenue	$ 2,651,386	$ 5,355	$ 2,656,741
Inter-segment revenue	-	-	-
Revenue from external customer contracts	$ 2,651,386	$ 5,355	$ 2,656,741
Timing of revenue recognition			
At a point in time	$ 126,187	$ 5,355	$ 131,542
Over time	2,525,199	-	2,525,199
	$ 2,651,386	$ 5,355	$ 2,656,741

Year ended December 31, 2020	Semiconductor business	Battery	Total
Total segment revenue	$ 2,267,585	$ 5,090	$ 2,272,675
Inter-segment revenue	-	-	-
Revenue from external customer contracts	$ 2,267,585	$ 5,090	$ 2,272,675
Timing of revenue recognition			
At a point in time	$ 115,350	$ 5,090	$ 120,440
Over time	2,152,235	-	2,152,235
	$ 2,267,585	$ 5,090	$ 2,272,675

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract assets and liabilities:

	December 31, 2021	December 31, 2020	January 1, 2021
Contract assets	$ 77,591	$ 128,884	$ 171,059
Contract liabilities			
- advance sales receipts	$ 157	$ 1,040	$ 3,395

	Year ended December 31	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 1,040	$ 2,426

(20) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	$ 1,032	$ 2,961
Interest income from financial assets measured at amortised cost	97	127
Other interest income	16	-
	$ 1,145	$ 3,088

(21) Other income

	Year ended December 31 2021	Year ended December 31 2020
Rent income	$ 5,130	$ 5,058
Income from counter-party default	-	40,671
Other income, others	2,012	5,465
	$ 7,142	$ 51,194

(22) Other gains and losses

	Year ended December 31 2021	Year ended December 31 2020
Gains on disposals of property, plant and equipment	$ 1,358	$ 3,777
Gains on disposals of investments (Note 6(6))	53,524	-
Foreign exchange losses	(17,935)	(19,142)
Gains on financial assets (liabilities) at fair value through profit or loss	12,707	4,800
Losses on financial liabilities at amortised cost	(73)	-
Other gains and losses	(2,362)	(325)
	$ 47,219	($ 10,890)

(23) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Borrowings from financial institutions	$ 889	$ 10,367
Bonds payable	15,335	15,145
Lease liabilities	3,973	3,709
Provisions - unwinding of discount	725	698
	$ 20,922	$ 29,919

(24) Expenses by nature

	Year ended December 31,	
	2021	2020
Employee benefit expense	$ 793,810	$ 683,255
Depreciation charges	517,204	442,048
Amortisation charges on intangible assets	16,813	17,222

(25) Employee benefit expense

	Year ended December 31	
	2021	2020
Wages and salaries	$ 664,056	$ 568,046
Labour and health insurance fees	59,956	52,111
Pension costs	26,592	25,732
Other personnel expenses	43,206	37,366
	$ 793,810	$ 683,255

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees 'compensation and directors' remuneration. The ratio shall be 10%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $43,888 and $12,860, respectively; while directors' remuneration was accrued at $5,852 and $2,572, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2021, the employees' compensation and directors' remuneration were estimated and accrued based on 15% and 2% of distributable profit of current year as of the end of reporting period.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense (benefit)

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

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	$ 12,450	$ 17,081
Tax on undistributed surplus earnings	-	1,537
Prior year income tax under (over)estimation	3,942	(36,176)
Total current tax	16,392	(17,558)
Deferred tax:		
Origination and reversal of temporary differences	(9,197)	(3,825)
Total deferred tax	(9,197)	(3,825)
Income tax expense (benefit)	$ 7,195	($ 21,383)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2021	2020
Remeasurement of defined benefit obligations	($ 413)	$ 139

(c) The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	$ 48,570	$ 22,634
Effect from items (allowed) disallowed by tax regulation	(31,340)	9,177
Tax on undistributed surplus earnings	3,942	(36,176)
Effect from investment tax credits	(16,002)	(18,555)
Effect from Alternative Minimum Tax	2,025	-
Tax on undistributed surplus earnings	-	1,537
Income tax expense (benefit)	$ 7,195	($ 21,383)

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences:				
Loss on slow-moving inventories and valuation loss	$ 7,477	$ 1,481	$ -	$ 8,958
Discount on bonds payable	3,425	3,067	-	6,492
Unused compensated absence	717	(178)	-	539
Seniority bonus	2,304	185	-	2,489
Decommissioning liabilities	2,692	408	-	3,100
Pensions	3,764	(203)	413	3,974
Unrealised loss (gain) on valuation of financial assets	73	(73)	-	-
Unrealised exchange loss (gain)	(223)	443	-	220
Investment tax credits	-	5,577	-	5,577
Subtotal	20,229	10,707	413	31,349
- Deferred tax liabilities:				
Unrealised gain on valuation of financial liabilities	-	(1,510)	-	(1,510)
Total	$20,229	$ 9,197	$ 413	$ 29,839

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
- Deferred tax assets:				
Temporary differences:				
Loss on slow-moving inventories and valuation loss	$ 6,806	$ 671	$ -	$ 7,477
Discount on bonds payable	396	3,029	-	3,425
Unused compensated absence	653	64	-	717
Seniority bonus	2,008	296	-	2,304
Decommissioning liabilities	2,487	205	-	2,692
Pensions	4,023	(120)	(139)	3,764
Unrealised loss (gain) on valuation of financial assets	(212)	285	-	73
Unrealised exchange loss (gain)	382	(605)	-	(223)
Total	$16,543	$ 3,825	($ 139)	$ 20,229

D. Details of the amount the Company is entitled as investment tax credit and unrecognised deferred tax assets are as follows:

December 31, 2021			
Qualifying items	Unused tax credits	Unrecognised deferred tax assets	Expiry year
Investments in smart machinery and the fifth-generation mobile system	$ 5,577	$ -	2020-2022

There were no such transactions on December 31, 2020.

E. Deductible temporary difference that are not recognised as deferred tax asset: None.

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

(27) Earnings per share

	Year ended December 31, 2021		
Basic earnings per share	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	$ 235,654	140,352	$ 1.68
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 235,654	140,352	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	11,948	14,608	
Employees' compensation	-	788	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 247,602	155,748	$ 1.59

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 134,553	140,352	$ 0.96
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 134,553	140,352	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	12,036	13,587	
Employees' compensation	-	401	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 146,589	154,340	$ 0.95

(28) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2021	2020
Purchase of property, plant and equipment	$ 1,433,669	$ 897,411
Add: Opening balance of payable on equipment	46,677	107,184
Add: Opening balance of payable on equipment - related	-	-
Add: Ending balance of prepayments for equipment	334,257	86,992
Less: Ending balance of payable on equipment	(92,918)	(46,677)
Less: Opening balance of prepayments for equipment	(86,992)	(103,243)
Less: Capitalisation of interest	(7,629)	-
Less: Credits of income from counter-party default	-	(28,912)
Cash paid during the year	$ 1,627,064	$ 912,755

	Year ended December 31	
	2021	2020
Purchase of intangible assets	$ 17,670	$ 14,152
Add: Ending balance of prepayments	3,946	-
Cash paid during the year	$ 21,616	$ 14,152

(29) Changes in liabilities from financing activities

	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 978,644	$ 927,759	$ 234,673	$ 1,032	$ 2,142,108
Changes in cash flow from financing activities	(5,426)	973,971	(8,854)	(22)	959,669
Interest paid on lease liabilities	-	-	(3,973)	-	(3,973)
Amortisation of interest expense on lease liabilities	-	-	3,973	-	3,973
Increase in lease liabilities	-	-	101,718	-	101,718
Decrease in lease modification	-	-	(38)	-	(38)
Amortisation of interest expense on bonds payable	15,335	-	-	-	15,335
Adjustment for exercise of put options	73	-	-	-	73
At December 31	$ 988,626	$ 1,901,730	$ 327,499	$ 1,010	$ 3,218,865

	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 963,499	$ 926,136	$ 205,082	$ 888	$ 2,095,605
Changes in cash flow from financing activities	-	1,623	(8,084)	144	(6,317)
Interest paid on lease liabilities	-	-	(3,709)	-	(3,709)
Amortisation of interest expense on lease liabilities	-	-	3,709	-	3,709
Increase in lease liabilities	-	-	37,675	-	37,675
Amortisation of interest expense on bonds payable	15,145	-	-	-	15,145
At December 31	$ 978,644	$ 927,759	$ 234,673	$ 1,032	$ 2,142,108

7. Related Party Transactions

(30) Names of related parties and relationship

Names of related parties	Relationship with the Group
All directors, president, vice presidents	Key management compensation
Phoenix Battery Corporation (Note)	Associate

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. In addition, the investee re-elected its directors and supervisors at its first shareholders' special meeting on December 29, 2021. Although the Company is the single largest shareholder of the investee, its new directors and supervisors were not appointed by the Company and other major shareholders hold more shares than the Company, which indicates that the Company has no current ability to direct the relevant activities of the investee, the Company has no control over the investee and the relationship of the investee with the Company is changed from a subsidiary to an associate.

(31) Significant related party transactions

A. Operating revenue:

	2021	2020
Sales of goods:		
Phoenix Battery Corporation	$ 5,355	$ 5,090

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Purchases:

	Year ended December 31, 2021	Year ended December 31, 2020
Purchases of goods:		
Phoenix Battery Corporation	$ 225	$ 190

Goods sold to subsidiaries are based on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2021	December 31, 2020
Accounts receivable:		
Phoenix Battery Corporation	$ 331	$ 662
Other receivables:		
Phoenix Battery Corporation	$ -	$ 252

The receivables from related parties arise mainly from sales of supplies. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

D. Payables to related parties:

	December 31, 2021	December 31, 2020
Other payables :		
Phoenix Battery Corporation	$ 5	$ -

E. Loans to /from related parties - interest income:

	December 31, 2021	December 31, 2020
Other payables - interest income:		
Phoenix Battery Corporation	$ 16	$ -

The loans to associates are repayable from the date of loan on October 21, 2021 to the date of completing capital increase in associates in cash and carry interest at 2.366% per annum. The loan has been collected in full amount on November 23, 2021.

F. Others:

	Year ended December 31,			
	2021		2020	
	Item	Amount	Item	Amount
Phoenix Battery Corporation	Rental income	$ 3,912	Rental income	$ 3,912
Phoenix Battery Corporation	Other income	$ 840	Other income	$ 420

(32) Key management compensation

	Year ended December 31	
	2021	2020
Short-term employee benefits	$ 33,191	$ 23,534
Post-employment benefits	745	876
Total	$ 33,936	$ 24,410

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2021	December 31, 2020	Purpose
Time deposits (shown as 'non-current financial assets at amortised cost')	$ 2,000	$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,417	10,417	Guarantee for land lease in science park
Buildings and structures	1,524,529	954,223	Long-term borrowings
Machinery and equipment (including 'equipment under acceptance')	246,847	296,642	Long-term borrowings
	$ 1,783,793	$ 1,263,282	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(33) Contingencies

None.

(34) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 2,386,646	$ 356,460

B. As of December 31, 2021 and 2020, the Company's total unused letters of credit for the import of equipment and inventory were approximately $0 and $7,400, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2021, the Company's strategy, which was unchanged from 2020, was to maintain the gearing ratio at a reasonable level of risks and to adjust according to the future operating strategy. The gearing ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 2,890,356	$ 1,906,403
Less: Cash and cash equivalents	(1,081,999)	(1,124,579)
Net debt	1,808,357	781,824
Total equity	2,517,056	2,307,565
Total capital	$ 4,325,413	$ 3,089,389
Gearing ratio	41.81%	25.31%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021		December 31, 2020	
Financial assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$	17,750	$	595
Financial assets at amortised cost				
Cash and cash equivalents	$	1,081,999	$	1,124,579
Financial assets at amortised cost		12,417		12,917
Notes receivable		185		100
Accounts receivable (including related parties)		463,281		332,992
Other receivables (including related parties)		2,733		2,272
Guarantee deposits paid		2,968		300
	$	1,563,583	$	1,473,160
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Financial liabilities held for trading	$	-	$	1,258
Financial liabilities at amortised cost				
Accounts payable	$	153,441	$	129,285
Other payables (including related parties)		373,739		260,132
Bonds payable (including current portion)		988,626		978,644
Long-term borrowings (including current portion)		1,901,730		927,759
Guarantee deposits received		1,010		1,032
	$	3,418,546	$	2,296,852
Lease liabilities (including current portion)	$	327,499	$	234,673

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require companies to manage their foreign exchange risk of their functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

ii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(10).

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

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 20,158	27.67	$ 557,772
JPY:NTD	1,983	0.2406	477
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	$ 1,697	27.67	$ 46,956
JPY:NTD	117,384	0.2406	28,243
Non-monetary items: None			

	December 31, 2020				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	14,661	28.48	$	417,542
JPY:NTD		208,178	0.2767		57,592
Non-monetary items: None					
Financial liabilities					
Monetary items					
USD:NTD	$	1,528	28.48	$	43,508
JPY:NTD		2,277	0.2767		630
Non-monetary items: None					

iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to ($17,935) and ($19,142), respectively.

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

	Year ended December 31, 2021				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	5,578	$	-
JPY:NTD	1%		5		-
Non-monetary items: None					
Financial liabilities					
Monetary items					
USD:NTD	1%	($	470)	$	-
JPY:NTD	1%	(	282)		-
Non-monetary items: None					

	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 4,175	$ -
JPY:NTD	1%	576	-
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 435)	$ -
JPY:NTD	1%	(6)	-
Non-monetary items: None			

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars. The long-term corporate bonds with fixed rate issued by the Company are not exposed to interest rate risk and fair value interest rate risk.

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

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have increased/decreased by $4,754 and $2,319, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

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

ii. The Company regularly monitors and reviews its credit limits based on market conditions and the credit status of its counterparties and makes timely adjustments to manage credit risk. The Company only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.

iii. The Company manages their credit risk taking into consideration the entire group's concern. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iv. The Company considers that a default has occurred when the contract payments are not expected to be recovered and are transferred to overdue receivables.

v. The Company classifies customer's accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Company applies the modified approach using loss rate methodology to estimate the expected credit loss.

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

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

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

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

vii. The Company used the consideration of forecastability to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable, accounts receivable due from related parties, contract assets, other receivables and loss allowance for other receivables due from related parties. On December 31, 2021 and 2020, the loss rate methodology is as follows:

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
December 31, 2021						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 543,790	$ -	$ -	$ -	$ -	$ 543,790
Loss allowance	$ -	$ -	$ -	$ -	$ -	$ -

	Not past due and up to 90 days past due	91~180 days past due	181~270 days past due	271~360 days past due	Over 360 days past due	Total
December 31, 2020						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 464,147	$ -	$ -	$ 405	$ -	$ 464,552
Loss allowance	$ -	$ -	$ -	$ 304	$ -	$ 304

viii. Movements in relation to the Company applying the modified approach to provide notes receivable, accounts receivable, accounts receivable due from related parties, contract assets, other receivables and loss allowance for other receivables due from related parties are as follows:

	2021
	Accounts receivable
At January 1	$ 304
Provision for impairment	101
Reversal of impairment loss	(405)
At December 31	$ -

	2020
	Accounts receivable
At January 1	$ 47
Provision for impairment	304
Reversal of impairment loss	(47)
At December 31	$ 304

ix.For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2021	December 31, 2020
	12 months	12 months
Financial assets at amortised cost	$ 12,417	$ 12,917

(c) Liquidity risk

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

ii. Company treasury invests surplus cash held by the Company over and above balance required for working capital management in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at December 31, 2021 and 2020, the Company held money market position of $1,081,677 and $1,124,189, respectively, and current financial assets at amortised cost of $0 and $500, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii The Company has the following undrawn borrowing facilities:

	December 31, 2021		December 31, 2020	
Floating rate:				
Expiring within one year	$	780,635	$	1,442,116
Expiring beyond one year		618,110		1,188,800
Fixed rate:				
Expiring within one year		-		-
Expiring beyond one year		-		-
	$	1,398,745	$	2,630,916

iv. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Accounts payable	$ 153,441	$ -	$ -	$ -
Other payables	182,031	1,162	-	-
Lease liability	8,189	8,189	16,258	372,115
Bonds payable	-	1,002,078	-	-
Long-term borrowings (including current portion)	127,818	52,755	477,239	1,287,578
Guarantee deposits received	-	-	874	136
Derivative financial liabilities: None				

December 31, 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Accounts payable	$ 129,285	$ -	$ -	$ -
Other payables	123,043	120	-	-
Lease liability	5,624	5,624	10,636	267,443
Bonds payable	-	1,007,519	-	-
Long-term borrowings (including current portion)	116,459	103,368	105,835	630,273
Guarantee deposits received	-	-	910	122
Derivative financial liabilities:				
Forward exchange contracts	1,058	-	-	-
Convertible bonds Call/put options	200	-	-	-

(d) The impact of the Covid-19 pandemic on the Company's operation

The Covid-19 pandemic had no significant impact on the Company's ability to continue as a going concern, impairment of assets and financing risks based on the Company's assessment on relevant operational and financial information.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 17,100	$ -	$ -	$ 17,100
Forward exchange contracts	-	550	-	550
Convertible bonds				
Call/put options	-	-	100	100
	$ 17,100	$ 550	$ 100	$ 17,750
Liabilities				
Recurring fair value measurements: None				

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Forward exchange contracts	$ -	$ 595	$ -	$ 595
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 1,058	$ -	$ 1,058
Convertible bonds				
Call/put options	-	-	200	200
	$ -	$ 1,058	$ 200	$ 1,258

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

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

	Listed shares
Market quoted price	Closing price

ii. The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.

iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

C. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Convertible bonds	Convertible bonds
At January 1	$ 200	$ 300
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	(300)	(100)
At December 31	($ 100)	$ 200
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2021 (Note)	($ 300)	($ 100)

Note: Recorded as non-operating income and expenses.

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

F. Company treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 by the external valuer, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31. 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bonds Call/put options	($ 100)	Binary tree valuation model	Volatility	45.15%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31. 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bonds Call/put options	$ 200	Binary tree valuation model	Volatility	45.77%	The higher the stock price volatility, the higher the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Convertible bonds Call/put options	Volatility	±5%	$ 10	$ -	$ -	$ -

			December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Convertible bonds Call/put options	Volatility	±5%	$ 30	($ 20)	$ -	$ -

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 3.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: The Company entered into a forward foreign exchange contract with financial institution for the year ended December 31, 2021 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net profit arising from trading in forward foreign exchange contract for the year ended December 31, 2021 was approximately $4,694.

J.Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 6.

14. Segment Information

None.

PHOENIX SILICON INTERNATIONAL CORPORATION
LOANS TO OTHERS
YEAR ENDED DECEMBER 31, 2021

Table 1

Expressed in thousands to NTD
(Except as otherwise indicated)

Number (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2021	Ending Balance	Actual amount drawn down	Interest rate range	Nature of loan (Note 2)	Amount of transactions with the borrower (Note 5)	Reason for short-term financing	Allowance for losses	Name	Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 3)	Note
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	Other receivables due from related parties	Y	$5,000	$ -	$ -	2.366%	2	$ -	Operating capital	$ -	Inventories	$10,000	$503,411	$755,117	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’. The same company will have the same number.

Note 2: Details of the nature of the loan as follows:
(1) Business transaction is 1.
(2) Demand for short-term financing is 2.

Note 3:Limit on the total amount of loans and loans to individuals are as follows:
(1)The ceiling on total loans to others is 40% of the Company's net assets.
(2) For business relationship, the limit amount for a single party shall not exceed 10% of the net assets value of the Company. Financial limit on loans granted to a single party shall not exceed the amount of business transactions occurred between the creditor and borrower. Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing.
(3)The ceiling on total loans granted to others related to short-term financing is 30% of the the Company’s net assets. The limit on loans granted to a single party is 20% of the Company's net assets.
(4)The Company provides loans to subsidiaries or loans between subsidiaries, except for the resolution of the Board of Directors that can authorise the chairman to provide loans to individual at specific amount after resolv the Board of Directors and loans in instalment within one year or redraw. Aforementioned specific amount can not exceed 10% of the Company’s net assets, except if it meets the requirements of Article 5.

PHOENIX SILICON INTERNATIONAL CORPORATION
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2021

Table 2

Expressed in thousands to NTD
(Except as otherwise indicated)

				Ending Balance				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Shares	Book value	Percentage of ownership	Fair Value	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Stock	Wafer Technology Co., Ltd.	Current financial assets at fair value through profit or loss	200,000	$ 17,100	0.04	$ 17,100	

PHOENIX SILICON INTERNATIONAL CORPORATION
ACQUISITION OF REAL ESTATE REACHING NT$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
YEAR ENDED DECEMBER 31, 2021

Table 3

Expressed in thousands to NTD
(Except as otherwise indicated)

Real estate acquired by	Real estate acquired	Transaction date or date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
PHOENIX SILICON INTERNATIONAL CORPORATION	Buildings and structures	110/3/16	$ 490,000	Pays in accordance with the contract terms	AUO CRYSTAL CORP.	Non-related parties	-	-	-	-	Appraisal report of property and market price	For operation	None

PHOENIX SILICON INTERNATIONAL CORPORATION
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS
YEAR ENDED DECEMBER 31, 2021

Table 4

Expressed in thousands to NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2 and 6)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	1	Sales revenue	$ 5,355	At sales price and conditions available to the third party	0.20%
0	PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix battery Corporation	1	rental revenue	3,912	At transaction price and conditions available to the third party	0.15%

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

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

Note 3: Ratios of asset/liability are divided by consolidated total assets, and ratios of profit/loss accounts are divided by consolidated sales revenue.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Only amounts exceeding $1 million will be disclosed.

Note 6: On November 15, 2021, Phoenix Battery Corporation increased capital by issuing new shares, but the Company did not acquire shares proportionally to the Company's interest. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 71.51% to 33.42%. In addition, on December 29, 2021, Phoenix Battery Corporation re-elected its directors and supervisors, the Company was the first major shareholder of Phoenix Battery Corporation, however, the new directors and supervisors were not appointed by the Company and the total shareholding ratio of other major shareholders exceeded the Company, this showed that the Company has no actual conduct ability to related event. Thus, starting from the date, the Company lost control over this company which was classified as associates instead of subsidiary.

PHOENIX SILICON INTERNATIONAL CORPORATION
INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2021

Table 5

Expressed in thousands to NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2021					
Investor	Name of investor	Location	Main business activities	Balance as at December 31, 2021	Balance as at December 31, 2020	Shares	Ownership (%)	Book value	Net income of investee as of December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix Battery Corporation	Taiwan	Battery manufacturing business	$ 125,500	$ 251,000	12,550,302	33.42	$ 125,503	($ 42,235)	($ 24,064)	

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2021

Table 6

	Share	
Name of major shareholders	Name of shares held	Percentage of ownership
Applied Materials,Inc.	16,140,909	11.50%