Stock Code: 8028

Phoenix Silicon International Corporation

2022 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
Corporate Website: http://www.psi.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

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Contents

I. Letter to Shareholders

Dear shareholders,

In 2022, the year was filled with opportunities and challenges, from the rapid growth of the semiconductor super-cycle to high inflation and inventory adjustments, which suppressed end-demand and continued to weaken. In this difficult environment, Phoenix Silicon International ltd. (PSI) focused on two core capabilities: high-purity wafer surface processing and wafer thinning. With the efforts of all employees, the annual revenue reached NTD 3,138 million, setting a historical record for two consecutive years, with a growth rate of 18.36%. Operating profit reached NTD 308 million, with a growth rate of 32.44%. While growing, we established an employee stock ownership trust, enhancing employees' sense of belonging and mission to the company, creating a shared benefit mechanism, and promoting the company's sustainable development.

Operational performance

Reclaim Wafer

In 2022, driven by servers and data centers, the demand for high-speed computing rapidly increased. To meet market demand, advanced manufacturing capacity continued to expand. The quality and quantity of the reclaimed wafer market grew significantly, particularly in high-spec reclaimed wafers for advanced manufacturing processes. To meet customer needs, PSI’s new production site - the Taichung branch, began mass production in September 2022. The Taichung branch is the most advanced wafering factory, mainly producing high-spec reclaimed wafers and 12-inch new test wafers. By the end of 2022, PSI's total production capacity for 12-inch reclaimed and test wafers had reached 460K wafers per month.

Wafer thinning

The global trend of energy conservation and carbon reduction is irreversible, leading to a growing demand for power semiconductor thinning. In 2022, we actively expanded our new customer base for wafer thinning and successfully introduced mass production. At the same time, we entered the ATV MOSFET market, gradually increasing the proportion of automotive revenue. To address the demand for high-voltage and high-power semiconductors driven by the EV market, we collaborated with strategic customers to develop thinning technologies for WBG semiconductors. Not only opens new market applications but also aims to gain a competitive edge in the market.

Bio-chip

The third year of Academia-Industry Research Alliance Project (REAL) which co-work with College of Medicine, National Taiwan University (NTU) and Mackay Memorial Hospital (MMH) has been approved by National Science and Technology Council (NSTC). The lung cancer chip for tracking recurrence, we expanded into the third phase test in clinical trial and started the chip preservation test to verify the chip efficiency. On the other hand, we also develop the multi-panel chip for heart failure tracking the daily variety for patient. This protype chip were testing in phase II clinical trial.

Financial results

Unit：K NTD, %

Item	2022	2021	YoY
Revenue	3,138,053	2,651,386	18.36%
Gross profit	831,790	666,642	24.77%
Operating profit	307,991	232,554	32.44%
Net profit before tax	372,659	262,369	42.04%
Net profit attributable to the owner's equity of the parent company	325,251	235,654	38.02%
EPS(NTD)	2.17	1.58	37.34%
ROA	4.72%	4.81%	(1.87%)
Debt ratio	65.21%	60.22%	8.29%

Corporate Social Responsibility

PSI will publish the ESG report in the second half of 2023, ahead of regulatory requirements, reflecting sound corporate governance, environmental protection, and attention to significant social issues. In 2022, while increasing production capacity by 11%, we achieved remarkable results in implementation: electricity usage decreased by 11%, water consumption dropped by 7%, and wastewater volume declined by 9%. We will contribute to society and the environment by implementing sustainable development measures such as energy conservation, emissions reduction, and promoting renewable energy. The company has set ESG environmental goals, with an annual electricity saving intensity of ≧1% and a 5% reduction in both tap water usage and wastewater discharge.

Development strategy

PSI is committed to providing wafering services and continuously developing next-generation high-specification reclaimed wafers to meet customers' constantly evolving needs. Building on our existing foundation, we will further expand the application scope of wafers and collaborate with front-end suppliers to develop new test wafers. To increase market share and achieve sustainable growth, we leverage our production capacity advantage to enhance product margins while actively expanding overseas customers to strengthen our competitiveness and influence. In response to long-term structural labor shortages, we continue to increase automation, improve intelligent manufacturing technology, and actively promote green production to achieve both quality and environmental protection goals, becoming a trusted partner for our customers.

Cultivating relationships with IDM and IC design companies in the power semiconductor sector, we consistently strive to improve yield rates and pass automotive-grade reliability testing in our thinning business. As high-value added power semiconductors move towards 12-inch process and demand for high-frequency switching and rapid electric vehicle charging increases, we have collaborated with customers to jointly develop 12-inch power semiconductor wafer thinning processes and third-category compound semiconductor thinning services to meet market demand for these technologies. Continuously developing new technologies and services in this rapidly growing market is a key factor in maintaining our leading position.

Based in Taiwan and continuing to take root in Taiwan, PSI has a production base mainly in Hsinchu Science Park, and has successively increased the capacity of new foundry in Taichung year by year to meet the needs of customers for high-specification wafers. At the same time, with the overseas factories of major customers and the local needs of foreign customers, PSI is evaluating overseas production bases, which will take smart factory manufacturing and green production as the policy to achieve a win-win situation for PSI and customers.

The impact of the external competitive environment, the regulatory environment and the overall operating environment

Looking ahead to 2023, life has returned to normal in most countries as the impact of Covid-19 wanes. While supply and demand in the manufacturing sector has improved, the global economy still faces many challenges, including high inflation, deteriorating financial conditions, economic uncertainty, as well as a shortage of skilled talent and supply chain risks.

High inflation continues to plague the world, and the negative impact of rapid interest rate hikes on financial conditions may hinder the overall economic recovery, and economic uncertainty remains high, making the market outlook unpredictable. In such an environment, companies face internal and external challenges, such as a shortage of skilled personnel and increased supply chain risks, which may affect the overall development. Based on the above factors, countries around the world must actively propose solutions, otherwise the time of global economic recovery will be affected and may even affect the performance of enterprises.

Outlook

Despite the high inflation and uncertainty of the industrial cycle in the short term, we can see that the advancement of science and technology has brought more innovation and development to the industry. AI has expanded from industrial applications that required the operation of professionals to daily use, such as natural language processing, which has been widely used in daily life, further expanding the scope of AI applications. The new automotive architecture moves to a software-defined vehicle that defines vehicle functions in a software-like way and separates the hardware and software of automotive systems that enable flexibility, scalability, and easy upgradeability of automotive systems. These scientific and technological innovations require high-speed computing power, so that the value of the semiconductor industry continues to increase in the supply chain and become an essential basic technology to promote scientific and technological innovation.

With the advantages of wafer cleaning, forming and thinning technology, products according to customer needs and requirements, and in-depth cooperation partnership with customers, PSI is in a favorable position for the vigorous development of the semiconductor industry. Adhering to flexible business strategy, PSI is committed to the industry, continuously upgrading the technical level, and at the same time appropriately expanding production capacity, continuing to take root in Taiwan and embarking on overseas expansion, creating a cooperative relationship trusted by customers and achieving the best interests of shareholders and employees.

Once again, we promise to all shareholders that PSI will work with all employees to implement the company's sustainable business vision with five major aspects, including corporate governance, environmental protection, supply chain management, friendly workplace, and social participation. We look forward to maintaining long-term relationships with our shareholders to co-create a prosperous future. We believe that through unremitting efforts and continuous improvement, PSI will continue to contribute value to shareholders and society. PSI will realize the sustainable spirit of the enterprise.

Chairman Tony Tsai

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.
Dec 2021	The relationship between the Company and PBC was changed from a subsidiary to an affiliated company.
Jan 2022	Establishment of Chungkang Branch.
Jul 2022	The capital reserve is increased to NTD84,211,490 and the paid-in capital is NTD1,487,736,290 after the capital increase.
Nov 2022	The convertible bonds were converted into common shares of NTD38,544,040 and the paid-in capital is NTD1,526,280,330 after conversion.
Feb 2023	Chairman Mike Yang resigned and was replaced by Director Tony Tsai as Chairman.

III.Corporate Governance Report

(I) Organization

1.Organizational Chart

2. Major Corporate Functions

Department	Functions
Auditing Office	Internal audit and operation process management.
President Office	Market strategy integration and operate management.
Industrial Safety	Evaluate, implement, and audit about internal safety, health and environmental protection.
Legal & Intellectual Property	Company of legal, contract, patent, and other intellectual property management, information security management.
Public Relationship	Corporate Image and media relationship maintenance.
Reclaim Manufacturing	Manufacturing management, manufacturing product engineering, and production efficiency management of the reclaim wafer process.
Thinning Manufacturing	Manufacturing management, manufacturing product engineering, and production efficiency management of the thinning wafer process.
Sales & Marketing	New technology market development analyzation, sales management, business development, customer service and production planning.
Technology Development	Product specification/schedule/cost control of new product development, life cycle management and market competition analysis, advanced process technology research and development, special technology integration development.
Quality & Reliability	Quality and reliability technology development management, management review, mass product customer complaint management, new product introduction, engineering improvement, mass production yield improvement and abnormal product analysis, cross-process abnormal analysis and benefit analysis.
Corporate Operation	Financial accounting, stock affairs and budget management, human resource management, employee relations and organizational development, general affairs and medical management, information environment and application system establishment and maintenance, and operational management benefit analysis, etc. Operational management, procurement and material management, factory affairs System planning, maintenance and maintenance, and plant engineering planning and management.

(II) Directors, Supervisors and Management Team

1. Directors

(1) Directors Data

March 28, 2023 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	Tony Tsai	Male	51~60	Taiwan R.O.C	Jul 05, 2021	3 years	Jul 05, 2021	100,000	0.08	211,399	0.14	-	-	-	-	- 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	2,828,277	1.85	-	-	-	-	-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	2,042,165	1.34	-	-	-	-	N/A	N/A
	Representative：Yaw Zen-Chang	Male	41~50	Taiwan R.O.C	-	-	-	-	-	1,671,445	1.10	474,555	0.31	-	-	-Bachelor Degree in Business Management Economics, University of California, Santa Cruz	-Supervisor, Pharma Power Biotec Co., Ltd. -Chairman, Min He Shun Investment Co., Ltd.
Director	Ting Dong Liang Investment Co., Ltd.	-	-	Taiwan R.O.C	Jun 30, 2003	3 years	Jul 05, 2021	960,000	0.73	1,079,779	0.71	-	-	-	-	N/A	-Director, Agarwood Biochemistry Technology 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	Representative：Shin-Chin Huang	Female	41~50	Taiwan R.O.C	-	-	-	-	-	3,433	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	745,700	0.49	-	-	-	-	N/A	(Note1)
Director	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. -Director, Phoenix Battery Corp.	-Independent Director, SmartDisplayer Technology Co., Ltd.
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 Miaoli District Prosecutors Office -Head Prosecutor, Taiwan Taipei District Prosecutors Office	- Lawyer, K&L Gates

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 Chairman 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 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(Note)	
	Shareholder name	%
Min Ho Shuen Investments Co., Ltd.	Yaw-Zen Chang Pi-Yueh Chang Tseng	51.29% 37.69%
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%

Note：Information from Department of Commerce MOEA Commerce Industrial Services Portal

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

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

Criteria / Name/Title		Professional Qualification and Experience	Independent Directors’ Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Tony Tsai	Chairman 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
Yaw Zen-Chang	Corporate Director Representative (Note2)	● 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

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Shin-Chin Huang	Corporate Director Representative (Note 2)	● 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., ● 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., Director of Phoenix Battery Corp. ● 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 (or r held by the person under others' names) do not hold any	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, Audit Committee member and Remuneration Committee member 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">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.
● Currently also the Lawyer of K&L Gates
● 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. As of the printing date of the annual report, the Board of Directors has eight members, including three independent directors (37.5%), one female director (12.5%), the one Director is also the Company's employee (12.5%), the age distribution of the Directors：the two Directors aged between 41 and 50(25%), the three Directors aged between 51 and 60(37.5%), the two Directors aged between 61 and 70(37.5%), 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	
Tony Tsai	Chairman	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		

Note：All of the Independent Directors have a term of less than three years.

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 28, 2023 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	211,399	0.14	-	-	-	-	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	93,773	0.06	-	-	-	-	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	96,786	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	10,618	0.01	-	-	-	-	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	21,986	0.01	-	-	-	-	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	5,930	0.00	-	-	-	-	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 Chairman 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, 2022 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 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pensions (F)		Profit Sharing- Employee Bonus (G) (Note 2)						
		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			
Chairman	Mike Yang(Note1)	2,630	2,630	-	-	2,566	2,566	554	554	1.77	1.77	-	-	-	-	-	-	-	-	1.77	1.77	3,372
Director	Wen-Cheng Cheng	-	-	-	-	1,283	1,283	80	80	0.42	0.42	-	-	-	-	-	-	-	-	0.42	0.42	-
	Tony Tsai	-	-	-	-	1,283	1,283	88	88	0.42	0.42	9,026	9,026	-	-	4,041	-	4,041	-	4.44	4.44	-
	Min Ho Shuen Investments Co., Ltd Representative：Yaw-Zen Chang	-	-	-	-	1,283	1,283	63	63	0.41	0.41	-	-	-	-	-	-	-	-	0.41	0.41	-
	Ting Dong Liang Investment Co., Ltd Representative：Shin-Chin Huang	-	-	-	-	1,283	1,283	88	88	0.42	0.42	-	-	-	-	-	-	-	-	0.42	0.42	-
	An Grace Investment Corporation Ltd. Representative：Ji-Zeng Ma	-	-	-	-	1,283	1,283	80	80	0.42	0.42	-	-	-	-	-	-	-	-	0.42	0.42	-
Independent Director	Ming-Cheng Liang	650	650	-	-	-	-	132	132	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	
	Guo-Chao Hong	650	650	-	-	-	-	150	150	0.25	0.25	-	-	-	-	-	-	-	-	0.25	0.25	-
	Ling-Shi Meng	650	650	-	-	-	-	159	159	0.25	0.25	-	-	-	-	-	-	-	-	0.25	0.25	-

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 serving as a consultant for the parent company/all companies in the financial report/reinvested enterprises that are not employees, etc.)：NT$0

Note 1: Chairman Mike Yang resigned on February 8, 2023.
Note 2: Director's remuneration and employee's remuneration for 2021 were approved by the board of directors on February 23, 2023.
Note 3: 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	Independent Director： Ming-Cheng Liang Guo-Chao Hong Ling Shi Meng	Independent Director： Ming-Cheng Liang Guo-Chao Hong Ling Shi Meng	Independent Director： Ming-Cheng Liang Guo-Chao Hong Ling Shi Meng	Independent Director： Ming-Cheng Liang Guo-Chao Hong Ling Shi Meng
NT$ 1,000,000～NT$ 1,999,999	Director： Wen- Cheng Cheng, 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：Ji-Zeng Ma	Director： Wen- Cheng Cheng, 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： & Ji-Zeng Ma	Director： Wen- Cheng Cheng, 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	Director： Wen- Cheng Cheng, 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：Ji-Zeng Ma
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	Director：Mike Yang
NT$ 10,000,000～NT$14,999,999	-	-	Director：Tony Tsai	Director：Tony Tsai
NT$ 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	9	9	9	9

2. Remuneration Paid to CEO, President and Vice Presidents

December 31, 2022 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	11,538	11,538	589	589	13,290	13,290	10,372	-	10,372	-	11.00	11.00	None
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 2022.

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

Note 3：The company's employee compensation in 2022 was approved by the Broard of directors on February 23, 2023, 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	FN Huang	FN Huang
NT$ 5,000,000～NT$ 9,999,999	Stephen Liao、Eric Pan、TK Huang	Stephen Liao、Eric Pan、TK Huang
NT$ 10,000,000～NT$14,999,999	Tony Tsai	Tony Tsai
NT$ 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, 2022 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	-	11,490	11,490	3.53
	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 2022 employee compensation was approved by the board of directors on February 23, 2023, 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 (%)			
	2021		2022	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Directors	5.16	5.18	4.60	4.60
President and Vice President	9.24	9.24	11.00	11.00

The remuneration of directors (including independent directors) of the company is handled in accordance with the "Directors' remuneration and remuneration distribution method" standard. The fixed remuneration depends on the value of participation in operating affairs and long-term contribution. The remuneration committee will consider the industry's usual standards to make evaluation recommendations, which are approved by the board of directors; In addition, if the company makes profits in the current year, directors' remuneration will be distributed in accordance with Article 30 of the company's articles of association. Individual directors will be paid according to the "Directors' Remuneration and Remuneration Distribution Method", and independent directors will not participate in the distribution of directors' remuneration. The company's manager's remuneration, according to the "Salary Management Measures", clearly stipulates various allowances and bonuses; relevant bonuses are also approved based on the company's annual operating performance and personal work performance, to show compassion and reward employees for their hard work; If the company makes profits, 10-15% will be distributed as employee remuneration according to Article 30 of the company's articles of association. The reference basis for the issuance of manager bonuses and employee remuneration is the achievement rate of managers' goals, the practice of the company's core values and operational management capabilities, talent cultivation, and participation in sustainable operations; the calculation of the remuneration for its operational performance depends on the actual operating conditions and relevant laws and regulations at any time Review the remuneration system in due course. The combination of remuneration paid by the company includes cash remuneration, stock options, dividends, retirement benefits or resignation benefits, various allowances, and other measures with substantial incentives; its scope is the same as that of directors and Manager's compensation is the same.

In 2022, the performance self-evaluation results of the board of directors, directors, and members of each functional committee all significantly exceeded the standards. In addition, under the ravages of the new crown pneumonia (COVID-19) epidemic in 2022, the company will still work hard to prevent the epidemic and deploy ahead of time and expand Cost-saving measures were implemented in production capacity, and the profit was higher than expected. According to the results of the company's 2022 manager performance evaluation, the performance of all managers reached or exceeded the predetermined target requirements. The rationality of the remuneration of the directors and managers of the company is regularly evaluated and reviewed by the remuneration committee and the board of directors every year. In addition to referring to the individual's performance achievement rate and contribution to the company, it also considers the company's overall operating performance, future industry risks and development trends., and review the remuneration system at any time depending on the actual operating conditions and relevant laws and regulations. The actual amount of remuneration for directors and managers in 2022 will be decided by the board meeting after deliberation by the Remuneration Committee.

The company's remuneration policy related payment standard and system review is based on the company's overall operating status as the main consideration, and the payment standard is approved based on the performance achievement rate and contribution, so as to improve the overall organizational team effectiveness of the board of directors and management department. Also refer to the salary standard of the industry to ensure that the salary of the company's management is competitive in the industry, to retain excellent management talents. The company's managers' performance goals are combined with risk control to ensure that possible risks within the scope of duties can be managed and prevented, and the results of ratings are given based on actual performance, which is linked to relevant human resources and related salary and compensation policies. The important decisions of the company's management level are made after balancing various risk factors. The performance of relevant decisions is reflected in the company's profit situation, and the remuneration of the management level is related to the performance of 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 the company's directors and managers and the company's remuneration policy. In accordance with the provisions of the company's articles of association, the operation of the remuneration committee and the board of directors, the remuneration of directors and managers will be reviewed in due course according to their participation in the company's operations and the value of their contributions, and the possibility and relevance of future risks Minimizing the risk has been combined with consideration of the company's future operating risks and their positive correlation with operating performance, so as to achieve a balance between sustainable operation and risk control.

(IV) Implementation of Corporate Governance

1.Operations of Director for Board Meetings

The Company had convened 10(A) Board of Director meetings in 2022 with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)(Note1)	Remarks (Note2)
Chairman	Mike Yang	7	2	70.00	Resigned on 2023/02/08
Director	Tony Tsai	10	0	100.00	Appointed as Chairman of the Board on 2023/02/08
Director	Wen-Cheng Cheng	10	0	100.00	-
Director	Ting Dong Liang Investment Co., Ltd Representative：Shin-Chin Huang	10	0	100.00	-
Director	An Grace Investment Corporation Ltd.：Representative：Ji-Ceng Ma	10	0	100.00	-
Director	Min Ho Shuen Investments Co., Ltd Representative：Yaw-Zen Chang	9	1	90.00	-
Independent Director	Ming-Cheng Liang	9	1	90.00	-
Independent Director	Guo-Chao Hong	10	0	100.00	-
Independent Director	Ling-Shih Meng	10	0	100.00	-

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 Jan. 21, 2022, proposal for the adjustment of year-end bonus amount for managers and remuneration package for the president. As Director Tony Tsai is the president of the Company, to avoided conflicts of interest, did not participate in discussion or voting, the proposal was approved without dissent after discussions among the Directors in attendance.

(2)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.

(3) 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. Director Wen-Cheng Cheng was appointed as the acting chairman, the proposal was approved without dissent after discussions among the Directors in attendance.

(4) Resolution of the Board of Directors on Apr. 14, 2022, proposal for Salary adjustment for managers, As Director Tony Tsia is the president of the Company, to avoided conflicts of interest, did not participate in discussion or voting of the amount of the President, the proposal was approved without dissent after discussions among the Directors in attendance.

(5) Resolution of the Board of Directors on Apr. 14, 2022, proposal for The company's managers' 2021 employee compensation plan. As Director Tony Tsia is the president of the Company, to avoided conflicts of interest, did not participate in discussion or voting of the amount of the President, the proposal was approved without dissent after discussions among the Directors in attendance.

(6) Resolution of the Board of Directors on May 5, 2022 and May 23,2022, proposal for Disposal of equity shares of Phoenix Battery Corp. 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. Independent Director Ming-Cheng Liang was appointed as the acting chairman, the proposal was approved without dissent after discussions among the Directors in attendance.

(7) Resolution of the Board of Directors on Aug. 5, 2022, proposal for Disposal of equity shares of Phoenix Battery Corp. Independent Director Ming-Cheng Liang, Guo-Chao Hong and Ling-Shih Meng 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.

III. Board of Directors' Evaluation of Implementation

The Board of Directors of the Company approved the "Rules for Performance Evaluation of the Board of Directors and Functional Committees" on December 24, 2019. The performance assessment of the Board of Directors as a whole, individual Board members and functional committees (including the Audit Committee and the Remuneration Committee) is conducted through internal self-assessment questionnaires at the end of each year, and the results are reported to the Board of Directors, which are implemented as follows:

Cycle	Period	Scope	Assessment Method	Assessment Content	Assessment Result
Once per year	Jan. 1, 2022 to Dec. 31, 2022	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.	●The performance and results of the performance evaluation of the Board of Directors, individual Board members and functional committees for 2022 were reported to the Board of Directors on February 23, 2023. ●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

				6.Internal control.	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 Feb. 8, 2023, Chairman Mike Yang resigned as Chairman and Director, and the Board of Directors re-elected Director Tony Tsia as Chairman on the same date.

2.Operations of Audit Committee

The Company had convened 9 (A) Audit Committee meetings in 2022 with the following attendance:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Independent Director	Ming-Cheng Liang	8	1	88.89	
Independent Director	Guo-Chao Hong	9	0	100.00	
Independent Director	Ling-Shih Meng	9	0	100.00	

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 Committee
Feb 23, 2022	3rd term 6th Meeting	● 2021 Financial Report ● Assessment the independence and suitability of the Company's CPA. ● 2022 Internal Control System Effectiveness Assessment and "Internal Control System Statement"	Approved
Apr 14, 2022	3rd term 8th Meeting	● 2021 Business Report ● 2021 Earnings Distribution ● Amendment of the Handling Procedures for Acquisition or Disposal of Assets. ● Amendment of the Handling Procedures for Conducting Derivative Transactions.	Approved
May 05, 2022	3rd term 9th Meeting	● 2022Q1 Consolidated Financial Report. ● Disposal of equity shares of Phoenix Battery Corp.	Approved
May 23, 2022	3rd term 10th Meeting	● Disposal of equity shares of Phoenix Battery Corp.	Approved
Jul 05, 2022	3rd term 11th Meeting	● Disposal of equity shares of Phoenix Battery Corp.	Approved
Aug 05, 2022	3rd term 12th Meeting	● 2022Q2 Consolidated Financial Report.	Approved
Nov 04, 2022	3rd term 13th Meeting	● 2022Q3 Consolidated Financial Report. ● 2023 Internal Audit Plan.	Approved
Dec 28, 2022	3rd term 14th Meeting	● 2023 Capital Expenditure Program	Approved

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

b. The results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions: The members of the Audit Committee approved all motions unanimously and the Board of Directors approved all motions based on the Audit Committee's recommendations.

(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. No special circumstances as mentioned for 2022. 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.

(3) Communications between the Independent Directors and the head of internal audit, CPA. are as follows:

Head of Internal Audit (separate meeting)		CPA (separate meeting)	
Date	Descriptions of the meeting	Date	Descriptions of the meeting
2022/12/28	2022 Annual Audit Report	2022/11/04	2022 Annual Report on Auditing Matters

IV.Annual key functions and operations of Audit Committee:

2022 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) Amendment of "the Handling Procedures for Acquisition or Disposal of Assets" and "the Handling Procedures for Conducting Derivative Transactions".
(5) Assessment the independence and suitability of the Company's CPA.

2022 operations of Audit Committee: Please refer of this Annual Report (Page 25).

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.
(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	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	
			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. On February 23, 2023, added the requirement that the relevant material transaction should be submitted to the board of directors for approval and to the shareholders' meeting for approval or report.	
(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. On February 23, 2023, the Board of Directors resolved to amend the "Corporate Governance Principles" to strengthen the control measures on stock trading the rules mentioned, include stock trading control measures from the date insiders of the company become aware of the contents of the company's financial reports or	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	
			relevant results. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. In 2022, the course topic for the education and training on the implementation of the insider trading prohibition was "Introduction to insider trading - An analysis of the relevant issues and legal liabilities", which was held for 1.5 hours. The total number of attendees was 53. For the definition of insider trading, constitutive elements, legal responsibilities and recent news events and court decisions, we upload course presentations and tests to the e-learning platform for employees to learn, and place the course presentations and video files in the internal employee system for those who are not present on that day to learn at any time, and provide them to the current directors for education and promotion.	
III. Composition and Responsibilities of the Board of Directors (1) Does the Board develop andimplement a diversified policy for the composition of its members? (2) In addition to the Composition Committee and Audit Committee set in accordance with the law, has	✓	✓	(1) The Board of Directors' diversity policy, specific goals of management and implementation, please refer of this Annual Report (Pages 13-14). (2) The Company currently has the Composition Committee and the Audit Committee in accordance with the law, and in the future plans	No significant difference Under discussion and preparation

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	
the Company voluntarily set up other functional committees?			to establish such functional committees as necessary.	
(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) On December 24, 2019, the Board of Directors of the Company approved 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 fourth quarter of 2022, and reported the results to the board of directors on February 23, 2023, and disclosed on the website.	No significant difference
(4) Does the company regularly	✓		(4) The Company has established the	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	
evaluate the independence of CPAs?			"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 and and suitability of the certified public accountants for 2022 was approved by the Audit Committee and the Board of Directors on February 23, 2023. 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.	

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	
			g. The CPA does not hold another busines, the CPA may lose its 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. p. The CPA issued the Statement of Audit Quality Indicators The results of the evaluation are as follows. As a result of the evaluation, the	

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	
			certified public accountants have met the requirements of the independence evaluation and issued the "Statement of Independence", "Audit Quality Indicators" which confirms that the CPAs are independent, suitability and can be trusted to issue financial reports.	
IV.Has the Company set up a corporate governance (concurrent) unit or personnel 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)？	✓		The Company resolved at the Board meeting on May 13, 2019 that the Company's Deputy General Manager 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.Handling matters relating to board meetings and shareholders meetings according to laws. 2.Producing minutes of board meetings and shareholders meetings. 3.Assisting in onboarding and continuous development of directors. 4.Furnishing information required for business execution by directors. 5.Assisting directors with legal compliance. 6. Report to the Board on the results of its review of the conformity of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election and the period 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	
			their appointment. 7. To handle matters related to the change of directors. 8.Other matters set out in the articles or corporation or contracts 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. Ten Board of Directors meetings, nine Audit Committee meetings, one general shareholders' meeting were held in 2022. 5. Each director of the Company has completed a least 6 hours of continuing education; the head of corporate governance has 14 hours of continuing education in 2022. See Pages 58 to 59 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 (Change of paid-in capital and chairman of the	

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	
			board).	
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 2022 has been reported to the board of directors on Nov 4,2022.	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's website has an investor section and a corporate governance section to disclose financial operations and corporate governance information respectively.	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 spokesperson system, and disclosing the process of investor conferences on the Company website)？	✓		(2) The Company's website has an investor section and a corporate governance section. 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 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.	No significant difference.
(3)Whether the company	✓		(3)The 2022 financial report was	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	
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？			announced on February 24, 2023. The financial reports for the first, second and third quarters of 2022 were announced on May 5,2022, Aug 5,2022 and Nov 4,2022, all earlier than within the specified period, the monthly revenue will also be announced in advance within the specified period.	
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 section on the Company's website to help the stakeholders	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	
			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 58-59 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 2022 corporate governance evaluation</td></tr>
</table>

Evaluation index content	Improvement matters
1. Does the company's annual report disclose the link between the performance evaluation and remuneration of directors and managers?	1. The Company will follow the scoring guidelines for the Corporate Governance Evaluation, which describe the procedures for remunerating directors and managers, and will include the relevant results of important items for consideration.
2. Does the company establish a dedicated (ad hoc) sustainable development organization. In accordance with the principle of materiality, which conducts risk assessments on environmental, social or corporate governance issues related to the company's operations, and establishes relevant risk management policies or strategies, and the board of directors supervises the promotion of sustainable development and discloses them on the company's website and annual report?	2. On December 28, 2022, the Board of Directors approved the establishment of the " Sustainable Development Executive Committee" and authorized the President to be the chairman of the committee. The Company will conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, formulate relevant management strategies, and regularly report to the Board of Directors.

3. 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：

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as the Remuneration Committee Member
Guo-Chao Hong	Remuneration Committee Convenor	The Remuneration Committee is comprised of all three Independent Directors. For members professional qualification and experience, please refer this Annual Report on pages 13-14.	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 (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".	1
Ming-Cheng Liang	Remuneration Committee Member			1
Ling-Shih Meng	Remuneration Committee Member			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 4 meetings (A) in 2022, 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
Convener	Guo-Chao Hong	4	0	100.00	-
Committee	Ming-Cheng Liang	3	1	75.00	-
Committee	Ling-Shi Meng	4	0	100.00	-

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
Jan 21, 2022	4th term 3rd Meeting	● The case of the company's year-end bonus amount for managers in 2021. ● Approved the revision of "Directors' Remuneration and Remuneration Distribution Method". ● Approved the adjustment of the salary conditions of the general manager of the company ● Approved the proposal on the amount of retention bonus for managers of the company ● Approved the establishment of employee stock ownership association	Approved	N/A
Feb 23, 2022	4th term 4th Meeting	● The Company's 2021 employee compensation distribution. ● The Company's 2021 directors' remuneration distribution. ● Approved the company's "Employee Bonus Budget and Allocation and Utilization Method" revised draft ● Approved the remuneration adjustment proposal for the next chairman of the company ● Approved the remuneration adjustment proposal for the current chairman of the company	Approved	N/A
Apr 14, 2022	3th term 5th Meeting	● Salary adjustment for managers. ● The company's 2021 Directors' remuneration distribution. ● The company's managers' 2021 employee compensation plan.	Approved	N/A
Aug 05, 2022	4th term 6th Meeting	● Approved the revision of the company's directors' remuneration and remuneration distribution method.	Approved	N/A

4. 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?	✓		(1) On December 28, 2022, the Board of Directors approved the establishment of an " Sustainable Development Executive Committee" and authorized the President to be the chairman of the committee, responsible for proposing and implementing sustainable development policies, systems or related management guidelines and detailed promotion plans, and to report regularly to the Board of Directors every year. (2) The Company held three meetings in 2022 to discuss the preparatory work for the establishment of Sustainable Development Executive Committee ("Committee"), and reported to the Board of Directors on December 28, 2022, including the Committee's organizational structure and its work items, as well as the implementation results for 2022 and implementation plans and targets for 2023 for environmental protection, corporate governance and social responsibility. (3) The Committee of the Company has set up eight groups based on environmental, social, governance and economic aspects, with senior executives serving as members of each group to assist in the promotion of related businesses. The main tasks include ESG-related identification of sustainability issues that require attention, preparation of action plans, preparation of ESG-related budgets, tracking the performance of sustainability issues, and establishment of continuous improvement plans. Each	No significant difference

<table>
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<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>team will report to the Committee on a quarterly basis to follow-up on the effectiveness of implementation and make sure that the sustainable development strategy is fully implemented in the company's daily operations. The Board of Directors should review the success of the proposed strategy and should prompt the management team to make adjustments if necessary.</td><td></td></tr>
<tr><td>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?</td><td>✓</td><td></td><td>This disclosure covers the period from January 2022 to December 2022, and the risk assessment boundary is based on the Company's location in Taiwan.
The Company identifies important topics and evaluates the impact of risks in accordance with the materiality principle of sustainable development，and Proposed related risk management strategies, as follows:
Environment Issues<table>
<tr><th>Material Topics</th><th>Risk Management Strategy</th></tr>
<tr><td>GHG Management</td><td>Greenhouse gas emission inventories and calculation, and other carbon reduction measures.</td></tr>
<tr><td>Water Management</td><td>Water analysis and monitoring, improvement of water reuse, reduction of wastewater discharge and participation in the CDP Water program</td></tr>
<tr><td>Energy Management</td><td>Improve energy efficiency from process and equipment, and develop renewable energy strategies</td></tr>
<tr><td>Waste and Recycling</td><td>Reduce and recycle waste, recycle products, components and original materials, and demonstrate the value of sustainable resources</td></tr>
<tr><td>Air pollution control</td><td>For volatile organic compounds (VOCs), sulfur oxides SOx, nitrogen oxides NOx and granular pollutants,</td></tr>
</table></td><td>No significant difference</td></tr>
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<table>
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<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>with different control equipment for treatment, in line with regulatory standards</td></tr>
</table>
Social Issue：
<table>
<tr><th>Material Topics</th><th>Risk Management Strategy</th></tr>
<tr><td>Occupational Safety and Health</td><td>Introduce occupational safety and health management system to prevent occupational injuries and conduct disaster prevention drills, cooperate with contractors to implement safety management and promote employee health promotion.</td></tr>
<tr><td>Talent Retention and Employee Care</td><td>Listening to and accommodating diverse voices, understanding employees' needs and ideas, promoting diversified retention measures and salary, benefit activities, and moving towards a Happy Enterprise.</td></tr>
<tr><td>Human Rights</td><td>Human rights risk assessment and mitigation measures for privacy, personal data, child labor, forced labor, discrimination, freedom of assembly, equality/equity, etc. to build an inclusive workplace.</td></tr>
</table>
Economic Issues：
<table>
<tr><th>Material Topics</th><th>Risk Management Strategy</th></tr>
<tr><td>Economic Performance</td><td>Growth potential, profitability, strengthening long-term competitiveness, dividend policy</td></tr>
<tr><td>Customer Service</td><td>Customers' feedback and needs in order to improve customer satisfaction</td></tr>
<tr><td>Customer Relationship Management</td><td>Customer satisfaction survey and complaint mechanism to maintain the quality of customer service.</td></tr>
<tr><td>Sustainable Supply Chain</td><td>Integrate sustainability into the procurement policy, promote environmental/social performance assessment and auditing of suppliers, and avoid conflict minerals procurement. Promote honest management and local procurement</td></tr>
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<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>Business Integrity</td><td>Development of relevant codes of conduct, anti-corruption policies, antitrust and procedures and training, as well as cases of non-compliance</td></tr>
<tr><td>Business Ethics</td><td>Promulgate a code of conduct and ethics and set up a reporting system to avoid anti-corruption/anti-competitive behavior violations</td></tr>
<tr><td>Information Security Management</td><td>Established an information security management organization, obtained ISO 27001 certification for international information security standards, introduced the NIST CSF maturity assessment mechanism, conducted regular disaster recovery drills for information systems, and secured customer information.</td></tr>
</table></td><td></td></tr>
<tr><td>III. Environment issues
(1) Does the company establish an appropriate environmental management system based on industry characteristics?</td><td>✓</td><td></td><td>(1) The company follows the PDCA of the ISO management system, and implements the ISO14001 environmental management system by establishing a complete SOP, 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, wastewater 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</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	
			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 2022, The certificate is valid until October 7, 2025, 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) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(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 conservation and carbon reduction. Passed ISO 14064-1:2018 greenhouse gas inventory verification in July 2022, 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.	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>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) Dose 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>2021</th><th>2022</th></tr>
<tr><td>Emission of greenhouse gases</td><td>6.404E-03 CO_2e/p</td><td>5.963E-03 CO_2e/p</td></tr>
<tr><td>Water consumption</td><td>0.15 ton/p</td><td>0.12 ton/p</td></tr>
<tr><td>Total waste</td><td>2.572 E-04 ton/p</td><td>1.874 E-04 ton/p</td></tr>
</table>
Remark: Confirmation by external third-party verification agency.

In order to effectively implement environmental issues, the company implements environmental management system ISO 14001 and greenhouse gas emission inventory ISO 14064 third-party verification. An Environmental Committee will be established in 2022, with the general manager serving as the committee chairman and Gong An as the executive secretary, who will regularly track and review the implementation effectiveness of the established ESG annual environmental goals. Ensure the validity of the certificate by commissioning an external third-party verification every year.</td><td>No significant difference</td></tr>
<tr><td>IV. Social issues
(1) Does the company formulate appropriate management policies</td><td>✓</td><td></td><td>(1) In accordance with labor laws and relevant international human rights standards, the company formulates and</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	
and procedures according to relevant regulations and the International Bill of Human Rights?			implements internal personnel regulations such as "human rights policy", "work rules" and "personnel management rules", and clearly protects the labor rights and interests of employees, including promotion, remuneration, Employment conditions such as working hours, training and promotion are not treated differently based on gender, race, age, marriage, religion, political affiliation and family status, and any form of forced labor and discrimination is prohibited, and the employment of child labor is completely prohibited. Comply with labor laws. And conduct online courses such as workplace complaints and sexual harassment prevention and promotion to provide a friendly working environment for colleagues. In the future, we will follow the "RBA Responsible Business Alliance", the Universal Declaration of Human Rights (UDHR), and the International Labor Organization (ILO) for further practice. Company Human Rights Policy. In 2022, a total of 649 people will participate in newcomer education and training. In the future, we will continue to pay attention to human rights protection issues, publicize and promote relevant education and training, so as to improve the awareness of human rights protection and reduce the possibility of related risks.	
(2) Dose the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements	✓		(2) The company regularly participates in industry salary surveys, calibrates salary levels, and conducts annual salary adjustments based on company operations, price indexes, and individual performance. And based on the	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	
with employee salary and compensation?			company's operating performance and employees' personal work performance, the most relevant indicators such as annual bonuses, year-end bonuses, and employee remuneration are calculated and issued, and patent incentives, proposal improvement bonuses, MVP employees, etc. are set up to reward employees for outstanding performance. In addition, long-term bonuses and trophies are issued to senior employees simultaneously. Please refer to pages 92-96 of the Labor Relations section of this annual report for the company's employee benefit policies.	
(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 company has certified ISO 45001 Occupational Safety and Health Management System for employee health and safety. The validity of the certificate is continuously verified every year. The verification unit is the British Standards Institution (BSI). The verification time is August 2022, and the certificate is valid until October 7, 2025. The scope of the certificate is the existing process production area and product category.	No significant difference
(4) Does the company established an effective career development training program for employees?	✓		(4) Through the education and training of newcomers and the vitality camp for newcomers, let employees know the general situation of the company, and carry out on-the-job training and qualification certification mechanism to	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	
			cooperate with the training map according to different positions, so that the career development of employees can be fully integrated with the future development of the company, and it is also important for management positions. Colleagues, organize management courses to improve management skills. In 2022, the average number of training hours per person is 41.69 hours, with 68 grassroots management courses for 204 hours, and 51 middle and senior managers for Team Building 408 hours.	
(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
(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 (hereinafter referred as "Psi") has established supplier management procedure. All suppliers need to sign「Supplier Commitment」, abide by integrity, intellectual property rights of others and compliance with the duty of confidentiality. Psi stated every supplier has to cooperate "Environmental Safety and Health Policy -cum- energy management", implementation of energy-saving and	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>carbon reducing activities to promote the efficient use of resources in every purchasing order. Suppliers need to promise to abide by contractor environmental safety and health, not able to use hazardous substance and conflict mineral. Also, be adopting the standards within the Responsible Business Alliance (RBA) Code of Conduct. 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..</td><td></td></tr>
<tr><td>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?</td><td></td><td>✓</td><td>The Company expects to prepare the 2022 Annual Sustainability Report disclosing non-financial information about the Company by reference to internationally accepted standards or guidelines for the preparation of reports.</td><td>In the future, relevant mechanisms will be established in accordance with the provisions of the Code of Practice for Governance of Listed Companies.</td></tr>
<tr><td colspan="5">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:
The Company's Board of Directors approved the establishment of the "Code of Practice for Corporate Social Responsibility" on October 16, 2017, which was amended to the "Code of Practice for Sustainable Development" by the Board of Directors on February 23, 2023, and the current operation is not materially different from the prescribed Code.</td></tr>
<tr><td colspan="5">VII. Other important information helpful to understand the implementation of the promotion of sustainable development:
The specific implementation results of the company's sustainable development (ESG) in 2022：
【Environment】
1. Energy saving：Replacement of high energy consumption and integration of lighting equipment and energy-saving equipment. The electricity consumption per unit product has decreased by 11.2% compared with 2021.
2. Greenhouse gas emissions：replacement of fluorine-containing gases, adjustment of process parameters. Reduce greenhouse gas emissions per unit product by 4.3% compared with 2021.
3. Reduce the use intensity of water resources：improve manufacturing efficiency, reduce tap water consumption, and reduce water dependence. The amount of tap water per unit of product will be reduced by 7.1% compared with 2021.
4. Optimizing wastewater treatment： introducing new technologies for wastewater treatment. Wastewater</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	

discharge per unit of product will be reduced by 9.1% compared with 2021.

5. Improve the resource reuse rate： increase the waste reuse rate. Reduce waste per unit of product by 27% compared to 2021。

【Social】

1. Diversity and Inclusion：recruit more diverse manpower and listen to diverse voices.
   - Employed 12 Vietnamese migrant workers.
   - Promote HRBP, with 107 interviews.
   - Monthly letter from president since October 2022.
2. Talent selection and development：Enhance corporate image to attract job seekers, assist new recruits to integrate into Psi, and provide diverse team building activities.
   - :Psi's official Line/FB platform recruitment, reaching more than 1,000 people.
   - Hold a symposium for new employees, with a satisfaction rate of 85 points.
   - Held Team Building, a total of 53 supervisors participated, and the activity satisfaction was 95 points.
   - The supervisor challenged the peak of Hehuan Mountain at 3,422 meters.
3. Happy Enterprises：Promote employees and their families' sense of identity with the company, promote comprehensive health protection, and promote health knowledge.
   - Psi Anniversary Series / Family Day with 386 participants
   - Increase meal subsidies for employees, provide diversified and healthy meals
   - Added employee benefits-department banquet
   - Promoting Flexible Working Hours - Flexible Work/Lunch Breaks
   - During the epidemic period, foreign labor care supplies for 2 months and company-wide care afternoon tea for four weeks
   - Provide Psi exclusive masks for employees and their families
   - 87 bags of blood donation (↑70% compared with the previous year)
   - Provide doctor consultation service every month, a total of 57 people
   - Hold 2 health lectures.
   - Health check for all employees
4. Care Society：meet customized public welfare needs, promote local agricultural.
   - Huashan Social Welfare Foundation- Donate 74 New Year's dishes, donate 100 boxes of Mid-Autumn Festival gift boxes and 15,000 pieces of Psi exclusive masks.
   - A-chang shelter workshop- Subscribe to 95 boxes of public welfare toilet paper.
   - Taiwan Fund for Children and Families(Hsinchu)- Donate living materials
   - Genesis Social Welfare Foundation- Donation Invoice
   - Subscription of Wendan grapefruit in Emei Township, 44 boxes in total
   - Environmental cleaning work in Hsinchu Nanliao Environmental Protection Park
5. Educational Support：go to campus and provide internship opportunities for current students.
   - 28 interns (↑311%)
   - 2 Industry-university cooperation
6. Social Citizenship：Changing mindset to improve employees’ thinking ability and behavior model by join social organization. 2022 Excellent manufacturer award by Hsinchu City Industrial Association.

【Governance】

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	
1.Strengthen Corporate Governance：Improve the effectiveness of corporate governance. 2021 Corporate governance assessment results for the top 21-35% of all listed companies. 2.Strengthen the operation of the Audit Committee's financial monitoring function：The financial statements for each period have been approved by the Audit Committee. The financial statements for each period from FY2022 have been approved by the Audit Committee. 3.Increase the information disclosure transparency：Information Disclosure Bilingualism and Timeliness. Disclosure of financial statements in English from FY2022. Annual report uploading - from 7 days prior to the meeting to 16 days prior to the meeting. 4.Compliance with Laws and Regulations：Establishing a culture of integrity in company operations • The Company held 6 training courses related to integrity management issues in FY2022, and 816 attendees passed the test • All suppliers underwent integrity record evaluations and signed contracts that included integrity clauses • No complaints were received in 2022 and no ethical violations were reported. 5.Intellectual Property Management：Enhancing the Intellectual Property Management System. • As of October 25, 2022, there are 176 IPs (41 patents and 135 trade secrets), and the data is updated on a semi-annual basis. • In 2022, we will organize 6 sessions to promote the basic concept of intellectual property rights. 6.Information Security Implementation：Establishing a comprehensive information security management system。Revise information security regulations and systems, and convene monthly information security meetings to regularly review related systems and perform information security audits.。				

5. 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	No significant difference

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	
			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.	
(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 policies?	✓		(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 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.	No significant difference
(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 significant difference
II. Fulfill operations integrity policy (1)Does the company evaluate business partners' ethical records and include ethics-related clauses	✓		(1) At present,before the transaction with the supplier in the process, the contractor will always review the	No significant difference

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	
in business contracts?			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.	
(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 November 4,2022.	No significant difference
(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 2022.	No significant difference
(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 significant difference

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	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5)The total of 816 people had participation in the educational training about the integrity management issues held by the company in 2022. The people participated in and passed the test for the employee ethics management announcement course.	No significant difference
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 2022, the Company did not receive any complaints against the integrity of the Company's management.	No significant difference
(2)Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	✓		(2) The company has established a code of conduct for business integrity to ensure that whistleblowers are protected from inappropriate treatment as a result of whistleblowing. The company also provides legitimate channels for whistleblowing, which are implemented effectively, and assigns dedicated personnel or units to handle whistleblowing. The investigation process, results, and related document preparation are recorded and kept by the responsible personnel or units, and the company has a responsibility to maintain the confidentiality of the	No significant difference

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?	✓		whistleblower's information. (3) The company has established a code of conduct for business integrity to ensure the protection of whistleblowers from retaliation for reporting incidents.	No significant difference
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) The company provided relevant education and training to its executives and employees on December 29, 2022, covering the handling of confidential information related to major events, the formation process and recognition of insider trading, and examples of trading. The course materials and audio files were	No significant difference

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	
			made available on the internal employee system for reference by those who were absent 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): 1.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. 2.The company's board of directors has precisely implemented the system of avoiding directors' interests. 3.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. 4.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 Board of Directors approved that the Vice President of the Management Center is the Head of Corporate Governance, who is responsible for leading and supervising the Management Center in conducting corporate governance-related affairs and providing support to the directors, as described in the terms of reference on pages 33-34 of the Annual Report.

(3)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.

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

The Company's Board of Directors approved the "Procedures for Handling Material Inside Information" on November 4, 2022, to establish an effective mechanism for the handling and disclosure of material inside information, to avoid improper disclosure of information, and to ensure the consistency and accuracy of information released by the Company to the external parties.

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.

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

Title	Name	Training date	Institution	Training course	Training hours
Chairman and President	Tony Tsai	July 20, 2022	TWSE	Sustainable Development Roadmap Industry Themed Seminars	2 hours
		Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Director	Wen-Cheng Cheng	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Corporate Director Representative	Ji-Ceng Ma	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Corporate Director Representative	Shin-Chin Huang	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Corporate Director Representative	Yaw- Zen Chang	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours

Title	Name	Training date	Institution	Training course	Training hours
Independent Director	Guo-Chao Hong	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Independent Director	Ming-Cheng Liang	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Independent Director	Ling-Shih Meng	Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
		Oct 21, 2022	TWSE	Announcement of the Release of Reference Guidelines for Independent Directors and Audit Committee	3 hours
Head of Corporate Governance	FN Huang	Jun 08, 2022	Accounting Research and Development Foundation	How to apply "Robotic Process Automation" RPA to improve the effectiveness of internal control professional training course	6 hours
		July 20, 2022	TWSE	Sustainable Development Roadmap Industry Themed Seminars	2 hours
		Oct 03, 2022	Taiwan Securities and Futures Institute	Supply Chain Information Security threat Hunt - New Innovation Opportunity in Taiwan	3 hours
				Risks and opportunities of climate change and net zero emission policy for business operations	3 hours
Accounting Manager	Eunice Tai	Sep 26, 2022 | Sep 27, 2022	Accounting Research and Development Foundation	Continuing edcation Course for Head of Accounting of Issuer Securities Brokerage Stock Exchanges	12 hours
Financial Manager	Candy Yeh	Mar 14, 2022	PwC Legal	The issue of the new system of video shareholders' meeting and its response	3 hours
		Sep 15, 2022	Hsinchu Science Park	Analysis of Company Regulations and Company Registration Practice	3 hours
		Sep 29, 2022	CTBC Bank	ESG Strategy Introduction and Practice	3 hours
Audit Manager	Agnes Chang	Aug 24, 2022	The Institute of Internal Auditors	Information Security and Cloud Security Auditing Practice Seminar	6 hours
		Oct 19, 2022		Personal information law practice operations	6 hours

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, 2023

The internal control system from January 1 to December 31, 2022, according to the result of self-assessment is thus stated as follows：

1. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal capital system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and the compliance with the governing laws and regulations are achieved.
2. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring mechanism and the Company will take corrective action once any defect is identified.
3. According to the effective judgment items for the internal control system specified in "Highlights for Implementation of Establishing Internal control System by Listed Companies" (hereinafter referred to as "Highlights") promulgated by Securities and Futures Commission, Ministry of Finance R.O.C., the Company has made judgment whether or not the design and execution of internal control system is effective. The judgment items for internal control adopted by “Highlights” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring. Each element also includes a certain number of items. For the foregoing items, refer to "Highlights".
4. The Company has adopted the aforesaid judgment items for internal control to evaluate the effectiveness of design and execution of internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of December 31, 2022(including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This statement will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article20, 32, 171 and 174 of Securities and Exchange Law.
7. This statement has been approved by the meeting of Board of Directors on February 23, 2023, and those 8 directors in presence all agree at the contents of this statement.

Phoenix Silicon International Corporation

Chairman and President：Tony Tsai

(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 May 27, 2022	Recognize the 2021 annual business report and financial statements.	Resolution was passed.
	Acknowledgment of the 2021 Earnings Distribution.	Resolution was passed. After the resolution of the shareholders' meeting, the cash dividend distribution operation was completed on Aug 26, 2022(NTD0.8 per share, totaling NTD 112,281,984).
	Amendments to the Articles of Incorporation.	Resolution was passed, and follow the amended articles.
	Amendments to the Handling Procedures for Acquisition or Disposal of Assets.	Resolution was passed, and follow the amended articles
	Amendments to the Handling Procedures for Conducting Derivative Transactions.	Resolution was passed, and follow the amended articles
	Amendments to the Regulation of Shareholders Meetings.	Resolution was passed, and follow the amended articles
	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, 8,421,149 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 Aug 10, 2022, and the shares were issued and listed on Aug 26, 2022.
	Discussion to approve the lifting of non-competition restrictions for directors.	Resolution to release directors Mike Yang, Ming-Cheng Liang, An Grace Investment Corporation Ltd. and its representative Ji-Ceng Ma from the restriction of competition.

(2) Important resolutions of the Board of Directors

Board of Directors Date	Board of Directors Term	Contents of Motion
Jan 23, 2022	9th term 8th Meeting	1.The Company's Manager's year-end bonus for 2021. 2.Revision of the "Regulations Governing the Distribution of Directors' Compensation and Emoluments". 3. Adjustment of the remuneration package for the President.

Board of Directors Date	Board of Directors Term	Contents of Motion
		4. The Company's Manager 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 capital expenditure.
May 05, 2022	9th term 11th Meeting	1.The Company's financial report for the first quarter of 2022. 2.Disposal of equity shares of Phoenix Battery Corporation.
May 23, 2022	9th term 12th Meeting	1.Disposal of equity shares of Phoenix Battery Corporation.
Jun 24, 2022	9th term 13th Meeting	1.Resolved the ex-dividend base date, payment date and related matters.
Jul 05, 2022	9th term 14th Meeting	1.Disposal of equity shares of Phoenix Battery Corporation.
Aug 05, 2022	9th term 15th Meeting	1. The Company's financial report for the second quarter of 2022. 2.Amendments the " Method of Compensation and Remuneration of Directors ".

Board of Directors Date	Board of Directors Term	Contents of Motion
Nov 04, 2022	9th term 16th Meeting	1.The Company's financial report for the third quarter of 2022. 2.Resolved to issue new shares of the first domestic unsecured convertible bond and to establish a base date for capital increase。 3 Amendments the " Procedures for Handling Material Inside Information’. 4. Propose an internal audit plan for 2023.
Dec 28, 2022	9th term 17th Meeting	1. Formulate the company's 2023 operation plan. 2.Establishment of the Sustainable Development Executive Committee".
Jan 12, 2023	9th term 18th Meeting	1. The case of the company's year-end bonus amount for managers in 2022. 2. The Company's Employee Benefit Stock Ownership Trust Program.
Fab 08, 2023	9th term 19th Meeting	1. Re-election of Chairman。 2. Change of corporate seal custodian.
Fab 23, 2023	9th term 20th Meeting	1. The company's 2022 financial report. 2.Assessment the independence and suitability of the Company's CPA. 3.The Company's 2022 employee compensation distribution. 4. The Company's 2022 directors' remuneration distribution. 5. Remuneration for Chairman and President. 6. To amend and establish the Company's Management Acts. 7. Amendments the “Accounting System”. 8. Amendment the “Internal control system”. 9.The assessment of the effectiveness of the internal control system and the "Statement of Internal Control System" for the year 2022.
Mar 09, 2023	9th term 21st Meeting	1. Election of one Director 2. Convene Annual General Shareholders' Meeting of 2023.
Apr 13, 2023	9th term 22nd Meeting	1. 2022 Business Report. 2. 2022 Earnings Distribution. 3. Nomination of director candidates. 4.Discussion to approve the lifting of non-competition restrictions for the new director 5.Convene Annual General Shareholders' Meeting of 2023. (Additional matters).

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):

Position	Name	Appointment Date	Resignation Date	Reason for the change
Chairman	Mike Yang	Fab. 20, 1997	Fab 08, 2023	Personal career planning and health factors.

(V) Information Regarding Audit Fees

1. Information on CPA Fees

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Period	Audit Fees	Non- Audit Fees	Total	Remarks
PwC Taiwan	Chien-Yu Liu Chih-Cheng Hsieh	Jan 1, 2022 ～ Dec 31, 2022	1,830	920	2,750	Non-audit fees are mainly for bonding, issuance of new shares as stock dividends, tax audit certificates, and consulting and review of full-time employee payroll information for non-executive positions

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.

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="4">Since the financial statements of the first quarter of 2022.</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">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 colspan="2">Party
Condition</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="2">Engagement terminated automatically</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Engagement discontinued</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>The Opinions other than Unmodified Opinion Issued within the last 2 years and the reason for the Said Opinion</td><td colspan="4">None.</td></tr>
<tr><td rowspan="4">Any disagreement in Opinion with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
</table>

	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	2022		Current year to Mar 28, 2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Mike Yang(Note1)	71,000	-	-	-
Director and President	Tony Tsai	95,399	-	-	-
Director	Wen-Cheng Cheng	160,091	-	-	-
Director	Ting Dong Liang Investment Co., Ltd	61,119	-	-	-
	Representative：Shin-Chin Huang	194			
Director	An Grace Investment Corporation Ltd.	(219,300)	-	-	-
	Representative：Ji-Ceng Ma	-	-	-	-
Director	Min Ho Shuen Investments Inc	115,594	-	-	-
	Representative：Yaw- Zen Chang	94,610	-	-	-
Independent Director	Ming-Cheng Liang	-	-	-	-
Independent Director	Guo-Chao Hong	-	-	-	-
Independent Director	Ling-Shih Meng	-	-	-	-
Vice President	Eric Pan	40,773	-	-	-
Vice President	Stephen Jiao	6,686	-	-	-
Vice President	FN Huang	5,318	-	-	-
Vice President	TK Huang	16,686	-	-	-
Accounting Manager	Eunice Tai	5,930	-	-	-
Financial Manager	Candy Yeh	-	-	-	-
Major shareholder	Applied Materials，INC	968,454	-	-	-

Note 1：Chairman Mike Yang resigned on February 08, 2023, and his shareholding changes were recorded as of the resignation date.

2.Shares Trading with Related Parties: None.

3. Shares Pledge with Related Parties: None.

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

Mar 28, 2023；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.	17,109,363	11.21	-	-	-	-	None	None	-
Representative：Dickerson Garye	-	-	-	-	-	-	None	None	-
Wen- Cheng Cheng	2,828,277	1.85	-	-	-	-	None	None	-
Taiwan Life Insurance Co., Ltd. entrusts CTBC Investments with Investment Account (4)	2,654,000	1.74	-	-	-	-	-	-	-
Allianz Taiwan Science and Technology Fund Account	2,087,280	1.37	-	-	-	-	-	-	-
Gallant Precision Machining Co., Ltd.	2,076,000	1.36	-	-	-	-	None	None	-
Representative：Jason Chen	10,000	0.00	-	-	-	-	None	None	-
Min Ho Shuen Investments Co.,Ltd	2,042,165	1.34	-	-	-	-	None	None	-
Representative：Yaw-Zen Chang	1,671,445	1.10	474,555	0.31	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Pai -Tsung Ting	1,850,569	1.21	-	-	-	-	None	None	-
Yaw- Zen Chang	1,671,445	1.10	474,555	0.31	-	-	Yaw-Sheng Chang	Second-degree relatives	-
Yaw-Sheng Chang	1,671,442	1.10	462,981	0.30	-	-	Yaw-Zen Chang	Second-degree relatives	-
Kwo-Feng Lin	1,272,185	0.83	-	-	-	-	None	None	-

(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

March 09, 2023；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.	9,493	18.07	350	0.66	9,843	18.73

IV. Capital Overview

(I) Capital and Shares

1. Source of capital

Units: NT$ thousand; thousand shares

Year/ month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares (thousand shares)	Amount (NT$ thousands)	Shares (thousand shares)	Amount (NT$ thousands)	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 NT$495,000 thousand	None.	Note 2
Mar 1988	12	110,000	1,100,000	88,000	880,000	Capital increase by cash of NT$220,000 thousands	None.	Note 3 Note 4
Oct 2002	—	110,000	1,100,000	74,800	748,000	Reduce capital NT$132,000 thousand	None.	Note 5
Nov 2004	11	110,000	1,100,000	92,400	924,000	Capital increase by cash of NT$176,000 thousands	None.	Note 6
Jun 2013	10	110,000	1,100,000	93,452	934,520	Employee stock option certificate conversion NT$10,520 thousand	None.	Note 7
Aug 2013	11	200,000	2,000,000	111,452	1,114,520	Capital increase by cash of NT$180,000 thousand	None.	Note 8 Note 9
Dec 2013	10	200,000	2,000,000	112,828	1,128,280	Employee stock option certificate conversion NT$13,760 thousand	None.	Note 10
Oct 2014	51	200,000	2,000,000	116,828	1,168,280	Capital increase by cash of NT$40,000 thousand	None.	Note 11
Jul 2018	24.6	200,000	2,000,000	132,408	1,324,080	Capital increase by cash of NT$155,800 thousand	None.	Note 12
Sep 2021	10	200,000	2,000,000	140,352	1,403,525	Capital increase by capital surplus of NT$79,445 thousand	None.	Note 13
Nov 2021	10	400,000	4,000,000	140,352	1,403,525	Increase authorized capital	None.	Note 14
Aug 2022	10	400,000	4,000,000	148,773	1,487,736	Capital increase by capital surplus of NT$84,211 thousand	None	Note 15
Dec 2022	10	400,000	4,000,000	152,628	1,526,280	Conversion of bonds to shares NT$38,544 thousand	None	Note 16

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.
Note15:Approval Document No. The 10 Aug 2022 Letter No. Science-Park-Listed-Company -1110025443 of Science Park Administration.
Note16:Approval Document No. The 05 Dec 2022 Letter No. Science-Park-Listed-Company -1110038627 of Science Park Administration.

Units: Shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	152,628,033	247,371,967	400,000,000	The stock is an TSE stock

Shelf Registration: Not applicable.

2. Shareholder structure

Mar 28, 2023；Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Foreign institutions and foreigners	Individuals	Total
Number of Shareholders	2	18	192	62	41,880	42,154
Number of shares held	872,000	8,221,356	8,391,235	20,753,363	114,390,079	152,628,033
Holding Percentage (%)	0.57	5.39	5.50	13.59	74.95	100.00

3.Diffusion of ownership

(1) Common Shares

Mar 28, 2023；Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1~ 999	21,335	1,116,795	0.73
1,000~ 5,000	17,323	32,404,462	21.23
5,001~ 10,000	1,900	14,034,158	9.20
10,001~ 15,000	612	7,451,476	4.88
15,001~ 20,000	271	4,955,762	3.25
20,001~ 30,000	288	7,102,752	4.65
30,001~ 40,000	107	3,794,964	2.49
40,001~ 50,000	60	2,759,526	1.81
50,001~ 100,000	115	8,013,736	5.25
100,001~ 200,000	77	10,751,764	7.04
200,001~ 400,000	32	9,228,414	6.05
400,001~ 600,000	13	6,056,710	3.97
600,001~ 800,000	5	3,434,615	2.25
800,001~1,000,000	2	1,766,278	1.16
1,000,001and above	14	39,756,621	26.04
total	42,154	152,628,033	100.00

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

4. Major Shareholders (Top ten shareholders)

Mar 28, 2023；Unit: Person; Share; %

Name of Major Shareholders / Shares	Number of shares held	Percentage (%)
Applied Materials, INC.	17,109,363	11.21
Wen- Cheng Cheng	2,828,277	1.85
Taiwan Life Insurance Co., Ltd. entrusts CTBC Investments with Investment Account (4)	2,654,000	1.74
Allianz Taiwan Science and Technology Fund Account	2,087,280	1.37
Gallant Precision Machining Co., Ltd.	2,076,000	1.36
Min Ho Shuen Investments Co., Ltd.	2,042,165	1.34
Pai -Tsung Ting	1,850,569	1.21
Yaw- Zen Chang	1,671,445	1.10
Yaw-Sheng Chang	1,671,442	1.10
Kwo-Feng Lin	1,272,185	0.83

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			2021	2022	Current Year till March 31, 2023
Market price per share	Maximum		62.00	77.90	61.80
	Minimum		37.85	45.80	55.40
	Average		53.89	62.84	58.68
Net worth per share	Before distribution		17.93	19.60	-
	After distribution		16.16	(Note 2)	-
Earnings per share	Weighted average shares		140,353	150,180	152,628
	Original EPS		1.58	2.17	-
	Adjusted EPS		1.50	2.06	
Dividend per share	Cash dividends		0.8	1.8(Note 1)	-
	Issuance of stock dividends	Distribution from earnings	-	-	
		Distribution from capital reserve	0.6	-	-
	Accumulated unpaid dividends		-	-	-
Return on investment Analysis	Price-to-earning (P/E) ratio		32.08	28.96	-
	Price-to-dividend (P/D) ratio		67.36	34.91(Note 1)	-
	Cash dividend yield		1.48%	2.86%(Note 1)	-

Note1：The cash dividends of 2022 as resolved by the Board of Directors on April 13, 2023.

Note2：The distribution of 2022 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 2022 as below：

Unit: NT$

Item	Amount
Unappropriated retained earnings at beginning of year	226,216,979
Actuarial (loss) gain included retained earning	4,560,982
2022 net income after tax	325,251,359
Legal reserve	(32,981,234)
Earnings available for distribution	523,048,086
Common shares cash dividends(per share NT$1.8)	(274,730,459)
Unappropriated retained earnings at end of year	248,317,627

Note：The distribution of 2022 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: None.

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 67,348 thousand and the amount of directors' remuneration is 8,980 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:

2022 remuneration for employees and directors was approved by the Board of Directors on February 23, 2023 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	67,348	67,348	-	-
Employee stock dividends	-	-	-	-
Remuneration of directors	8,980	8,980	-	-

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	43,888	43,888	-	-
Employee stock dividends	-	-	-	-
Remuneration of directors	5,852	5,852	-	-

On February 23, 2022, the Board resolved to appropriate compensation to employees for 2021 in the amount of NT$43,888 thousand and remuneration to directors of NT$5,852 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

<table>
<tr><td colspan="2">Type of corporate bond</td><td>First issuance of unsecured convertible corporate bonds in Taiwan</td></tr>
<tr><td colspan="2">Date of Issuance</td><td>November 13, 2019</td></tr>
<tr><td colspan="2">Par value</td><td>NT$100,000</td></tr>
<tr><td colspan="2">Place of issuance and transaction</td><td>Issued by the Republic of China; Listed on TPEx</td></tr>
<tr><td colspan="2">Issuing price</td><td>Issued at 109.920% of the par value</td></tr>
<tr><td colspan="2">Total issuance amount</td><td>NT$1,000,000,000</td></tr>
<tr><td colspan="2">Coupon rate</td><td>0%</td></tr>
<tr><td colspan="2">Term</td><td>3 years
Maturity Date: November 13, 2022</td></tr>
<tr><td colspan="2">Guarantee agency</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Fubon Securities Co., Ltd. Trust Department</td></tr>
<tr><td colspan="2">Underwriting agency</td><td>Fubon Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Certifying attorney</td><td>Not applicable</td></tr>
<tr><td colspan="2">Certified Public Accountant</td><td>Not applicable</td></tr>
<tr><td colspan="2">Method of redemption</td><td>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.</td></tr>
<tr><td colspan="2">Unredeemed principal</td><td>NT$0</td></tr>
<tr><td colspan="2">Terms of redemption or prepayment</td><td>Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds</td></tr>
<tr><td colspan="2">Restrictive provisions</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, rating date, and results of corporate bond ratings</td><td>NA</td></tr>
<tr><td rowspan="2">Other rights</td><td>Total value of bonds already converted to common shares as of the date of publication of the annual report</td><td>1. On November 13, 2021, the Company exercised repurchase rights on 54 bonds with a total amount of NT$5,400,000.
2. As of November 13, 2022, the number of common shares requested to be transferred is 3,854,404, with total amount of NT$246,300,000.
3. The outstanding conversion amount of NT$748,300,000 was repaid in cash on November 25, 2022 at 100.7519% of the face value of the bonds.</td></tr>
<tr><td>Regulations for distribution and conversion (exchange or subscription)</td><td>Please refer to the regulations governing the issuance and conversion of the second unsecured convertible corporate bonds</td></tr>
<tr><td colspan="2">Possible dilution of equity or impact to the shareholders' equity caused by regulations on the issuance and conversion, exchange, or subscription to stocks</td><td>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</td></tr>
</table>

	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 Nov 13, 2022
Market price of convertible corporate bond	Maximum	110.25	108.50	120.80
	Minimum	96.90	100.15	100.05
	Average	103.97	104.98	107.76
Conversion price		73.6	68.6	63.9
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: None.

(VIII)Financing Plans and Implementation：None.

V. Operational Highlights

(I) Business Activities

1.Business Scope

(1) Business scope

The main business of the company is research and development, manufacturing, and sales of semiconductor wafer processing services, including providing wafer reclaim and wafer thinning process services. The end products are mainly used in semiconductor wafer processing service plants, consumer electronics, industrial electronics, and automotive electronic components.

(2)Business proportion

unit：NTD thousand；%

Year / Item	2021		2022	
	Net operating revenue	Proportion %	Net operating revenue	Proportion %
Semiconductor wafer service	2,651,386	100.00	3,138,053	100.00
Total	2,651,386	100.00	3,138,053	100.00

(3)Current Products and Service

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

(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. 8” & 12” New test wafer process

H. Front side etching process improvement development

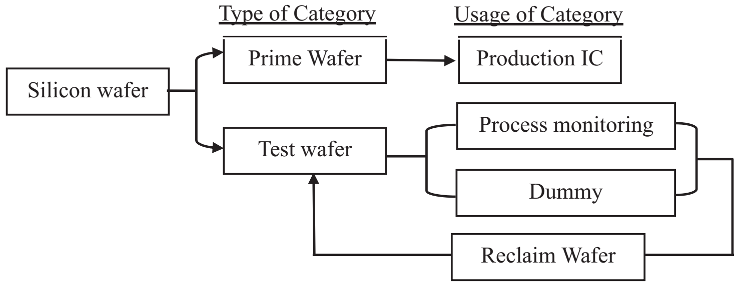
2 Industry Overview

(1) Current status and development of the industry

The company belongs to the semiconductor industry, and semiconductor wafer processing services include wafer reclaim and wafer thinning process services. The following are the main service items for regenerated wafers and product wafer thinning process services.

A. Wafer reclaim contract manufacturing service

In the classification of silicon wafers, there are different ways to distinguish them according to their size or usage characteristics. In response to the trend of larger size, 12-inch silicon wafers are currently the mainstream product, which can be divided into two categories based on their properties, namely product wafers and test wafers.



【Source:Psi】

Test wafer is used to monitor the stability of the manufacturing process. There are two types of test wafers: process monitors and dummy wafers. One of our company's main businesses is to provide semiconductor wafer reclaim services. The growth of the wafer reclaim market is closely related to wafer start and the capacity utilization rate of semiconductor foundries. The Semiconductor Industry Association (SIA) of the United States has stated that the global semiconductor industry market will grow by 3.2% in 2022. Taiwan is a major production base for the global semiconductor manufacturing industry and has the most competitive 12-inch wafer fabs. The total output value of Taiwan's semiconductor industry in 2022 grew by 18.5%, and although the economic downturn and weak consumer demand will affect 2023, the Taiwan Semiconductor Industry Association (TSIA) estimates that the output value of Taiwan's semiconductor industry will decrease by 5.6% in 2023, while SIA analysis predicts that demand will rebound in the second half of 2023. Taiwan plays a leading role in the field of advanced process semiconductor foundry, and as the demand for advanced semiconductor foundries grows, our company's business also grows in sync with our customers' demand for regenerated wafers.

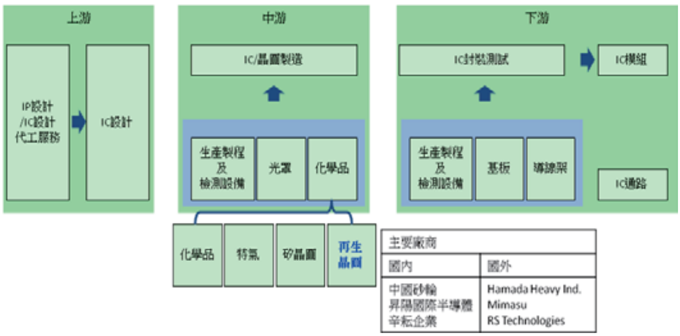
B. Wafer Thin Film Processing Outsourcing Services

Wafer thin film processing is a new technology that emerges in the middle section of the semiconductor manufacturing process, between the front-side and back-side processes. It includes various techniques such as wafer bumping, WLP (such as Fan out WLP, WLCSP, 3D WLP, WL optics), using processes like photolithography, wafer thinning, backside polishing, and backside metal coating. Looking at the entire IC supply chain, including IDM production value and outsourcing production value, IC design plus wafer production generates more than $500 billion in revenue, accounting for about 90% of the entire supply chain, with the back-end process accounting for about 9% and the middle process accounting for more than 1%. In terms of market trends for the middle process service, with the significant growth of the consumer electronics market and the update of operating systems driving computer system upgrades, the demand for power management ICs and discrete components has significantly increased. The related outsourcing production capacity demand has also increased significantly. As large IDM manufacturers such as NXP, Nexperia, Ampleon, Infineon, TI, and On-Semi release production capacity to OEM manufacturing, most design companies are concentrated in Taiwan and mainland China. Therefore, the demand for analog component wafer fabs and outsourcing factories on both sides of the Taiwan Strait has also increased significantly. Due to the product's characteristics, such consumer products' backsides also require thinning and metal coating and other outsourcing services, which have given rise to many middle and back-end process outsourcing factories.

Power semiconductor components are a critical component in achieving optimal control and energy transmission and conversion. They not only improve industrial production efficiency, product quality, and performance but also significantly save energy and reduce raw material consumption. Faced with the increasing demand for energy, power semiconductor components strengthen the energy efficiency of electronic device power supplies. Regarding the application of renewable energy, power semiconductor components can help to fully utilize electricity and minimize energy loss during transmission. Therefore, energy-saving and carbon-reducing policies worldwide are promoting the continuous growth of the power semiconductor component market. According to a survey by Yano Economic Research Institute, the global power semiconductor market (based on manufacturer shipments) will be dominated by demand from home appliances, next-generation vehicles (electric vehicles, hybrid energy vehicles), new energy industry machinery, and factory equipment in the future.

(2) Interrelationship between upstream, midstream, and downstream in the industry

The IC manufacturing process includes design, manufacturing, packaging, and testing. It mainly involves converting the designed circuit layout into a photomask, which is then used to mass-produce ICs. The silicon wafers produced by the wafer fab are inspected for defects, and the good dies are cut from the wafers and then packaged and tested. International companies mostly operate in a vertically integrated manner, from design, manufacturing, packaging, testing, and even system products (IDM; Integrated Device Manufacturer). Taiwanese companies adopt a more efficient and specialized vertical division of labor system, divided into upstream IC design, midstream IC photomask, manufacturing, and downstream IC packaging and testing industries, emphasizing professional division of labor. Our company mainly engages in wafer reclaim and wafer thinning process services. The recycled wafers are processed using special chemicals to acid wash, polish, and clean the customer's wafers in sequence, and then provide the IC manufacturing industry with regenerated wafers with high cleanliness for monitoring the process quality. The wafer thinning process is used to reduce the thickness of the wafers after manufacturing, deposit metal on the front and back, and test before packaging. Therefore, the semiconductor services provided by our company are wafer manufacturing services in the semiconductor manufacturing industry, belonging to the midstream of the entire industry supply chain. The interrelationships between upstream, midstream, and downstream are listed as follows:



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

3. Product Development Trend

(1) Wafer reclaim Contract Manufacturing Services

Taiwan currently has the highest density of 12-inch semiconductor fabs in the world, making it the most competitive semiconductor production center. It is evident that, for the domestic market alone, as semiconductor fabs continue to develop advanced processes, the business volume of 12-inch regenerated wafers has consistently and substantially grown. So far, Taiwan semiconductor companies that have invested in 12-inch wafer production include TSMC, UMC, Powerchip, Micron, Nanya Technology, Winbond Electronics, and MediaTek, among others, all of which have a significant demand for regenerated wafers for process control purposes.

As domestic semiconductor fabs continue to develop advanced processes, there is a high demand for testing wafers. Due to the cost advantage of regenerated wafers over testing wafers, customers are gradually increasing their requirements for the cleanliness of regenerated wafers, in order to replace testing wafers. With the growth of the semiconductor industry, demand for regenerated wafers is bound to increase significantly.

【Source: Gartner, Nov. 2022】

(2) Wafer Thinning Outsourcing Services

With the trend towards lighter, thinner, shorter, smaller, and more energy-efficient 3C products, the electronics industry continues to shrink the size of integrated circuits. However, the degree to which the transistor, the basic building block of ICs, can be miniaturized is limited by existing physical constraints. As a result, effective wafer thinning is necessary to reduce the TSV channel width in 3D ICs, further shrinking the footprint of ICs, and the design of silicon wafer thinning is essential for controlling the thickness of the final product in chip design (SoC). The demand for thinning processes has evolved from the initial 260um to the current 50um (2 mil) technology.

Furthermore, since wafers are prone to breakage during transport after thinning, customers prefer suppliers who can provide a Total Solution, meaning completing multiple processes within a single outsourcing factory to reduce transportation costs. Thus, intermediate manufacturers are actively expanding their processes and offering subsequent wafer front and backside metallization, as well as pre-packaging testing, to expand their service offerings and business scope.

Our company has accumulated more than a decade of experience in wafer reclaim outsourcing and has established excellent wafer thinning and etching technology. We have also introduced electron gun deposition technology and established a complete process for grinding backside gold. We are actively expanding our SBR (Schottky Barrier Diode), TMBS (Trench MOS Barrier Schottky), Power Driver IC, and general silicon wafer thinning and film coating services. In addition, we have completed wafer front metallization film coating and wafer electrical characteristics testing, enabling us to provide comprehensive semiconductor wafer process establishment and expand our service offerings and business scope.

4. Market competition

(1) Reclaim Business Unit v.s. major competition comparson

A. Wafer reclaim

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
Kinik Company	Taiwan	8 &12 inch	Grinding wheel, Precision tool, reclaim	

B. Thinning Business Unit v.s. major competition comparson

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	
ProPowerTek 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 experience of mass production below 2mil b.Company has complete Taiwan semiconductor industry chain support

C. Possible future competitors in the market

(A) Wafer reclaim foundry services

Japanese reclaim wafer suppliers such as RS Tech and HAMADA, which have been affected by the transformation of the Japanese semiconductor industry, are actively expanding into the Taiwanese and Chinese markets, thereby forming a competitive relationship with our company. However, after continuously improving the quality, widening the gap between us and our competitors, and effectively controlling costs, our company has become the main supplier of regenerated wafers for semiconductor foundries, and can provide high-specification products for customers to use in the most advanced processes. Among many competitors, we still have a clear advantage.

(B) Wafer thinning foundry services

Various wafer fabs may invest in this foundry process, such as Taiwan Semiconductor Manufacturing Company (TSMC), United Microelectronics Corporation (UMC), Vanguard International Semiconductor Corporation (VIS), and Hua Hong Semiconductor Ltd., among others. These companies have already actively developed an 8-inch grinding-back thinning process. Although our company has already established an 8-inch thinning process, in order to maintain a competitive advantage, we are striving for even thinner thickness, better quality, and yield to attract customers.

3. Technology and R&D Overview

(1) R&D expenses for the year 2022 and up to the issuance date of this annual report

Unit: NT$ thousand

Item/Year	2022	2023 First Quarter
R&D expenses	143,324	34,560
Operating revenue	3,138,053	852,251
R&D expenses of operating revenue (%)	4.57	4.06

Note：The consolidated financial statements for the first quarter of 2023 have not yet been reviewed by the CPA.

(2) Newly Developed Technology and Products in Recent Years

Year	Product Category	R & D results	Benefits
2022	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
		12” flat & low trace metal new test wafer process technology	Expand business scope, ramp up revenue, and improve technical level
2022	Mid-end process foundry services	6”/8” wafer carrier bonding process technology development	Improve existing process yield and increase customer satisfaction
		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
		6” SiC substrate thinning process development	Expand research and development field to hard and brittle materials, increasing service items, raising technical thresholds, and increasing revenue

Year	Product Category	R & D results	Benefits
2022	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.
2022	Point of care diagnosis chip	The lung cancer tracking chip	Improving the protein chip anti interference ability, increase the technical barrier. ➢ The tests of 145 plasma samples pass. 0.5 ng/ml of detection limit, specificity > 95%, accuracy > 95% in plasma sample
		Multiple in one liquid biopsy chip for heart failure	Providing the integration of multiple detection target in one chip service. (1) The prototype of 4 in 1 diagnostic chip with paper based microfluidic device (2) 4 detection targets for heart failure develop done. Linearity >0.95, 0.5 ng/ml detection limit of 4 type biomarkers approved (3) The tests of 30 serum samples pass. 0.5 ng/ml of detection limit, specificity > 95%, accuracy > 95% in plasma sample

4. Long and Short-Term Business Development Plan

1. Short-term Plan

(1) Marketing Strategy

A. Our company's top priority in management is customer satisfaction, improving quality rate, short and stable product delivery, and prompt handling of customer complaints, all following QS9000 operation processes, to comprehensively enhance competitiveness.

B. We are committed to meeting the increasing demands of our business and actively seeking various production possibilities based on different customer usage characteristics, formulating marketing strategies, actively developing domestic and foreign markets, and meeting customer needs.

(2) Production Strategy

A. In line with market strategy, fully utilize machine capacity, improve yield, shorten delivery time, meet different product demands in the market, and develop unique products based on core technologies to differentiate ourselves from competitors.

B. Implement quality management systems to further enhance our company's quality image, and improve competitiveness.

(3) R&D Strategy

Our company's research and development focus will be on "developing higher value-added products" for existing products, using innovation to increase added value, create higher profits, and establish leadership in the market.

2. Long-term Plan

(1) Marketing Strategy

A. In addition to existing domestic and foreign customers, actively develop customers in the Asia-Pacific and Europe and America regions to diversify the product marketing areas. At the same time, strengthen the international marketing capabilities of sales personnel through training to provide customers with more comprehensive services..

B. Through the established domestic customer base, actively introduce new processes and machinery and promote them to top international factories to establish a dual barrier of technology and marketing.

(2) Production Strategy

Establish long-term partnerships with major domestic and international wafer fabs, major customers, and agents to stabilize wafer source quality and sales channels for mutual benefits. Actively promote various quality certifications such as IATF16949 (automotive product certification) and ISO13485 (medical equipment quality certification) to comprehensively improve quality and quantity and aim to become a world-class scale contract manufacturer.

To support meeting customer demands, the company has increased production capacity and has become the largest wafer reclaim contract manufacturer in Taiwan in 2021. The Zhonggang plant in Taichung was also launched in June 2022, using automated high-altitude autonomous guided vehicles (AGVs) for production to continue injecting output and aim to become the global leader

(3) R&D Strategy

A. Create more core technologies to develop high-value-added products in line with the improvement of production processes and continue to research related technologies..

B. Seek cooperation with academic research institutions or wafer manufacturing peers at home and abroad 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		2021		2022	
		Amount	%	Amount	%
Domestic sales		2,374,528	89.56	2,731,736	87.05
Export	Asia	249,927	9.42	375,754	11.97
	Americas	19,884	0.75	22,243	0.71
	Europe	7,047	0.27	8,320	0.27
	Sub-total	276,858	10.44	406,317	12.95
Total		2,651,386	100.00	3,138,053	100.00

(2) Market share

Our company's main products are wafer reclaim and wafer thinning.

Wafer reclaim focuses on regional services. According to statistical data, the total monthly production capacity of the major wafer reclaim contractors in Taiwan, including China Abrasives, Xinyun, and our company, is about 890,000 pieces at the end of 2022. Our company's monthly production capacity of 12-inch recycled wafers is about 450,000 pieces, giving us a market share of approximately 50% in Taiwan.

There is no publicly available research on the market share of wafer thinning. Our wafer thinning customers include well-known vertical integrated manufacturers (IDMs) and IC design companies domestically and internationally. Our company's operating scale and corporate position are significantly ahead of our peers, making us the target of imitators.

(3) Future market supply and demand and growth prospects:

A. Wafer reclaim foundry services

Wafer reclaim foundry services focus on regional services, and customers are mainly local wafer foundry industry players. As the wafer size increases, product cleanliness requirements increase, and machine equipment capital expenditures are high, forming high entry barriers. In addition to Japanese semiconductor companies doing wafer reclaim foundry services due to industry transformation and becoming the main new competitors in the market, the entry barriers formed by industry characteristics make it difficult for competitors to enter, and Taiwan's wafer reclaim industry has formed an oligopoly market. Large professional IC foundries in Taiwan have an absolute leading position in advanced processes below 7 nanometers and continue to expand advanced process capacity. Looking ahead, the market and customer demand will be strong, and we will timely plan capital expenditures to meet customer quality and quantity requirements.

B. Wafer Thinning Foundry Services

The global market for power semiconductors is expected to be dominated by demand from household appliances, next-generation automobiles (electric vehicles, hybrid energy vehicles), new energy industry machinery, factory equipment, and other industries. The trend towards thinner products is increasing the demand for wafer thinning processes. As international semiconductor IDM giants outsource their processes, a new emerging mid-stream process market has been created. The majority of wafer thinning foundry service providers in the market are wafer foundries with thinning technology. However, the wafer thinning foundry process requires flexible service and creates a technological barrier to entry for standardization and mass production wafer fabs.

According to the latest research report from Evolve Business Intelligence, the global market value of Metal-Oxide-Semiconductor Field-Effect Transistors (MOSFET) is estimated to be $7.55 billion in 2022 and is expected to reach $11.53 billion in 2029, with a CAGR of approximately 6.34% from 2022 to 2029. The increasing demand for energy-saving and miniaturization has led to a high replacement rate of electronic products, driven by the strong demand for smartphones and portable electronic products. This has also led to the development of high-performance new products and market demand. The rise of medical/health electronic devices, the increasing penetration rate of LED (Light Emitting Diode) lighting systems, and the extensive application of green energy management systems (including lighting, temperature, and security) in smart homes, smart buildings, and smart cities, all contribute to the relative strong growth momentum. Our company not only continues to strive for power device customers but also strengthens contacts with separated component customers to overcome the exclusion effect caused by wafer fabs' strategic integration foundry model. We also actively promote the use of thinning technology as the core of our business, expanding the scope of our services to various types of semiconductor components. This will be a key focus of our strategy, and it is particularly advantageous for our business in the area of wafer thinning foundry services.

(4) Competitive advantage

A. High production technology content

Our company has professional technical personnel and continuously improved professional technology, providing semiconductor manufacturers with highly efficient technical services. Our performance in terms of removal rate, flatness, and cleanliness can meet the strict quality control requirements of our customers, not only meeting their quality and production capacity needs but also providing them with cost-saving solutions. Our thinning process technology and high yield in the production process have achieved a production record equivalent to more than 6.5 million 8-inch wafers.

B. Our customers are mostly international well-known semiconductor giants, which enhances market competitiveness.

Our company is located in a highly competitive production center with a high density of 12-inch semiconductor factories, close to the semiconductor industry chain. Our process capabilities have been certified by end customers, and we maintain a close relationship with our customers in both business and production personnel who actively cooperate with customer needs. Our research and development personnel plan ahead for new product applications and establish a new type of supply chain and value chain services for our customers. We are committed to improving product yield and reducing unnecessary costs, successfully surpassing foreign competitors in terms of delivery time, flexibility, and cost advantages. We have gained recognition from international well-known semiconductor customers and have been awarded the Outstanding Supplier Award. Our technical capabilities are highly recognized by international giants, which is one of our company's advantages for future market competition.

C. Multiple patent layout

In addition to continuously improving its process capabilities and developing applications for new products, our company also continues to lay out patents for the middle section of MEMS processes and battery niches, and has successively obtained multiple invention patents and utility model patents. There are also several invention patents awaiting approval. The layout of these niche patents will be a key factor in setting our company apart from competitors and standing out in the industry.

D. Production line automation

In addition to process technology, our company has also introduced a fully automated production line. In addition to maintaining high-quality production, this production line can further improve production efficiency and reduce labor costs. Under mass production, customers will have more competitive space, and it will also be helpful for business expansion.

(5) Favorable and unfavorable factors for future development and response strategies

A.Favorable factors

a.Complete professional division of labor in the domestic semiconductor industry

The Taiwanese semiconductor industry has the advantage of a complete upstream and downstream industry chain, high degree of professional division of labor, significant industry cluster effect, and perfect peripheral support industry. The foundries, packaging, and testing factories all have economies of scale, specialized manufacturing capabilities, flexible production scheduling, world-class service quality, and quick response capabilities, which can provide high-quality and internationally competitive products. This will be a major foundation for future development.

b. The industry and end-market applications to which the products belong will continue to grow in the future

The products served by the company are used in consumer electronics, smart cars, and the Internet of Things (IoT) products. The main product in the consumer electronics market is smartphones, although the growth rate of the smartphone market has slowed down, demand remains high. Handheld mobile devices and other consumer electronics products continue to pursue the characteristics of being light, thin, short, small, and low power consumption, which requires increasingly specialized processes for wafers and sensors. Smart cars will replace traditional cars and become mainstream, and the widespread use of sensors is critical for achieving smart cars. The demand for sensors in the IoT is particularly high, and it is expected that the application areas of the process services provided by the company will become more extensive in the future, and demand will continue to grow.

c. Customers are mostly internationally renowned companies

Most of our customers are globally renowned semiconductor giants. By obtaining ISO9001 and IEQC certifications as guarantees of production quality, we also assist our customers in establishing related product information and providing real-time technical support. We engage in long-term and continuous cooperation with our customers to develop new applications for products, such as the development of new materials, front-end metal processing, and wafer testing. We aim to establish new types of supply chain and value chain services for our customers and maintain a close cooperative relationship with them. We have been awarded the Annual Outstanding Supplier Award by our customers and expect to continue our close cooperation with them, leading to stable business growth.

B. Adverse Factors and Response Strategies

a. The market changes rapidly, and the life cycle of end-use products is short, and competition is fierce.

Semiconductor technology is constantly evolving, and product functionality and specifications are constantly being updated. Rapid market demand changes require the midstream semiconductor manufacturing industry to constantly improve R&D and manufacturing processes to keep up with upstream IC design companies and wafer foundries' new product development process applications and meet the trend of lighter, thinner, shorter, and smaller end products.

Response strategies:

In response to the constantly changing semiconductor industry market and its technology, the company's competitive advantage lies in continuing to develop advanced processes and new technologies, strengthening cooperation with major customers, integrating upstream and downstream industry technologies, providing customers with high-value-added foundry services, and supporting international leading factory customers to seize the market. As the automotive electronics, the Internet of Things, and artificial intelligence markets gradually ferment, the company's main customers have already laid out in various product areas to reduce the operational risks brought about by the weakening demand for mature products. In the future, the company will continue to cooperate with international leading factory customers to apply the company's various foundry processes and MEMS technology to expand the scope of the provided foundry services in response to rapid market changes and industry competition.

b. Risk of R&D talent loss

With the continuous development of the semiconductor industry, the demand for R&D talent from domestic and foreign semiconductor companies has increased, making R&D talent gradually scarce. Experienced R&D personnel often become targets for recruitment by competitors, creating a risk of talent loss..

Response strategy:

The company establishes a mechanism for cultivating technical personnel through the transfer of knowledge from senior technical personnel, sharing of practical experience, case studies, and internal education and training to reduce the impact of personnel turnover. At the same time, the company actively recruits outstanding talent to build a strong R&D team. In addition, the company provides a good working environment and establishes a systematized employee benefit and reward system to enhance employee morale. For R&D personnel, the company requires them to sign confidentiality agreements and appropriately save data related to the technologies they have developed to prevent the risk of technology loss due to personnel turnover. Furthermore, the company completed its listing in 2018 to increase its visibility, attract outstanding talent, and share the company's management results with employees through tools such as employee stock option certificates, restricted stock units, and employee compensation, thereby increasing employee morale.

c. Companies with wafer production experience entering the competitive foundry services market

The emerging mid-end industry that our company belongs to is a focus of attention in the semiconductor upstream and downstream industry chains. These emerging technology methods were originally part of various industry supply chains, resulting in an industry gray area. Both front-end and back-end semiconductor manufacturers want to enter the mid-end process. Back-end testing and packaging companies and printed circuit board manufacturers have also become potential competitors in the emerging embedded die and interposer markets.

Response strategies:

Our company's customers are globally renowned Total Solution semiconductor manufacturers. Through joint development with customers, we establish cooperative tacit understanding and can understand end-market demand to adjust process technology in advance. Our company also collaborates with globally renowned wafer foundries to solidify order sources and grasp end demand, leading to the launch of high-quality power components and establishing a benchmark image in the market. Our company has accumulated years of foundry experience and provides Total Turnkey Solutions. In the future, we will strengthen customer relationships and assist customers in solving process and technology problems.

2. Important Uses and Manufacturing Processes of Main Products

(1) Important Uses of Main Products

A Reclaimed Wafer Foundry Services

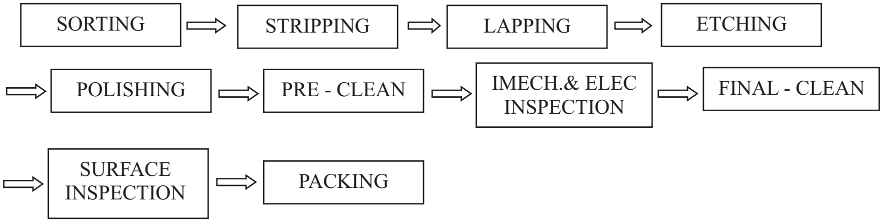
Reclaimed wafer foundry services and thin dummy wafer foundry services are provided to semiconductor manufacturers for use in testing equipment cleanliness, adjusting and optimizing process parameters, and monitoring processes before large-scale production of IC products. In terms of chemical deposition processes, various thin films (such as oxide films, polysilicon films, and silicon nitride films) are deposited. The electrical and physical properties of these thin films on the test wafers are then measured, and the measurement results are used to adjust and optimize important process parameters for controlling thickness and uniformity. Monitoring the processes of important equipment in the furnace tube area, photoresist area, and metal film area is also crucial. Clearly, control wafers are necessary consumables in the mass manufacturing process to maintain optimal process yield. Using reclaimed wafers can save a lot of wafer material operating costs compared to new test wafers (virgin test wafers).

B. Wafer Thinning Foundry Services

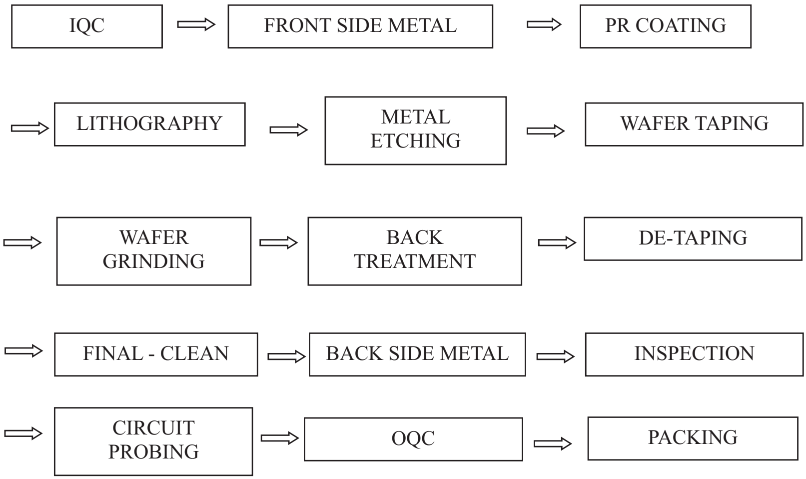
The semiconductor midstream process includes many processes, among which wafer thinning is mainly used for reducing the thickness of analog power semiconductor wafers and backside processing, enabling these power devices to meet performance requirements and packaging specifications. Wafer thinning is an essential process for power semiconductor devices. In addition, wafer thinning, together with related processes such as front-side metal secondary processing, wafer testing, and cutting, are integrated into a turn-key foundry mode. This not only enhances customer service and business depth and breadth, but also simplifies the customer's product processing supply chain, improves customer product quality and delivery time, and ultimately achieves customer satisfaction.

(2) Process Flow

A. Wafer Reclaim Process



B. Wafer Thinning Process



3.The Supply Status of the Main Raw Materials

The main raw material including 8" tape、slurry、8" wafer and 12" PAD. 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
8” Tape	A Company	good
Slurry	B Company	good
Slurry	C Company	good
8 吋 wafer	D Company	good
12" PAD	E 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	2021				2022			
	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer	Company	Amount	Ratio to net annual purchase(%)	Relationship with the Issuer
1	Others	735,731	100.00	-	Others	920,887	100.00	-
	Net purchase	735,731	100.00		Net purchase	920,887	100.00	
Reasons for changes：Increase in purchases mainly resulted from increased raw material usage for production expansion								

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

Unit: NT$ thousand；%

Item	2021				2022			
	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	1,541,497	58.14	None	AA Company	1,896,427	60.43	None
2	AB Company	288,352	10.88	None				
3	Others	821,537	30.98	-	Others	1,241,626	39.57	-
	Net sales	2,651,386	100.00		Net sales	3,138,053	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.								

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

Unit: thousand pieces; NT$ thousand

Year / Production volume / Main Product	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
semiconductor wafer service	6,207	5,838	1,981,882	6,942	6,480	2,250,587
Total			1,981,882			2,250,587

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

Unit: thousand pieces; NT$ thousand

Year / Sales volume / Main Product	2021				2022			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
semiconductor wafer service	5,370	2,374,528	299	276,858	5,970	2,731,736	407	406,317
Total	5,370	2,374,528	299	276,858	5,970	2,731,736	407	406,317

(III)Hunan Resources

Unit:person

Year		2021	2022	2023 as of March 31
Number of employees (persons)	Direct Staff	404	522	529
	Indirect Satff	403	497	503
	Total	807	1,019	1,032
Average Age		36.67	36.03	36.04
Average Seniority (years)		4.69	3.99	4.06
Education %	Doctors	1.24	1.18	1.16
	Masters	13.26	12.66	12.98
	Bachelor's Degree	68.77	69.48	68.90
	Senior high schools and below	16.73	16.68	16.96
	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 salary packages, employee promotion methods and employee incentive methods to affirm the contribution and dedication of all colleagues to the company. In addition to general benefits such as labor insurance, health insurance, group insurance, and pension payments, the employees of the company provide benefits such as annual bonuses, birthday and festival gifts, year-end parties, weddings and funerals, scholarship subsidies, and maternity subsidies. , Free indoor parking lot, set up a staff restaurant to serve Chinese food, dinner and supper, and provide meal subsidies for colleagues and free self-service drink machines and staff dormitories. In 2011, 386 people participated in the family day event, and at the same time promoted projects such as flexible working hours/lunch break system, department dinners, and deferred special leave to improve the provision of diversified independent benefits for employees.

(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	Fire facilities, fire lines and regular safety inspections.	Equipped with qualified fire

Item	Target	Program	Presentation	Implementation situation
		related measures		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
7	Implement prevention of fires,	Fire protection plan	According to the fire protection law, the	Hsinchu City Fire Bureau inspection

Item	Target	Program	Presentation	Implementation situation
	earthquakes and other disasters to protect human lives and reduce the chance of disasters in an all-round way		necessary matters of fire prevention shall be implemented, and the purpose of preventing fire, earthquake and other disasters shall be implemented.	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	Operate according to the OPSE-005 safety and health management procedures for contractors to effectively manage contracting operations and ensure operational 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 factory building performs fixed fire safety inspections every year, it conducts building security inspections every two years, and the inspection records are reported. 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. List the losses suffered due to labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results that violate the Labor Standards Act, and the date of punishment, the name of the punishment, the violation of laws and regulations, the content of violations of laws and regulations, and the content of punishment should be listed), And disclose the estimated amount and countermeasures that may occur at present and in the future. If it cannot be reasonably

estimated, the fact that it cannot be reasonably estimated should be explained: the company's labor-management relationship is harmonious, and labor-management disputes are also mediated according to the mediation procedure.

(VI) Information and Communications Security Management

1. Information and Communications Security Risk Management Framework

Our company has established a security committee, which convenes monthly information security meetings to review information security policies and reports regularly to the board of directors.

2. Information and Communications Security Policy

We ensure that the data processed, stored, transmitted, or disclosed by the company is thoroughly protected to prevent events such as damage, theft, leakage, tampering, misuse, and infringement. We have developed an information security statement and implemented it to continuously enhance the confidentiality, integrity, and availability of various information service systems.

3. Specific Management Plan for Information and Communication Security

(1) Computer Information Security Control

For system development, acquisition and maintenance, information system processing, computer equipment and system software, network system security and other controls, the company confirms that all operations comply with information security and regulatory requirements.

(2) Personal Information and Confidential Information Management

A. Strictly control the storage, transmission and maintenance of personal information and confidential information according to the company's "Personal Information Protection Management Regulations" and "Confidential Information Management Regulations" to maintain the company's operational security and interests, and strengthen the control of the company's competitive advantages, core technology and business information.

B. When educating and training new employees or explaining management regulations, colleagues will be strengthened in promotion and explanation.

(3)The overall planning, software and hardware construction and maintenance of the information system, database backup and restoration drills, and the security protection and control of the system are well-controlled. Server virtualization has been introduced to reduce the number of physical servers, which can achieve the effect of environmental protection, energy saving and maintenance cost reduction, and strengthen disaster prevention, information security, monitoring, notification mechanism, abnormal management and backup.

(4) Implement information security education and training and regularly conduct disaster recovery drills..

4. Investment in Information and Communication Security Resources

(1) Endpoint protection

A. Control employees from sending confidential company information via email content or attaching confidential electronic documents to inappropriate external parties.

B. Control employees from transmitting confidential electronic documents through internet behavior, file transfer software, or instant messaging software.

C. Control employees from copying confidential documents using personal computer peripherals (USB, Bluetooth, etc.).

D. Control employees from printing confidential documents using printers/office equipment input/output devices .

E. Control third-party confidential data and strictly prohibit the use of unauthorized software (including intellectual property rights), and conduct comprehensive promotion and verification.

F. Keep complete records of operations (including reading, storing, retrieving, and printing) to protect the company's rights.

(2) Print Protection

A. Control the confidentiality of printing, copying, scanning, faxing, and other operations: An information security system has been introduced for office equipment. All printing, copying, scanning, faxing, and other operations must be controlled by colleagues swiping their identification cards to confirm their qualifications before execution. This has solved the problem of confidential documents being mistakenly taken or read by others.

B. Centrally control the confidentiality of printing, copying, scanning, faxing, and other operations and remove all printers and fax machines owned by each department to address the loophole of difficult tracking of confidential information.

C. Prevent printing waste: Reduce resource consumption caused by misprints and errors.

D. Control the printing volume: Manage the number of printed pages and print details.

(3) Policy Promotion

A. Regularly review the information security policy to comply with the reasonable confidentiality measures required by the Trade Secrets Act.

B. Regularly promote information on information security, trade secrets, and related information on the bulletin board every week.

(4) Authorization Control: Control for abnormal personnel, a procedure for authorization control for abnormal personnel has been developed.

5. For the current and previous fiscal year up to the date of printing of this annual report, if there were any significant losses, potential impacts, and corresponding measures due to major cybersecurity incidents that cannot be reasonably estimated, it should be stated that such inability to make reasonable estimates exists: 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	2022/07/01~2025/06/30	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) 2018	2019	2020	2021	2022
Current assets		1,561,903	2,626,523	1,901,432	1,827,286	2,051,142
Property, plant and equipment		1,536,209	2,388,908	2,819,389	3,635,757	5,611,342
Intangible assets		30,801	33,238	29,506	30,184	22,687
Other assets		181,586	358,504	373,002	834,752	913,783
Total assets		3,310,499	5,407,173	5,123,329	6,327,979	8,598,954
Current liabilities	Before distribution	726,353	1,053,046	1,746,790	1,709,160	1,254,390
	After distribution	938,206	1,317,862	1,826,235	1,821,442	Not assigned
Non-current liabilities		345,331	1,881,531	1,052,643	2,101,763	4,353,256
Total liabilities	Before distribution	1,071,684	2,934,577	2,799,433	3,810,923	5,607,646
	After distribution	1,283,537	3,199,393	2,878,878	3,923,205	Not assigned
Equity attributable to owners of the parent company		2,188,422	2,437,270	2,307,565	2,517,056	2,991,308
Share capital	Before distribution	1,324,080	1,324,080	1,324,080	1,403,525	1,526,280
	After distribution	1,324,080	1,324,080	1,403,525	1,487,736	Not assigned
Capital reserve	Before distribution	502,474	634,768	634,768	610,258	744,225
	After distribution	502,474	634,768	555,323	526,047	Not assigned
Retained earnings	Before distribution	361,868	478,422	348,717	503,273	720,803
	After distribution	150,015	213,606	269,272	390,991	Not assigned
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		50,393	35,326	16,331	-	-
Total equity	Before distribution	2,238,815	2,472,596	2,323,896	2,517,056	2,991,308
	After distribution	2,026,962	2,207,780	2,244,451	2,404,774	Not assigned

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

Note 2: In December 2021, Phoenix Battary Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate.

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

Unit: NT$ thousand

Item \ Year		Financial data for the most recent five years(Note1)				
		2018	2019	2020	2021	2022
Current assets		1,338,403	2,437,139	1,747,562	1,827,286	2,051,142
Property, plant and equipment		1,442,208	2,259,018	2,718,023	3,635,757	5,611,342
Intangible assets		29,462	32,397	29,327	30,184	22,687
Other assets		291,983	423,464	392,737	834,752	913,783
Total assets		3,102,056	5,152,018	4,887,649	6,327,979	8,598,954
Current liabilities	Before distribution	618,374	923,458	1,591,772	1,709,160	1,254,390
	After distribution	830,227	1,188,274	1,671,217	1,821,442	Not assigned
Non-current liabilities		295,260	1,791,290	988,312	2,101,763	4,353,256
Total liabilities	Before distribution	913,634	2,714,748	2,580,084	3,810,923	5,607,646
	After distribution	1,125,487	2,979,564	2,659,529	3,923,205	Not assigned
Equity attributable to owners of the parent company		-	-	-	-	-
Share capital	Before distribution	1,324,080	1,324,080	1,324,080	1,403,525	1,526,280
	After distribution	1,324,080	1,324,080	1,403,525	1,487,736	Not assigned
Capital reserve	Before distribution	502,474	634,768	634,768	610,258	744,225
	After distribution	502,474	634,768	555,323	526,047	Not assigned
Retained earnings	Before distribution	361,868	478,422	348,717	503,273	720,803
	After distribution	150,015	213,606	269,272	390,991	Not assigned
Other equity		-	-	-	-	-
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	2,188,422	2,437,270	2,307,565	2,517,056	2,991,308
	After distribution	1,976,569	2,172,454	2,228,120	2,404,774	Not assigned

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

Note 2: In December 2021, Phoenix Battary Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate.

(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$)

Year / Item	Financial data for the most recent five years(Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,121,873	2,649,059	2,267,585	2,651,386	3,138,053
Gross profit	720,946	889,440	535,203	666,642	831,790
Operating profit and loss	299,549	430,868	147,514	232,554	307,991
Non-operating income and expenses	(23,424)	(14,608)	9,141	29,815	64,668
Income before tax	276,125	416,260	156,655	262,369	372,659
Net income from continuing operation	198,885	317,028	178,038	255,174	325,251
Loss from discontinued operation	-	-	(62,480)	(37,711)	-
Net income (loss)	198,885	317,028	115,558	217,463	325,251
Other comprehensive income (net after tax) for the current period	515	(3,688)	558	(1,653)	4,561
Total comprehensive income for the current period	199,400	313,340	116,116	215,810	329,812
Net income (loss) attributed to owners of the parent company	232,634	332,095	134,553	235,654	325,251
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	233,149	328,407	135,111	234,001	329,812
Total comprehensive income attributable to non-controlling interests	(33,749)	(15,067)	(18,995)	(18,191)	-
Earnings per share	1.87	2.51	0.96	1.58	2.17

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

Note2: In December 2021, Phoenix Battary Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate.

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)				
	2018	2019	2020	2021	2022
Operating revenue	2,018,052	2,465,694	2,272,675	2,656,741	3,138,053
Gross profit	748,194	881,372	535,203	666,642	831,790
Operating profit and loss	393,658	484,909	147,320	232,329	307,991
Non-operating income and expenses	(83,784)	(53,582)	(34,150)	10,520	64,668
Income before tax	309,874	431,327	113,170	242,849	372,659
Net income from continuing operation	232,634	332,095	134,553	235,654	325,251
Loss from discontinued operation	-	-	-	-	-
Net income (loss)	232,634	332,095	134,553	235,654	325,251
Other comprehensive income (net after tax) for the current period	515	(3,688)	558	(1,653)	4,561
Total comprehensive income for the current period	233,149	328,407	135,111	234,001	329,812
Net income (loss) attributed to owners of the parent company	232,634	332,095	134,553	235,654	325,251
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	233,149	328,407	135,111	234,001	329,812
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	1.87	2.51	0.96	1.58	2.17

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

Note2: In December 2021, Phoenix Battary Corp. (PBC) increased its shareholding, and the Company's shareholding ratio was reduced to 33.42% as the Company did not raise shares in proportion to its shareholding. In addition, PBC fully re-elected its directors and supervisors, and the relationship between the Company and PBC was changed from subsidiary to affiliate.

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
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
2022	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				
		2018	2019	2020	2021	2022
Financial structure	Liabilities to asset ratio (%)	32.37	54.27	54.64	60.22	65.21
	Ratio of long-term funds to fixed assets (%)	168.22	182.26	119.76	127.04	130.89
Solvency	Current ratio (%)	215.03	249.42	108.85	106.91	163.52
	Quick ratio (%)	185.70	224.86	93.87	96.25	141.75
	Interest coverage ratio	24.85	21.41	6.24	13.54	13.17
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.97	7.08	6.34	5.73	7.15
	Average collection days	62	52	58	64	51
	Inventory turnover ratio (times)	4.21	5.57	4.94	7.00	8.73
	Payables turnover ratio (times)	13.07	13.17	11.86	13.11	11.89
	Average inventory turnover days	87	66	74	52	42
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.37	1.35	0.87	0.82	0.68
	Total asset operating revenue ratio (times)	0.69	0.61	0.43	0.46	0.42
Profitability	Return on assets (%)	6.75	7.99	4.52	4.81	4.72
	Shareholder’s equity return ratio (%)	10.36	13.46	7.42	10.54	11.81
	Pre-tax income to paid-in capital ratio (%)	20.85	32.54	11.83	18.69	24.42
	Net profit ratio (%)	9.37	11.97	7.85	9.62	10.36
	Earnings per share (NT$)	1.87	2.51	0.96	1.58	2.17
Cash flow	Cash flow ratio (%)	74.17	64.55	31.85	39.67	61.79
	Cash flow adequacy ratio (%)	93.32	66.95	68.26	55.09	41.83
	Cash flow reinvestment ratio (%)	7.52	7.14	5.08	6.10	6.60
Leverage	Operating revenue leverage	3.69	4.20	10.71	8.00	6.98
	Financial leverage	1.04	1.05	1.25	1.10	1.11

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

1. Current ratio: The increase of 52.95% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in current assets and decrease in current liabilities.
2. Quick ratio: The increase of 47.27% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in current assets and decrease in current liabilities.
3. Accounts receivable operating revenue ratio: The increase of 24.78% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net sales.
4. Average collection days: The decrease of 20.31% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net sales and decrease in accounts receivable.
5. Inventory turnover ratio: The increase of 24.71% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in cost of sales and decrease in average inventory.
6. Pre-tax income to paid-in capital ratio: The increase of 30.66% in fiscal 2022 compared to fiscal 2021 is mainly due to the increase in net income before income tax as a result of the increase in operating revenue.
7. Earnings per share: The increase of 37.34% in FY2022 compared to FY2021 was mainly due to the increase in net income attributable to the owners of the parent company as a result of the increase in operation revenue.
8. Cash flow ratio: The 55.76% increase in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net cash flow from operating activities.
9. Cash flow adequacy ratio: The decrease of 24.07% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in the gross amount of property, plant and equipment.

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

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(2)Parent Company Only Financial Statements

Item		Year: Financial Analysis for the Last Five Years				
		2018	2019	2020	2021	2022
Financial structure	Liabilities to asset ratio (%)	29.45	52.69	52.79	60.22	65.21
	Ratio of long-term funds to fixed assets (%)	172.21	187.19	121.26	127.04	130.89
Solvency	Current ratio (%)	216.44	263.91	109.79	106.91	163.52
	Quick ratio (%)	197.45	248.31	100.14	96.25	141.75
	Interest coverage ratio	32.48	27.01	4.78	12.61	13.17
Operating performance analysis	Accounts receivable operating revenue ratio (times)	5.93	6.86	6.66	5.74	7.15
	Average collection days	62	53	55	64	51
	Inventory turnover ratio (times)	9.45	10.50	9.93	10.18	8.73
	Payables turnover ratio (times)	12.84	13.84	13.57	14.08	11.89
	Average inventory turnover days	39	35	37	36	42
	Property, plant, and equipment (PP&E) operating revenue ratio (times)	1.38	1.33	0.91	0.84	0.68
	Total asset operating revenue ratio (times)	0.70	0.60	0.45	0.47	0.42
Profitability	Return on assets (%)	8.29	8.67	3.87	4.56	4.72
	Shareholder’s equity return ratio (%)	12.28	14.36	5.67	9.77	11.81
	Pre-tax income to paid-in capital ratio (%)	23.40	32.58	8.55	17.30	24.42
	Net profit ratio (%)	11.53	13.47	5.92	8.87	10.36
	Earnings per share (NT$)	1.87	2.51	0.96	1.58	2.17
Cash flow	Cash flow ratio (%)	99.06	77.16	34.29	39.13	61.79
	Cash flow adequacy ratio (%)	96.24	71.59	72.25	57.66	44.32
	Cash flow reinvestment ratio (%)	9.78	8.03	5.12	6.08	6.60
Leverage	Operating revenue leverage	2.78	3.47	10.76	8.06	6.98
	Financial leverage	1.03	1.04	1.25	1.10	1.11

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

1. Current ratio: The increase of 52.95% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in current assets and decrease in current liabilities.
2. Quick ratio: The increase of 47.27% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in current assets and decrease in current liabilities.
3. Accounts receivable operating revenue ratio: The increase of 24.56% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net sales.
4. Average collection days: The decrease of 20.31% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net sales and decrease in accounts receivable.
5. Shareholder’s equity return ratio: The increase of 20.88% in fiscal 2022 compared to fiscal 2021 is mainly due to the increase in net income before tax as a result of the increase in operating revenue, resulting in a simultaneous increase in return on equity.
6. Pre-tax income to paid-in capital ratio: The increase of 41.16% in fiscal 2022 compared to fiscal 2021 is mainly due to the increase in net income before income tax as a result of the increase in operating revenue.
7. Earnings per share: The increase of 37.34% in FY2022 compared to FY2021 was mainly due to the increase in net income attributable to the owners of the parent company as a result of the increase in operation revenue.
8. Cash flow ratio: The 57.91% increase in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in net cash flow from operating activities.
9. Cash flow adequacy ratio: The decrease of 23.14% in fiscal 2022 compared to fiscal 2021 was mainly due to the increase in the gross amount of property, plant and equipment.

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, 2022 Business Report and proposal for distribution of 2022 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. The Financial Statements, 2022 Business Report and proposal for distribution of 2022 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 13, 2023

(IV)Consolidated Financial Statements：Please refer to pages 119-192.

(V)Parent Company Only Financial Statements：Please refer to pages193-275.

(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	2022	2021	Different		
			Amount	%	Remark
Current assets	2,051,142	1,827,286	223,856	12.25	
Property, plant, and equipment	5,611,342	3,635,757	1,975,585	54.34	(1)
Intangible assets	22,687	30,184	(7,497)	(24.84)	
Other assets	913,783	834,752	79,031	9.47	
Total assets	8,598,954	6,327,979	2,270,975	35.89	
Current liabilities	1,254,390	1,709,160	(454,770)	(26.61)	(2)
Non-current liabilities	4,353,256	2,101,763	2,251,493	107.12	(3)
Total liabilities	5,607,646	3,810,923	1,796,723	47.15	
Share capital	1,526,280	1,403,525	122,755	8.75	
Capital reserve	744,225	610,258	133,967	21.95	(4)
Retained earnings	720,803	503,273	217,530	43.22	(5)
Equity attributable to owners of the parent company	2,991,308	2,517,056	474,252	18.84	
Non-controlling interest	0	0	0	0	
Total equity	2,991,308	2,517,056	474,252	18.84	

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 machinery for the expansion of production capacity.
   (2) Decrease in Current liabilities: Due to the decrease in long-term liabilities due within one year or business cycle.
   (3) Increase in Non-current liabilities: Due to the increase in long-term loans
   (4) Increase in Capital reserve: Due to the conversion of convertible bonds
   (5) Increase in Retained earnings: Due to the increase in net income for the period.
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	2022	2021	Increased (decreased) amount	Change ratio (%)	Remark
Operating revenue	3,138,053	2,651,386	486,667	18.36	
Operating cost	2,306,263	1,984,744	321,519	16.20	
Gross profit	831,790	666,642	165,148	24.77	(1)
Operating expenses	523,799	434,088	89,711	20.67	(2)
Operating income	307,991	232,554	75,437	32.44	(3)
Non-operating income and expenses	64,668	29,815	34,853	116.90	(4)
Income before tax	372,659	262,369	110,290	42.04	(3)
Income tax expense	(47,408)	(7,195)	(40,213)	558.90	(5)
Net income	325,251	255,174	70,077	27.46	(3)
Loss from discontinued operations	0	(37,711)	37,711	(100.00)	(6)
Other comprehensive income	4,561	(1,653)	6,214	(375.92)	
Total comprehensive income	329,812	215,810	114,002	52.83	(7)

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 expenses: due to increase in administrative expense.

(3) Increase in operating income, income before tax, net income: due to increase in operating gross profit causes a simultaneous increase in operating profit, net profit before tax, and net profit for the current period.

(4)Increase in non-operating income and expenses:due to increase in gains on disposals of investments and foreign currency exchange benefits.

(5) Increase in income tax expense: due to the increase in income before tax, the income tax expense increase.

(6) Loss from discontinued operations: Due to the relationship between Phoenix Battary Corporation and the Company was changed from a subsidiary to a related company and the company ceased to be included in the consolidated financial statements.

(7)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	165,149	391,803	(251,799)	4,364	20,781
Remark	1.Favorable variance of price difference: Adjust product portfolio and price for market demand 2.UnFavorable variance of cost difference: Increase in unit cost due to the increase in pre-production input cost for the expansion. 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: %

Item \ Year	2022	2021	Increased (decreased) ratio (%)
Cash flow ratio	61.79	39.67	55.76
Cash flow adequacy Ratio	41.83	55.09	(24.07)
Cash reinvestment ratio	6.60	6.10	8.20
Reason for increased or decreased: Increase in cash flow ratio: due to the increase in net cash flow from operating activities in 2022. Decrease in cash flow adequacy ratio: due to the increase in the value of property, plant and equipment in 2022.			

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
1,070,340	765,587	(1,183,433)	652,494	-	-
(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 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 2022 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$ 930,891thousand 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 2022 increased by 11% compared with 2021. 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's shareholding ratio decreases to 25.28% after the disposal of a portion of Phoenix Battery in 2022.

Phoenix Battery issued new shares by converting bonds in Feb. 2023, which reduced the Company's shareholding to 18.07%.

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

In 2022, the Company recorded an investment loss of NT$23,800 thousand for Sunrise Battery, decreasing NT$264 thousand from the investment loss of NT$24,064 thousand recorded in 2021. 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 2021 and 2022 were NT$3,269 thousand dollars and NT$12,734 thousand dollars respectively, accounting for 1.25% and 3.42% of the net profit before tax, The main reason is that the Company borrowed money from banks for operational purposes.The interest rate variation affected the Company's profit and loss.The ratio of interest expense to net income before income tax increased due to the increase in total bank borrowings in 2022.

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 2021 and 2022 were NT$18,390 thousand dollars and NT$42,720 thousand dollars, accounted for operating profit were -7.91% and 13.87% respectively. It shows that the changes of exchange rate has a certain impact on the company's profit and loss, Due to the significant devaluation of the New Taiwan Dollar in 2022, the exchange loss increase compared to 2021.

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 2022 published by the Accounting Office of the Executive Yuan, the annual growth rate is 2.94%, it is the largest increase in 14 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. 8” & 12” 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.

Risk assessment and response measures for information security:

(1) Information technology security risks and management measures

The Company has established comprehensive network and computer-related security measures, but cannot guarantee that its computer systems, which are essential for the operation and accounting functions of the Company, can completely avoid network attacks from any third parties. These network attacks illegally invade the Company's internal network system and carry out activities that damage the Company's operations and reputation, among other things. In the event of a serious network attack, the Company's system may lose important data and the production line may come to a halt. The Company ensures the appropriateness and effectiveness of its information security regulations and procedures through continuous review and assessment, but cannot guarantee that the Company will not be affected by new risks and attacks in the ever-changing information security threats. Network attacks may also attempt to steal the Company's trade secrets and other confidential information, such as proprietary information of customers or other stakeholders and personal information of the Company's employees.

Malicious hackers may attempt to infiltrate the company's network system with computer viruses, destructive software, or ransomware in order to disrupt the company's operations, extort or ransom the company, gain control of the computer system, or spy on confidential information. These attacks could result in the company having to compensate customers for losses due to delayed or interrupted orders, incurring substantial costs to implement remediation and improvement measures to strengthen the company's network security system, or becoming involved in legal cases or regulatory investigations resulting from the leakage of confidential information from the company's employees, customers, or third parties with confidentiality obligations.

To prevent and reduce the damage caused by the aforementioned malicious cyber attacks, our company will implement relevant improvement measures and continuously update them. For example, we will establish a mechanism to scan machines for viruses upon entry to prevent machines containing malicious software from entering the company; strengthen network firewalls and network controls to prevent computer viruses from spreading across machines and factory areas; establish endpoint antivirus measures based on the computer type; and strengthen the detection of phishing emails. Although our company continues to strengthen its information security protection measures, we cannot guarantee that we will be immune to malware and hacker attacks. However, we will do our utmost to defend all rights and interests.

(2) Significant Information Security Incidents

Please indicate the losses and potential impacts suffered due to significant information security incidents in the current fiscal year and up to the date of printing 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 order to meet the future operational needs and long-term development and planning, the Company's board of directors approved in March 2021 the purchase of a plant in the Taichung Harbor Technology Park for the expansion of production capacity and the commencement of mass production in September 2022, which is expected to achieve the Company's established profit and growth targets, improve the Company's operational performance and achieve the goal of sustainable operation and continuous growth, and the investment risk of this plant expansion is still limited for the Company's financial operations.

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

(1) Purchase

The main raw material including 8" tape、slurry、8" wafer and 12" PAD.. 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 2021and 2022 the ratio of sales to the largest sales customer to net revenue was 58.14% and 60.43%, 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)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.

(2)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.

13.Other major risks and countermeasures:None.

VII.Other Major Events: None.

VIII.Special Disclosure

(I) Profiles of the affiliates：None.

(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.

INDEPENDENT AUDITORS' REPORT

PWCR22000438

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, 2022 and 2021, 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, 2022 and 2021, 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 that came into effect 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 Standards on Auditing of 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 2022 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 2022 consolidated financial statements are stated as follows:

Accuracy of revenue recognition

Description

Please refer to Note 4(30) for accounting policies on revenue recognition and Note 6(21) for details of operating revenue account.

The Group is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. Service revenue was derived from the transfer of services over time and satisfied performance obligation. The Group measured the completion degree of performance obligation based on 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 that 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(15) 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 reclaiming, 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 accurate.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Phoenix Silicon International Corporation as at and for the years ended December 31, 2022 and 2021.

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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023

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.

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,070,340	13	$ 1,081,999	17
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	17,750	-
1140	Current contract assets	6(21)	266,439	3	77,591	1
1150	Notes receivable, net	6(4)	86	-	185	-
1170	Accounts receivable, net	6(4)	414,091	5	462,950	8
1180	Accounts receivable due from related parties, net	6(4) and 7	-	-	331	-
1200	Other receivables		26,034	-	2,733	-
1210	Other receivables due from related parties	7	16	-	-	-
130X	Inventories	6(5)	258,799	3	165,659	3
1410	Prepayments		14,201	-	16,510	-
1470	Other current assets		1,136	-	1,578	-
11XX	**Current Assets**		2,051,142	24	1,827,286	29
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(3) and 8	13,055	-	12,417	-
1550	Investments accounted for using equity method	6(6)	82,341	1	125,503	2
1600	Property, plant and equipment	6(7)(10) and 8	5,611,342	65	3,635,757	57
1755	Right-of-use assets	6(8)	336,331	4	324,312	5
1780	Intangible assets		22,687	-	30,184	1
1840	Deferred income tax assets	6(28)	26,162	1	31,349	1
1900	Other non-current assets	6(11) and 7	455,894	5	341,171	5
15XX	**Non-current assets**		6,547,812	76	4,500,693	71
1XXX	**Total assets**		$ 8,598,954	100	$ 6,327,979	100

(Continued)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities	6(21)	$ 140	-	$ 157	-
2170	Accounts payable		234,513	3	153,441	3
2200	Other payables	6(13)	465,019	5	373,734	6
2220	Other payables to related parties	6(13) and 7	1,253	-	5	-
2230	Current income tax liabilities		34,307	-	12,440	-
2280	Current lease liabilities		14,881	-	11,462	-
2320	Long-term liabilities, current portion	6(14)(15) and 8	503,910	6	1,156,060	18
2399	Other current liabilities, others	7	367	-	1,861	-
21XX	**Current Liabilities**		1,254,390	14	1,709,160	27
	Non-current liabilities					
2540	Long-term borrowings	6(15) and 8	3,985,557	47	1,734,296	27
2550	Provisions for liabilities - non-current	6(17)	17,417	-	16,600	-
2570	Deferred tax liabilities	6(28)	-	-	1,510	-
2580	Non-current lease liabilities		324,604	4	316,037	5
2600	Other non-current liabilities	6(16)	25,678	-	33,320	1
25XX	**Non-current liabilities**		4,353,256	51	2,101,763	33
2XXX	**Total Liabilities**		5,607,646	65	3,810,923	60
	Equity					
	Share capital	6(18)				
3110	Share capital - common stock		1,526,280	18	1,403,525	22
	Capital surplus	6(19)				
3200	Capital surplus		744,225	8	610,258	10
	Retained earnings	6(20)				
3310	Legal reserve		164,774	2	141,374	2
3350	Unappropriated retained earnings		556,029	7	361,899	6
31XX	**Equity attributable to owners of the parent**		2,991,308	35	2,517,056	40
3XXX	**Total equity**		2,991,308	35	2,517,056	40
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
3X2X	**Total liabilities and equity**		$ 8,598,954	100	$ 6,327,979	100

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(21)	$ 3,138,053	100	$ 2,651,386	100
5000	Operating costs	6(5)(26)(27) and 7	(2,306,263)	(73)	(1,984,744)	(75)
5950	Gross profit from operating		831,790	27	666,642	25
	Operating expenses	6(26)(27)				
6100	Selling expenses		(40,262)	(1)	(36,034)	(1)
6200	Administrative expenses		(340,213)	(11)	(265,669)	(10)
6300	Research and development expenses		(143,324)	(5)	(132,689)	(5)
6450	Expected credit impairment gain	12(2)	-	-	304	-
6000	Total operating expenses		(523,799)	(17)	(434,088)	(16)
6900	Operating profit		307,991	10	232,554	9
	Non-operating income and expenses					
7100	Interest income	6(22) and 7	2,939	-	1,129	-
7010	Other income	6(23) and 7	9,355	-	2,389	-
7020	Other gains and losses	6(24)	106,800	4	47,219	2
7050	Finance costs	6(25)	(30,626)	(1)	(20,922)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	(23,800)	(1)	-	-
7000	Total non-operating income and expenses		64,668	2	29,815	1
7900	**Profit before income tax**		372,659	12	262,369	10
7950	Income tax expense	6(28)	(47,408)	(1)	(7,195)	-
8000	**Profit for the year from continuing operations**		325,251	11	255,174	10
	Discontinued operations					
8100	Loss from discontinued operations	6(12)	-	-	(37,711)	(2)
8200	**Profit for the year**		$ 325,251	11	$ 217,463	8

(Continued)

	Items	Notes	Year ended December 31 2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
	Other comprehensive income Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gain (loss) on remeasurements of defined benefit plan	6(16)	$ 5,701	-	($ 2,066)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	(1,140)	-	413	-
8300	**Total other comprehensive income (loss) for the year**		$ 4,561	-	($ 1,653)	-
8500	**Total comprehensive income for the year**		$ 329,812	11	$ 215,810	8
	Profit (loss), attributable to :					
8610	Owners of the parent		$ 325,251	11	$ 235,654	9
8620	Non-controlling interest		-	-	(18,191)	(1)
	Total comprehensive income		$ 325,251	11	$ 217,463	8
	Comprehensive income (loss), attributable to :					
8710	Owners of the parent		$ 329,812	11	$ 234,001	9
8720	Non-controlling interest		-	-	(18,191)	(1)
	Profit before income tax, net		$ 329,812	11	$ 215,810	8
	Basic earnings per share	6(29)				
9710	Basic earnings per share from continuing operations		$ 2.17		$ 1.74	
9720	Basic loss per share from discontinued operations		-		(0.16)	
9750	Total basic earnings per share		$ 2.17		$ 1.58	
	Diluted earnings per share	6(29)				
9810	Diluted earnings per share from continuing operations		$ 2.06		$ 1.65	
9820	Diluted loss per share from discontinued operations		-		(0.15)	
9850	Total diluted earnings per share		$ 2.06		$ 1.50	

	Notes							
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 for the year		-	-	-	235,654	235,654	(18,191)	217,463
Other comprehensive loss for the year		-	-	-	(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)
Stock dividends from capital surplus	6(18)(19)	79,445	(79,445)	-	-	-	-	-
Changes in ownership interests in subsidiaries	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		-	-	-	-	-	(145,035)	(145,035)
Balance at December 31, 2021		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056	$ -	$ 2,517,056
Year 2022								
Balance at January 1, 2022		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056	$ -	$ 2,517,056
Profit for the year		-	-	-	325,251	325,251	-	325,251
Other comprehensive income for the year		-	-	-	4,561	4,561	-	4,561
Total comprehensive income		-	-	-	329,812	329,812	-	329,812
Distribution of 2021 earnings:	6(20)							
Legal reserve		-	-	23,400	(23,400)	-	-	-
Cash dividends		-	-	-	(112,282)	(112,282)	-	(112,282)
Stock dividends from capital surplus	6(18)(19)	84,211	(84,211)	-	-	-	-	-
Conversion of convertible bonds	6(14)(18)(19)	38,544	208,709	-	-	247,253	-	247,253
Changes in equity of associate accounted for using equity method	6(19)	-	9,469	-	-	9,469	-	9,469
Balance at December 31, 2022		$ 1,526,280	$ 744,225	$ 164,774	$ 556,029	$ 2,991,308	$ -	$ 2,991,308

	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit from continuing operations before tax		$ 372,659	$ 262,369
Loss from discontinued operations before tax	6(12)	-	(37,711)
Profit before tax		372,659	224,658
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(26)	587,136	549,632
Amortization	6(26)	15,880	17,026
Gain on expected credit impairment	12(2)	-	(304)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(24)	3,127	(12,707)
Interest expense	6(25)	30,626	24,031
Share-based payment		-	1,830
Interest income	6(22)	(2,939)	(1,147)
Share of loss of associates accounted for using equity method	6(6)	23,800	-
Gain on disposals of property, plant and equipment	6(24)	(5,740)	(1,406)
Gain on disposal of investments	6(6)(24)	(61,467)	(53,524)
Impairment loss recognised in profit or loss, property, plant and equipment	6(24)	-	1,960
Reversal of impairment loss recognised in profit or loss, intangible asset other the goodwill	6(24)	-	(101)
Loss on financial assets at amortized cost	6(24)	-	73
Changes in operating assets and liabilities			
Changes in operating assets			
Financial asset at fair value through profit or loss, mandatorily measured at fair value		(1,061)	4,694
Contract assets		(188,848)	51,293
Notes receivable		99	(85)
Accounts receivable		48,859	(116,948)
Accounts receivable due from related parties		331	(336)
Other receivables		(23,242)	(791)
Other receivables due from related parties		(16)	-
Inventories		(93,140)	(31,924)
Prepayments		2,309	(7,618)
Other current assets		1,578	448
Other non-current assets		(271)	-
Changes in operating liabilities			
Contract liabilities		(17)	(19,333)
Notes payable		-	1,050
Accounts payable		81,072	13,560
Accounts payable to related parties		-	331
Other payables		53,627	47,556
Other payables to related parties		(5)	5
Provision of liabilities		-	361
Other current liabilities		(1,494)	1,205
Net defined benefit liability		(1,225)	(1,016)
Long-term payables		(774)	925
Cash inflow generated from operations		840,864	693,398
Interest received		2,880	1,225
Interest paid		(45,685)	(15,007)
Income taxes paid		(23,003)	(1,675)
Net cash flows from operating activities		775,056	677,941

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		($ 9,432)	($ 2,000)
Proceeds from disposal of financial assets at amortized cost		8,794	500
Acquisition of financial assets at fair value through profit or loss	6(2)	-	(10,400)
Proceeds from disposal of financial assets at fair value through profit or loss		15,683	-
Proceeds from disposal of investments accounted for using equity method	6(6)	90,298	-
Decrease in cash in the accounts of subsidiaries	6(31)	-	(169,407)
Acquisition of property, plant and equipment	6(31)	(2,601,324)	(1,629,004)
Proceeds from disposal of property, plant and equipment		8,839	10,182
Acquisition of intangible assets	6(31)	(11,878)	(21,834)
Increase in refundable deposits		(43,487)	(3,718)
Decrease in refundable deposits		42,279	549
Net cash flows used in investing activities		(2,500,228)	(1,825,132)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		-	752,057
Decrease in short-term borrowings		-	(741,407)
Redemption of convertible bonds	6(31)	(753,926)	(5,426)
Increase in long-term borrowings	6(31)	3,068,910	1,216,690
Repayment of long-term borrowings	6(31)	(475,622)	(238,379)
Increase in guarantee deposits received	6(31)	396	78
Decrease in guarantee deposits received	6(31)	(338)	(100)
Repayment of principal portion of lease liabilities	6(31)	(13,625)	(15,624)
Cash dividends paid	6(20)	(112,282)	(79,445)
Cash increase in non-controlling equity in subsidiaries	6(30)	-	200,000
Net cash flows from financing activities		1,713,513	1,088,444
Net decrease in cash and cash equivalents		(11,659)	(58,747)
Cash and cash equivalents at beginning of year	6(1)	1,081,999	1,140,746
Cash and cash equivalents at end of year	6(1)	$ 1,070,340	$ 1,081,999

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(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 Act 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, 2023.

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") that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became 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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

(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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 that came into effect 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:

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: None.

(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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation 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.

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

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

(b) Liabilities arising mainly for trading activities;

(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.

(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) Leasing arrangements (lessor) － operating leases

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

(13) Inventories

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

(14) Investments accounted for using equity method / associates

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

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

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

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

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

(15) Property, plant and equipment

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

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

C. Property, plant and equipment 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 structures	3 ~ 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

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

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments 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;

(b) Any initial direct costs incurred by the lessee; and

(c) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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.

(17) 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.

(18) 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.

(19) Borrowings

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

(20) 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.

(21) 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.

(22) 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'.

(23) Derecognition of financial liabilities

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

(24) 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.

(25) Provisions

Provisions－decommissioning liabilities 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.

(26) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when 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 with the Group 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.

(27) <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 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.

(28) 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.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(30) 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.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group 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.

(32) 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

Measurement of the completion degree of performance obligation

The Group is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services and recognises revenue by measuring the completion degree of performance obligation in the period in which the services are rendered. For the completion degree of semiconductor wafers professional processing services, the management recognises revenue on the basis of the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation. As the estimates of total expected cost were uncertain and require the management to apply critical estimates in making the determination, there might be material changes to the estimates.

As of December 31, 2022, the contract assets recognised for the Group's unfinished orders according to the completion degree of performance obligation amounted to $266,439.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 310	$ 322
Demand deposits	830,030	1,081,677
Time deposits	240,000	-
	$ 1,070,340	$ 1,081,999

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, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ -	$ 10,400
Derivative	-	550
Convertible bonds - Call / put options	-	(199)
Value adjustment - Listed stocks	-	6,700
Value adjustment - Convertible bonds - Call / put options	-	299
Total	$ -	$ 17,750

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, 2022	Years ended December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	($ 1,417)	$ 6,700
Derivative	107	7,581
Convertible bonds - Call / put options	-	300
Total	($ 1,310)	$ 14,581

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

There were no such transactions as of December 31, 2022.

(Units: in thousands of dollars)

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

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, 2022	December 31, 2021
Non-current items：		
Pledged time deposits	$ 13,055	$ 12,417

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

	Years ended December 31, 2022	Years ended December 31, 2021
Interest income	$ 124	$ 98

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). The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	$ 86	$ 185
Accounts receivable	$ 414,091	$ 462,950
Less: Allowance for uncollectible accounts	-	-
	414,091	462,950
Accounts receivable due from related parties	-	331
	$ 414,091	$ 463,281

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 409,898	$ 86	$ 462,366	$ 185
Up to 30 days	3,767	-	915	-
31 to 90 days	426	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	-	-	-	-
	$ 414,091	$ 86	$ 463,281	$ 185

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $359,670.

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

D. As of December 31, 2022 and 2021, 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 were $86 and $185, $414,091 and $463,281, respectively.

E. As of December 31, 2022 and 2021, the Group held commercial papers provided by customers as collaterals for accounts receivable credit limits amounting to $0 and $11,000, respectively.

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

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 299,044	($ 58,553)	$ 240,491
Work in progress	4,218	(37)	4,181
Finished goods	14,363	(236)	14,127
Total	$ 317,625	($ 58,826)	$ 258,799

	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

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2022	2021
Cost of goods sold	$ 2,305,338	$ 2,175,800
Loss on decline in market value	14,033	11,879
Revenue from sales of scraps	(87)	(693)
Others	(13,021)	(13,360)
	2,306,263	2,173,626
Less: Cost of goods from discontinued operations	-	(188,882)
	$ 2,306,263	$ 1,984,744

(6) Investments accounted for using equity method

	2022	2021
At January 1	$ 125,503	$ -
Addition of investments accounted for using equity method	-	125,503
Disposal of investments accounted for using equity method	(28,831)	-
Share of profit or loss of investments accounted for using the equity method	(23,800)	-
Changes in equity of associates accounted for using equity method	9,469	-
At December 31	$ 82,341	$ 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. The Group sold some of the shares during the year ended December 31, 2022. The disposal proceeds amounted to $90,298, the gains on disposal amounted to $61,467 and the shareholding ratio decreased to 25.28%.

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

As of December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to $82,341 and $125,503, respectively.

	Year ended December 31,	
	2022	2021
Loss from continuing operations	($ 86,843)	($ 42,234)
Total comprehensive loss	($ 86,843)	($ 42,234)

(7) Property, plant and equipment

	2022							
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
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
At January 1	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ 33,099	$ 694,787	$ 3,635,757
Additions	151,916	450,538	2,208	3,633	-	14,382	1,930,187	2,552,864
Disposals	-	(3,099)	-	-	-	-	-	(3,099)
Reclassifications (transfers)(Note)	128,161	480,353	-	-	-	-	(609,150)	(636)
Depreciation charge	(163,267)	(393,174)	(1,045)	(3,314)	-	(12,744)	-	(573,544)
At December 31	$ 1,641,339	$ 1,909,201	$ 3,535	$ 6,706	$ -	$ 34,737	$ 2,015,824	$ 5,611,342
At December 31								
Cost	$ 2,292,667	$ 4,280,007	$ 11,380	$ 25,393	$ -	$ 87,149	$ 2,015,824	$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	-	(52,412)	-	(3,101,078)
	$ 1,641,339	$ 1,909,201	$ 3,535	$ 6,706	$ -	$ 34,737	$ 2,015,824	$ 5,611,342

Note: Refers to the transfer to intangible assets amounting to $636.

2021	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Leased assets	Other equipment	Unfinished construction and equipment pending 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

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, 2022	Year ended December 31, 2021
Amount capitalised	$ 25,162	$ 7,629
Range of the interest rates for capitalisation	1.04%~1.84%	1.12%~1.28%

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 property, plant 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, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	$ 324,422	$ 322,927
Buildings	10,155	-
Transportation equipment (Business vehicles)	1,754	1,385
	$ 336,331	$ 324,312

	Year ended December 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Land	$ 11,286	$ 9,066
Buildings	1,328	6,588
Transportation equipment (Business vehicles)	978	1,047
	$ 13,592	$ 16,701

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $25,611 and $103,184, respectively.

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

	Year ended December 31,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 4,522	$ 4,267
Expense on short-term lease contracts	9,041	3,225
Expense on leases of low-value assets	836	618

F. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were $28,024 and $23,734, 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) Leasing arrangements－lessor

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 3 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of $3,339 and $5,130, 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, 2022			December 31, 2021	
2023	$	1,547	2022	$	5,130
2024		1,547	2023		1,543
2025		597	2024		1,217
2026		150	2025		357
After 2027		150	After 2026		-
Total	$	3,991	Total	$	8,247

(10) Impairment of non-financial assets

A. The Group recognised impairment loss for the year ended December 31, 2021 was $1,859. Details of such loss are as follows:

	Year ended December 31, 2021	
	Recognised in profit or loss	
Impairment loss－machinery	$	906
Impairment loss－leasehold improvements		970
Impairment loss－other equipment		84
Reversal of impairment loss －intangible assets	(	101)
	$	1,859

B. The subsidiary, Phoenix Battery Corporation, did not meet the economic scale for the year ended December 31, 2021, 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. The recoverable amount is the property's fair value less costs of disposal. The fair value is classified as a level 3 fair value.

(11) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for equipment	$ 444,506	$ 334,257
Prepayments for intangible assets	8,077	3,946
Guarantee deposits paid	3,040	2,968
Others	271	-
Total	$ 455,894	$ 341,171

(12) Discounted operations

A. On December 29, 2021, the Group lost control over the Phoenix Battery Corporation (please refer to Note 4(3)B.). 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
Operating cash flows	($ 46,615)
Investing cash flows	(4,611)
Financing cash flows	204,466
Total cash flows	$ 153,240

C. Analysis of the result of discontinued operations is as follow:

	Period from January 1, 2021 to December 29, 2021
Operating revenue	$ 193,834
Operating costs	($ 188,882)
Gross profit from operations	4,952
Operating expenses	(67,784)
Non-operating revenue and expenses	25,121
Operating loss from discontinued operations, before tax	(37,711)
Income tax	-
Operating loss from discontinued operations2, net of tax	($ 37,711)

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

(13) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	$ 139,912	$ 132,236
Employees' compensation and directors' remuneration payable	88,053	58,310
Payable on machinery and equipment	129,545	92,918
Payable on repair expenses	28,075	24,810
Other accrued expenses	80,687	65,465
Total	$ 466,272	$ 373,739

(14) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	$ -	$ 1,002,078
Less: Discount on bonds payable	-	(13,452)
	-	988,626
Less: Current portion or exercise of put options	-	(988,626)
	$ -	$ -

A. The issuance of domestics convertible bonds by the Company

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

The Company issued $1,000,000, 0% first domestic unsecured convertible bonds, as approved by regulatory authority. The bonds mature 3 years from the issued date (November 13, 2019 ~ November 13, 2022) and will be radeemed in cash value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

i.The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except 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.

ii.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 November 13, 2022, the last conversion application date, the conversion price was adjusted to NTD 63.90 (in dollars) per share.

iii.The convertible bonds will be redeemed in cash at 100.7519% of face value at the maturity date.

iv. 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.

v. 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.

vi. 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) As of November 13, 2022, the last conversion application date, the bonds totaling $246,300 (face value) had been converted into 3,854,404 shares of common stock. The remaining unconverted bonds amounting to $748,300 (face value) had been redeemed in cash at 100.7519% of face value at the maturity date according to Article 6 of the regulations governing the issuance and conversion of the Company's first domestic unsecured convertible bonds.

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, 2022
Plant syndicated loan (Note 1)	2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$ 385,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	193,918
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
Mid-term secured loan (Note 2)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	17,500
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2024.12.08 Repayment by installments and installments over the agreed period	Floating rate	None	625,000
Unsecured borrowings	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
				4,495,018
Less: Current portion				(503,910)
Less: Arrangement fee for the syndicated loan				(5,551)
				$ 3,985,557
Annual interest rate range				1.175%~1.986%

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note 2)	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 2)	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%

A. As of December 31, 2022, the Group's unamortised arrangement fee for the syndicated loan amounting to $5,551 was recorded as a deduction amount of initial measurement of long-term secured borrowings and amortised as interest expense over the borrowing period.

B. Details of the collateral for long-term borrowings are provided in Note 8.

Note 1: According to the agreement, the Company should maintain a specific current ratio, debt ratio, interest coverage ratio and shareholders' equity amount every year during the loan period.

Note 2: 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.

(16) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 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, 2022	December 31, 2021
Present value of defined benefit obligations	$ 36,773	$ 42,165
Fair value of plan assets	(23,834)	(22,300)
Net defined benefit liability	$ 12,939	$ 19,865

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

2022	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 42,165	($ 22,300)	$ 19,865
Current service cost	86	-	86
Interest expense (income)	211	(118)	93
	42,462	(22,418)	20,044
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,658)	(1,658)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(4,758)	-	(4,758)
Experience adjustments	715	-	715
	(4,043)	(1,658)	(5,701)
Pension fund contribution	-	(1,404)	(1,404)
Paid pension	(2,446)	2,446	-
At December 31	$ 35,973	($ 23,034)	$ 12,939

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence, 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, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31,	
	2022	2021
Discount rate	1.500%	0.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	($ 1,066)	$ 1,113	$ 1,072	($ 1,032)
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,344)	$ 1,406	$ 1,343	($ 1,292)

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 of analysis sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to $1,362.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11.8 years. The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	$	1,390
1-2 year(s)		5,293
2-5 years		2,804
5-10 years		5,453
	$	14,940

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) The pension costs under defined contribution pension plan of the Group for the year ended December 31, 2022 and 2021, were $29,678 and $29,705, respectively.

(17) Provisions

	Decommissioning liabilities	
2022		
At January 1	$	16,600
Unwinding od discount		817
At December 31	$	17,417

Analysis of total provisions:

	December 31, 2022		December 31, 2021	
Non-current	$	17,417	$	16,600

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 and right-of-use assets 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, 2022, 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 $1,526,280 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

	2022	2021
At January 1	140,352,480	132,408,000
Stock dividends from of capital surplus	8,421,149	7,944,480
Conversion of convertible bonds	3,854,404	-
At December 31	152,628,033	140,352,480

B. The stock dividends from 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, 2021.

C. The stock dividends from capital surplus amounting to $84,211 was proposed by the Board of Directors on April 14, 2022, resolved by the shareholders on May 27, 2022 and approved by the regulatory authority on June 16, 2022. Its effective date was set on July 29, 2022 as resolved by the Board of Directors on June 24, 2022.

(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.

	2022			
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates	Options
At January 1	$ 407,885	$ 70,793	$ -	$ 131,580
Stock dividends from capital surplus	(84,211)	-	-	-
Conversion of convertible bonds	241,293	-	-	(32,584)
Redemption of convertible bonds at the maturity date	98,996	-	-	(98,996)
Changes in equity of associates	-	-	9,469	-
At December 31	$ 663,963	$ 70,793	$ 9,469	$ -

	2021		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1	$ 486,616	$ 15,858	$ 132,294
Stock dividends from capital surplus	(79,445)	-	-
Changes in ownership interests in subsidiaries	-	54,935	-
Reverse of repurchase convertible bonds	714	-	(714)
At December 31	$ 407,885	$ 70,793	$ 131,580

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after tax, if any, shall first be used to offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve, the remainder along with the beginning unappropriated earnings shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

Dividends and bonuses or legal reserve and capital surplus distributed in the form of cash shall be authorised to be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting and are not subject to the aforementioned regulations of resolutions from 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 2021 and 2020 earnings as resolved by the shareholders at their meetings on May 27, 2022 and July 5, 2021 are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 23,400		$ 13,511	
Cash dividends	112,282	$ 0.80	79,445	$ 0.60
Total	$ 135,682		$ 92,956	

(21) Operating revenue

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from contracts with customers	$ 3,138,053	$ 2,651,386

A. Disaggregation of revenue from contracts with customers

Revenue of the Group can be disaggregated as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Total segment revenue - semiconductor business	$ 3,138,053	$ 2,656,741
Inter-segment revenue	-	(5,355)
Revenue from external customer contracts	$ 3,138,053	$ 2,651,386
Timing of revenue recognition		
At a point in time	$ 106,868	$ 126,187
Over time	3,031,185	2,525,199
	$ 3,138,053	$ 2,651,386

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	$ 266,439	$ 77,591	$ 128,884
Contract liabilities - advance sales receipts	$ 140	$ 157	$ 32,642

	Year ended December 31, 2022	Year ended December 31, 2021
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 17	$ 32,642

(22) Interest income

	Year ended December 31, 2022	Year ended December 31, 2021
Interest income from bank deposits	$ 2,815	$ 1,042
Interest income from financial assets measured at amortised cost	124	98
Other interest income	-	7
	2,939	1,147
Less: Interest income from the discontinued operations	-	(18)
	$ 2,939	$ 1,129

(23) Other income

	Year ended December 31, 2022	Year ended December 31, 2021
Rent income	$ 3,339	$ 1,218
Other income, others	6,016	13,467
	9,355	14,685
Less: Other income from the discontinued operations	-	(12,296)
	$ 9,355	$ 2,389

(24) Other gains and losses

	Year ended December 31, 2022	Year ended December 31, 2021
Gains on disposals of property, plant and equipment	$ 5,740	$ 1,406
Gains on disposals of investments (Note 6(6))	61,467	53,524
Net foreign exchange gains (losses)	42,720	(18,390)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(3,127)	12,707
Impairment loss recognised in profit or loss, property, plant and equipment	-	(1,960)
Reversal of impairment loss recognised in profit or loss, intangible assets other than goodwill	-	101
Losses on financial liabilities at amortised cost	-	(73)
Other gains and losses	-	15,821
	106,800	63,136
Less: Other gains and losses from the discontinued operations	-	(15,917)
	$ 106,800	$ 47,219

(25) Finance costs

	Year ended December 31,	
	2022	2021
Borrowings from financial institutions	$ 12,734	$ 3,269
Bonds payable	12,553	15,335
Lease liabilities	4,522	4,267
Provisions - unwinding of discount	817	1,160
	30,626	24,031
Less: Finance charges from the discontinued operations	-	(3,109)
	$ 30,626	$ 20,922

(26) Expenses by nature

	Year ended December 31,	
	2022	2021
Employee benefit expense	$ 930,486	$ 878,011
Depreciation charges	587,136	549,632
Amortisation charges on intangible assets	15,880	17,026
	1,533,502	1,444,669
Less: Expenses from the discontinued operations	-	(116,842)
	$ 1,533,502	$ 1,327,827

(27) Employee benefit expense

	Year ended December 31,	
	2022	2021
Wages and salaries	$ 780,765	$ 733,554
Labour and health insurance fees	68,773	66,794
Pension costs	29,857	29,881
Other personnel expenses	51,091	47,782
	930,486	878,011
Less: Expenses from the discontinued operations	-	(84,201)
	$ 930,486	$ 793,810

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, 2022 and 2021, employees' compensation were accrued at $67,348 and $43,888, respectively; while directors' remuneration were accrued at $8,980 and $5,852, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2022, 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 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 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

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	$ 42,312	$ 12,450
Prior year income tax underestimation	2,559	3,942
Total current tax	44,871	16,392
Deferred tax:		
Origination and reversal of temporary differences	2,537	(9,197)
Total deferred tax	2,537	(9,197)
Income tax expense	$ 47,408	$ 7,195

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Remeasurement of defined benefit obligations	$ 1,140	($ 413)

(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, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	$ 74,532	$ 40,123
Expenses disallowed by tax regulation	4,760	6,077
Tax exempt income by tax regulation	(13,645)	(38,481)
Temporary difference not recognised as deferred tax assets	-	(1,644)
Taxable loss not recognised as deferred tax assets	-	11,155
Prior year income tax underestimation	2,559	3,942
Effect from investment tax credits	(31,316)	(16,002)
Effect from Alternative Minimum Tax	10,518	2,025
Income tax expense	$ 47,408	$ 7,195

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

2022	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	$ 8,958	$ 2,807	$ -	$ 11,765
Discount on bonds payable	6,492	(6,492)	-	-
Seniority bonus	2,489	(155)	-	2,334
Decommissioning liabilities	3,320	163	-	3,483
Pensions	3,974	(246)	(1,140)	2,588
Other	539	353	-	892
Investment tax credits	5,577	(477)	-	5,100
Subtotal	$ 31,349	($ 4,047)	($ 1,140)	$ 26,162
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	($ 1,510)	$ 1,510	$ -	$ -
Total	$ 29,839	($ 2,537)	($ 1,140)	$ 26,162

	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
Seniority bonus	2,304	185	-	2,489
Decommissioning liabilities	2,978	342	-	3,320
Pensions	3,764	(203)	413	3,974
Other	281	258	-	539
Investment tax credits	-	5,577	-	5,577
Subtotal	$ 20,229	$ 10,707	$ 413	$ 31,349
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	$ -	($ 1,510)	$ -	($ 1,510)
Total	$ 20,229	$ 9,197	$ 413	$ 29,839

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(29) Earnings per share

Basic earnings per share	Year ended December 31, 2022 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	$ 325,251	150,180	$ 2.17
Loss from discontinued operations attributable to the parent	-		-
Profit attributable to ordinary shareholders of the parent	$ 325,251		$ 2.17
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 325,251	150,180	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	10,124	11,207	
Employees' compensation	-	1,323	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	335,375	162,710	$ 2.06
Loss from discontinued operations attributable to the parent	-		-
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 335,375		$ 2.06

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 259,718	148,774	$ 1.74
Loss from discontinued operations attributable to the parent	(24,064)		(0.16)
Profit attributable to ordinary shareholders of the parent	$ 235,654		$ 1.58
Diluted earnings per share			
Profit from continuing operations attributable to ordinary shareholders of the parent	$ 259,718	148,774	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	11,948	15,484	
Employees' compensation	-	835	
Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	271,666	165,093	$ 1.65
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		$ 1.50

The abovementioned weighted average number of ordinary shares outstanding had been modified retrospectively according to the ratio of stock dividends from capital surplus for the year ended December 31, 2022.

(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	
	2022	2021
Purchase of property, plant and equipment	$ 2,552,864	$ 1,433,956
Add: Opening balance of payable on machinery and equipment	92,918	48,390
Add: Ending balance of prepayments for business facilities	444,506	334,257
Less: Ending balance of payable on machinery and equipment	(129,545)	(92,918)
Less: Opening balance of prepayments for business facilities	(334,257)	(87,052)
Less: Capitalisation of interest	(25,162)	(7,629)
Cash paid during the year	$ 2,601,324	$ 1,629,004

	Year ended December 31	
	2022	2021
Purchase of intangible assets	$ 7,747	$ 17,888
Add: Ending balance of prepayments	8,077	3,946
Less: Opening balance of prepayments	(3,946)	-
Cash paid during the year	$ 11,878	$ 21,834

B. Financing activities with no cash flow effects:

	Year ended December 31	
	2022	2021
Convertible bonds being converted to capital stocks	$ 247,253	$ -

C. 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 29, 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)
Provisions for laibilities -non-currient	(8,287)
Lease liabilities (including current portion)	(12,126)
	$ 216,918

(32) Changes in liabilities from financing activities

	2022				
	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 988,626	$ 1,901,730	$ 327,499	$ 1,010	$ 3,218,865
Changes in cash flow from financing activities	-	2,593,288	(13,625)	58	2,579,721
Interest paid on lease liabilities	-	-	(4,522)	-	(4,522)
Amortisation of interest expense on lease liabilities	-	-	4,522	-	4,522
Increase in lease liabilities	-	-	25,611	-	25,611
Amortisation of interest expense on bonds payable	12,553	-	-	-	12,553
Stock dividends from convertible bonds	(247,253)	-	-	-	(247,253)
Redemption of convertible bonds at the maturity date	(753,926)	-	-	-	(753,926)
Payment of arrangement fee for the syndicated loan	-	(6,779)	-	-	(6,779)
Amortisation of arrangement fee for the syndicated loan	-	1,228	-	-	1,228
At December 31	$ -	$ 4,489,467	$ 339,485	$ 1,068	$ 4,830,020

	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

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, 2022	December 31, 2021
Purchases of goods:		
Phoenix Battery Corporation	$ -	$ 331
Other receivables:		
Phoenix Battery Corporation	$ 16	$ -

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, 2022	December 31, 2021
Other payables:		
Phoenix Battery Corporation	$ -	$ 5
Other payables - acquisition of property, plant and equipment		
Phoenix Battery Corporation	1,253	-
	$ 1,253	$ 5

C. Property transactions - acquisition of property, plant and equipment

	Year ended December 31,	
	2022	2021
Phoenix Battery Corporation	$ 11,930	$ -

D. Revenues and expenses

		Year ended December 31,	
	Item	2022	2021
Phoenix Battery Corporation	Rent income	$ 2,046	$ -
Phoenix Battery Corporation	Other income	280	-
Phoenix Battery Corporation	Other expenses	287	-

E. Other transactions

	Item	December 31, 2022	December 31, 2021
Phoenix Battery Corporation	Advance rent receipts	$ 15	$ -
Phoenix Battery Corporation	Guarantee deposits received	30	-

(3) Key management compensation

	Year ended December 31,	
	2022	2021
Short-term employee benefits	$ 50,153	$ 35,341
Post-employment benefits	589	853
Total	$ 50,742	$ 36,194

8. Pledged Assets

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

Pledged asset	Book value December 31, 2022	Book value December 31, 2021	Purpose
Time deposits (shown as 'non-current financial assets at amortised cost')	$ 2,500	$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,555	10,417	Guarantee for land lease in science park
Buildings and structures	1,074,712	1,038,803	Long-term borrowings
Machinery and equipment (including 'equipment pending acceptance')	438,190	246,847	Long-term borrowings
	$ 1,525,957	$ 1,298,067	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 1,809,163	$ 2,386,646

10. Significant Disaster Loss

None.

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, 2022, the Group's strategy, which was unchanged from 2021, 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, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	$ 4,489,467	$ 2,890,356
Less: Cash and cash equivalents	(1,070,340)	(1,081,999)
Net debt	3,419,127	1,808,357
Total equity	2,991,308	2,517,056
Total capital	$ 6,410,435	$ 4,325,413
Gearing ratio	53.33%	41.81%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 17,750
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,070,340	$ 1,081,999
Financial assets at amortised cost	13,055	12,417
Notes receivable	86	185
Accounts receivable (including related parties)	414,091	463,281
Other receivables (including related parties)	26,050	2,733
Guarantee deposits paid (including current portion)	4,176	2,968
	$ 1,527,798	$ 1,563,583
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable	$ 234,513	$ 153,441
Other payables (including related parties)	466,272	373,739
Bonds payable (including current portion)	-	988,626
Long-term borrowings (including current portion)	4,489,467	1,901,730
Guarantee deposits received	1,068	1,010
	$ 5,191,320	$ 3,418,546
Lease liabilities (including current portion)	$ 339,485	$ 327,499

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).

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, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 18,031	30.70	$ 553,557
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	$ 2,642	30.70	$ 81,107
JPY:NTD	11,002	0.2326	2,559
Non-monetary items: None			

	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
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			

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, 2022 and 2021, amounted to $42,720 and ($18,390), respectively.

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

	Year ended December 31, 2022			
	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%	$	5,536	$ -
Non-monetary items: None				
Financial liabilities				
Monetary items				
USD:NTD	1%	($	811)	$ -
JPY:NTD	1%	(	26)	-
Non-monetary items: None				

	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	$ -
Non-monetary items: None				
Financial liabilities				
Monetary items				
USD:NTD	1%	($	470)	$ -
JPY:NTD	1%	(	282)	-
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 2022 and 2021, the Group’s borrowings at variable rate were mainly denominated in New Taiwan dollars. Borrowings issued at fixed rates expose the Group to 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, 2022 and 2021 would have increased/decreased by $11,238 and $4,754, 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 adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. 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.

vii. 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.

viii. The Group used the 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. On December 31, 2022 and 2021, 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, 2022						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 680,616	$ -	$ -	$ -	$ -	$ 680,616
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, 2021	0~1%	25%	50%	75%	100%	
Expected loss rate	$ 541,057	$ -	$ -	$ -	$ -	$ 541,057
Total book value	$ -	$ -	$ -	$ -	$ -	$ -

ix. Movements in relation to the Group applying the modified approach to provide loss allowance for notes receivable, accounts receivable, accounts receivable due from related parties and contract assets are as follows:

	2022
	Accounts receivable
At January 1 / December 31	$ -

	2021
	Accounts receivable
At January 1	$ 304
Provision for impairment	101
Reversal of impairment loss	(405)
At December 31	$ -

x. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2022	December 31, 2021
	12 months	12 months
Financial assets at amortised cost	$ 13,055	$ 12,417

(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, 2022 and 2021, the Group held money market position of $1,070,030 and $1,081,677, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii The Group has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	$ 700,000	$ 780,635
Expiring beyond one year	1,362,600	618,110
Fixed rate:		
Expiring within one year	-	-
Expiring beyond one year	-	-
	$ 2,062,600	$ 1,398,745

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, 2022	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Accounts payable	$ 234,513	$ -	$ -	$ -
Other payables	236,408	1,899	-	-
Lease liability	9,569	9,569	18,820	363,124
Long-term borrowings (including current portion)	124,353	446,471	842,745	3,297,527
Guarantee deposits received	-	-	778	290
Derivative financial liabilities: None				

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				

(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, 2022 and 2021 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

There were no such transactions on December 31, 2022.

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 : None				

(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, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
	Convertible bonds	Convertible bonds
At January 1	($ 100)	$ 200
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	100	(300)
At December 31	$ -	($ 100)
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2022 (Note)	$ 100	($ 300)

Note: Recorded as non-operating income and expenses.

E. For the years ended December 31, 2022 and 2021, 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:

There were no such transactions on December 31, 2022.

	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

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:

There were no such transactions on December 31, 2022.

			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	$ -	$ -	$ -

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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: None.

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, 2022 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net loss arising from trading in forward foreign exchange contract for the year ended December 31, 2022 was approximately $1,061.

J.Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 1.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 2.

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 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 the Company as the single reportable operating segment for the year ended December 31, 2022 and has two reportable operating segments for the year ended December 31, 2021: 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, 2022	Semiconductor business
Revenue from external customers	$ 3,138,053
Inter-segment revenue	-
Total segment revenue	$ 3,138,053
Segment income (loss)	$ 325,251
Segment income (loss), including:	
Interest income	$ 2,939
Interest expense	$ 30,626
Depreciation and amortisation	$ 603,016
Expense of income tax	$ 47,408
Recognised investment loss which is adopting the equity method	$ 23,800
Segment assets	$ 8,598,954
Segment assets including:	
Investments accounted for using equity method	$ 82,341
Other increasing (decreasing) amount of non-current assets (not including financial instruments and deferred income tax)	$ 2,094,758
Segment liabilities	$ 5,607,646

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
Segment assets including:			
Investments accounted for using equity method	$ 125,503	$ -	$ 125,503
Other increasing (decreasing) amount of non-current assets (not including financial instruments and deferred income tax)	$ 1,262,420	$ -	$ 1,262,420
Segment liabilities	$ 3,810,923	$ -	$ 3,810,923

(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, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 2,731,736	$ 6,423,214	$ 2,374,528	$ 4,328,456
Others	406,317	-	276,858	-
Total	$ 3,138,053	$ 6,423,214	$ 2,651,386	$ 4,328,456

(7) Major customer information

Revenue of the Group for the year ended December 31, 2022 amounted to $3,138,053, of which $1,896,427 were derived from the Group’s largest customer, customer A. 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, 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.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2022

Table 1

Expressed in thousands to NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2022					
Investor	Name of investor	Location	Main business activities	Balance as at December 31, 2022	Balance as at December 31, 2021	Shares	Ownership (%)	Book value	Net income of investee as of December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix Battery Corporation	Taiwan	Battery manufacturing business	$ 94,933	$ 125,500	9,493,302	25.28	$ 82,341	($ 86,643)	($ 23,800)	Associate

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2022

Table 2

	Share	
Name of major shareholders	Name of shares held	Percentage of ownership
Applied Materials,Inc.	17,109,363	11.20%

INDEPENDENT AUDITORS' REPORT

PWCR22000437

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

Opinion

We have audited the accompanying parent company only balance sheets of Phoenix Silicon International Corporation (the "Company") as at December 31, 2022 and 2021, 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, 2022 and 2021, 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 Standards on Auditing of 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 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 reclaiming, thinning and other services. Service revenue was derived from the transfer of services over time and satisfied performance obligation. The Company measured the completion degree of performance obligation based on 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 that 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 Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services. In order to continuously develop and build advanced technical capacity to satisfy customers' demand, the Company 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 accurate.

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 that came into effect 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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, 2023

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.

	Assets	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,070,340	13	$ 1,081,999	17
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	17,750	-
1140	Current contract assets	6(19)	266,439	3	77,591	1
1150	Notes receivable, net	6(4)	86	-	185	-
1170	Accounts receivable, net	6(4)	414,091	5	462,950	8
1180	Accounts receivable due from related parties, net	6(4) and 7	-	-	331	-
1200	Other receivables		26,034	-	2,733	-
1210	Other receivables due from related parties	7	16	-	-	-
130X	Inventories	6(5)	258,799	3	165,659	3
1410	Prepayments		14,201	-	16,510	-
1470	Other current assets		1,136	-	1,578	-
11XX	**Current Assets**		2,051,142	24	1,827,286	29
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(3) and 8	13,055	-	12,417	-
1550	Investments accounted for using equity method	6(6)	82,341	1	125,503	2
1600	Property, plant and equipment	6(7) and 8	5,611,342	65	3,635,757	57
1755	Right-of-use assets	6(8)	336,331	4	324,312	5
1780	Intangible assets		22,687	-	30,184	1
1840	Deferred income tax assets	6(26)	26,162	1	31,349	1
1900	Other non-current assets	6(10)	455,894	5	341,171	5
15XX	**Non-current assets**		6,547,812	76	4,500,693	71
1XXX	**Total assets**		$ 8,598,954	100	$ 6,327,979	100

(Continued)

	Liabilities and Equity	Notes	December 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities	6(19)	$ 140	-	$ 157	-
2170	Accounts payable		234,513	3	153,441	3
2200	Other payables	6(11)	465,019	5	373,734	6
2220	Other payables to related parties	6(11) and 7	1,253	-	5	-
2230	Current income tax liabilities		34,307	-	12,440	-
2280	Current lease liabilities		14,881	-	11,462	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	503,910	6	1,156,060	18
2399	Other current liabilities, others	7	367	-	1,861	-
21XX	**Current Liabilities**		1,254,390	14	1,709,160	27
	Non-current liabilities					
2540	Long-term borrowings	6(13) and 8	3,985,557	47	1,734,296	27
2550	Provisions for liabilities - non-current	6(15)	17,417	-	16,600	-
2570	Deferred tax liabilities	6(26)	-	-	1,510	-
2580	Non-current lease liabilities		324,604	4	316,037	5
2600	Other non-current liabilities	6(14) and 7	25,678	-	33,320	1
25XX	**Non-current liabilities**		4,353,256	51	2,101,763	33
2XXX	**Total Liabilities**		5,607,646	65	3,810,923	60
	Equity					
	Share capital	6(16)				
3110	Share capital - common stock		1,526,280	18	1,403,525	22
	Capital surplus	6(17)				
3200	Capital surplus		744,225	8	610,258	10
	Retained earnings	6(18)				
3310	Legal reserve		164,774	2	141,374	2
3350	Unappropriated retained earnings		556,029	7	361,899	6
3XXX	**Total equity**		2,991,308	35	2,517,056	40
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
3X2X	**Total liabilities and equity**		$ 8,598,954	100	$ 6,327,979	100

	Items	Notes	2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
			Year ended December 31			
4000	Sales revenue	6(19) and 7	$ 3,138,053	100	$ 2,656,741	100
5000	Operating costs	6(5)(24)(25) and 7	(2,306,263)	(73)	(1,990,099)	(75)
5950	Gross profit from operating		831,790	27	666,642	25
	Operating expenses	6(24)(25)				
6100	Selling expenses		(40,262)	(1)	(36,034)	(1)
6200	Administrative expenses		(340,213)	(11)	(265,894)	(10)
6300	Research and development expenses		(143,324)	(5)	(132,689)	(5)
6450	Expected credit impairment gain	12(2)	-	-	304	-
6000	Total operating expenses		(523,799)	(17)	(434,313)	(16)
6900	Operating profit		307,991	10	232,329	9
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	2,939	-	1,145	-
7010	Other income	6(21) and 7	9,355	-	7,142	-
7020	Other gains and losses	6(22)	106,800	4	47,219	2
7050	Finance costs	6(23)	(30,626)	(1)	(20,922)	(1)
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	(23,800)	(1)	(24,064)	(1)
7000	Total non-operating income and expenses		64,668	2	10,520	-
7900	**Profit before income tax**		372,659	12	242,849	9
7950	Income tax expense	6(26)	(47,408)	(1)	(7,195)	-
8200	**Profit for the year**		$ 325,251	11	$ 235,654	9
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (loss) on remeasurements of defined benefit plans	6(14)	$ 5,701	-	($ 2,066)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	(1,140)	-	413	-
8300	**Total other comprehensive income (loss) for the year**		$ 4,561	-	($ 1,653)	-
8500	**Total comprehensive income for the year**		$ 329,812	11	$ 234,001	9
	Basic earnings per share	6(27)				
9750	Basic earnings per share		$ 2.17		$ 1.58	
	Diluted earnings per share	6(27)				
9850	Diluted earnings per share		$ 2.06		$ 1.50	

Year 2021						
Balance at January 1, 2021		$ 1,324,080	$ 634,768	$ 127,863	$ 220,854	$ 2,307,565
Profit for the year		-	-	-	235,654	235,654
Other comprehensive loss for the year		-	-	-	(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)
Stock dividends from capital surplus	6(16)(17)	79,445	(79,445)	-	-	-
Changes in ownership interests in subsidiaries	6(17)	-	54,935	-	-	54,935
Balance at December 31, 2021		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056
Year 2022						
Balance at January 1, 2022		$ 1,403,525	$ 610,258	$ 141,374	$ 361,899	$ 2,517,056
Profit for the year		-	-	-	325,251	325,251
Other comprehensive income for the year		-	-	-	4,561	4,561
Total comprehensive income		-	-	-	329,812	329,812
Distribution of 2021 earnings:	6(18)					
Legal reserve		-	-	23,400	(23,400)	-
Cash dividends		-	-	-	(112,282)	(112,282)
Stock dividends from capital surplus	6(16)(17)	84,211	(84,211)	-	-	-
Conversion of convertible bonds	6(12)(16)(17)	38,544	208,709	-	-	247,253
Changes in equity of associates accounted for using equity method	6(17)	-	9,469	-	-	9,469
Balance at December 31, 2022		$ 1,526,280	$ 744,225	$ 164,774	$ 556,029	$ 2,991,308

CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 372,659	$ 242,849
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(24)	587,136	517,204
Amortization	6(24)	15,880	16,813
Gain on expected credit impairment	12(2)	-	(304)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6(2)(22)	3,127	(12,707)
Interest expense	6(23)	30,626	20,922
Interest income	6(20)	(2,939)	(1,145)
Share of loss of subsidiaries and associates accounted for using the equity method	6(6)	23,800	24,064
Gain on disposals of property, plant and equipment	6(22)	(5,740)	(1,358)
Gain on disposal of investments	6(22)	(61,467)	(53,524)
Loss of financial assets at amortized cost	6(22)	-	73
Changes in operating assets and liabilities			
Changes in operating assets			
Increase (decrease) financial asset at fair value through profit or loss, mandatorily measured at fair value		(1,061)	4,694
Contract assets		(188,848)	51,293
Notes receivable		99	(85)
Accounts receivable		48,859	(130,316)
Accounts receivable due from related parties		331	331
Other receivables		(23,242)	(791)
Other receivables due from related parties		(16)	252
Inventories		(93,140)	(22,658)
Prepayments		2,309	(5,944)
Other current assets		1,578	221
Other non-current assets		(271)	-
Changes in operating liabilities			
Contract liabilities		(17)	(883)
Accounts payable		81,072	24,156
Other payables		53,627	67,239
Other payables to related parties		(5)	5
Other current liabilities		(1,494)	827
Net defined benefit liability		(1,225)	(1,016)
Long-term payables		(774)	925
Cash inflow generated from operations		840,864	741,137
Interest received		2,880	1,223
Interest paid		(45,685)	(12,369)
Income taxes paid		(23,003)	(1,678)
Net cash flows from operating activities		775,056	728,313

(Continued)

	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortized cost		($ 9,432)	$ -
Proceeds from disposal of financial assets at amortized cost		8,794	500
Acquisition of financial assets at fair value through profit or loss	6(2)	-	(10,400)
Proceeds from disposal of financial assets at fair value through profit or loss		15,683	-
Acquisition of investments accounted for using equity method	6(6)	-	(3)
Proceeds from disposal of investments accounted for using equity method	6(6)	90,298	-
Acquisition of property, plant and equipment	6(28)	(2,601,324)	(1,627,064)
Proceeds from disposal of property, plant and equipment		8,839	10,134
Acquisition of intangible assets	6(28)	(11,878)	(21,616)
Increase in refundable deposits		(43,487)	(2,668)
Decrease in refundable deposits		42,279	-
Net cash flows used in investing activities		(2,500,228)	(1,651,117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		-	670,000
Decrease in short-term borrowings		-	(670,000)
Redemption of convertible bonds	6(29)	(753,926)	(5,426)
Increase in long-term borrowings	6(29)	3,068,910	1,186,690
Repayment of long-term borrowings	6(29)	(475,622)	(212,719)
Increase in guarantee deposits received	6(29)	396	78
Decrease in guarantee deposits received	6(29)	(338)	(100)
Repayment of principal portion of lease liabilities	6(29)	(13,625)	(8,854)
Cash dividends paid	6(18)	(112,282)	(79,445)
Net cash flows from financing activities		1,713,513	880,224
Net decrease in cash and cash equivalents		(11,659)	(42,580)
Cash and cash equivalents at beginning of year	6(1)	1,081,999	1,124,579
Cash and cash equivalents at end of year	6(1)	$ 1,070,340	$ 1,081,999

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(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 Act 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, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of adoption of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became 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.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

(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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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) <u>Compliance statement</u>

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) <u>Basis of preparation</u>

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 that came into effect 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) <u>Foreign currency translation</u>

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 retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon retranslation 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) <u>Classification of current and non-current items</u>

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

(a) Assets 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.

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

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

(b) Liabilities arising mainly for trading activities;

(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.

(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 an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. 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 change in ownership interests in 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 financial statements prepared on a consolidation basis. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared on a consolidation basis.

(14) <u>Property, plant and equipment</u>

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 structures	3 ~ 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；

(b) Any initial direct costs incurred by the lessee；and

(c) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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 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. 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) <u>Provisions</u>

Provisions－decommissioning 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) <u>Employee benefits</u>

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when 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 with the Company 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) <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 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 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 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 resolved 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 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

Measurement of the completion degree of performance obligation

The Company is primarily engaged in the professional processing of semiconductor wafer, such as reclaiming, thinning and other services and recognises revenue by measuring the completion degree of performance obligation in the period in which the services are rendered. For the completion degree of semiconductor wafers professional processing services, the management recognises revenue on the basis of the invested cost which is for satisfying the performance obligation relative to the expected total cost for satisfying the performance obligation. As the estimates of total expected cost were uncertain and require the management to apply critical estimates in making the determination, there might be material changes to the estimates.

As of December 31, 2022, the contract assets recognised for the Company's unfinished orders according to the completion degree of performance obligation amounted to $266,439.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and petty cash	$ 310	$ 322
Demand deposits	830,030	1,081,677
Time deposits	240,000	-
	$ 1,070,340	$ 1,081,999

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. 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, 2022	December 31, 2021
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ -	$ 10,400
Derivative	-	550
Convertible bonds - Call / put options	-	(199)
Value adjustment - Listed stocks	-	6,700
Value adjustment - Convertible bonds - Call / put options	-	299
	$ -	$ 17,750

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, 2022	Years ended December 31, 2021
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	($ 1,417)	$ 6,700
Derivative	107	7,581
Convertible bonds - Call / put options	-	300
	($ 1,310)	$ 14,581

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

There were no such transactions as of December 31, 2022.

(Unit: in thousands of dollars)

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

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, 2022		December 31, 2021	
Non-current items：				
Pledged time deposits	$	13,055	$	12,417

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

	Year ended December 31, 2022		2021	
Interest income	$	124	$	97

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). The counterparties of the Company's investments in certificates of deposit are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

	December 31, 2022		December 31, 2021	
Notes receivable	$	86	$	185
Accounts receivable	$	414,091	$	462,950
Less: Allowance for uncollectible accounts		-		-
		414,091		462,950
Accounts receivable due from related parties		-		331
	$	414,091	$	463,281

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 409,898	$ 86	$ 462,366	$ 185
Up to 30 days	3,767	-	915	-
31 to 90 days	426	-	-	-
91 to 180 days	-	-	-	-
Over 180 days	-	-	-	-
	$ 414,091	$ 86	$ 463,281	$ 185

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to $333,092.

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

D. As of December 31, 2022 and 2021, 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 $86 and $185, $414,091 and $463,281, respectively.

E. As of December 31, 2022 and 2021, the Company held commercial papers provided by customers as collaterals for accounts receivable credit limits amounting to $0 and $11,000, respectively.

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

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 299,044	($ 58,553)	$ 240,491
Work in progress	4,218	(37)	4,181
Finished goods	14,363	(236)	14,127
Total	$ 317,625	($ 58,826)	$ 258,799

	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

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2022	2021
Cost of goods sold	$ 2,305,338	$ 1,996,183
Loss on decline in market value	14,033	7,407
Revenue from sales of scraps	(87)	(131)
Others	(13,021)	(13,360)
	$ 2,306,263	$ 1,990,099

(6) Investments accounted for using equity method

	2022	2021
At January 1	$ 125,503	$ 41,105
Addition of investments accounted for using equity method	-	53,527
Disposal of investments accounted for using equity method	(28,831)	-
Share of profit or loss of investments accounted for using the equity method	(23,800)	(24,064)
Changes in equity of associates accounted for using method	9,469	54,935
At December 31	$ 82,341	$ 125,503

A. 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.

B. The Company sold some of the shares during the year ended December 31, 2022. The disposal proceeds amounted to $90,298, the gains on disposal amounted to $61,467 and the shareholding ratio decreased to 25.28%.

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

   As of December 31, 2022 and 2021, the carrying amount of the Company's individually immaterial associates amounted to $82,341 and $125,503, respectively.

	Year ended December 31,	
	2022	2021
Loss from continuing operations	($ 86,843)	($ 42,234)
Total comprehensive loss	($ 86,843)	($ 42,234)

(7) Property, plant and equipment

	2022							
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
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
At January 1	$ 1,524,529	$ 1,374,583	$ 2,372	$ 6,387	$ -	$ 33,099	$ 694,787	$ 3,635,757
Additions	151,916	450,538	2,208	3,633	-	14,382	1,930,187	2,552,864
Disposals	-	(3,099)	-	-	-	-	-	(3,099)
Reclassifications (transfers)(Note)	128,161	480,353	-	-	-	-	(609,150)	(636)
Depreciation charge	(163,267)	(393,174)	(1,045)	(3,314)	-	(12,744)	-	(573,544)
At December 31	$ 1,641,339	$ 1,909,201	$ 3,535	$ 6,706	$ -	$ 34,737	$ 2,015,824	$ 5,611,342
Cost	$ 2,292,667	$ 4,280,007	$ 11,380	$ 25,393	$ -	$ 87,149	$ 2,015,824	$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	-	(52,412)	-	(3,101,078)
	$ 1,641,339	$ 1,909,201	$ 3,535	$ 6,706	$ -	$ 34,737	$ 2,015,824	$ 5,611,342

Note: Refers to the transfer to intangible assets amounting to $636.

	2021							
	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending 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

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,	
	2022	2021
Amount capitalised	$ 25,162	$ 7,629
Range of the interest rates for capitalisation	1.04%~1.84%	1.12%~1.28%

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, 2022	December 31, 2021
	Carrying amount	Carrying amount
Land	$ 324,422	$ 322,927
Buildings	10,155	-
Transportation equipment (Business vehicles)	1,754	1,385
	$ 336,331	$ 324,312

	Year ended December 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Land	$ 11,286	$ 9,066
Buildings	1,328	-
Transportation equipment (Business vehicles)	978	979
	$ 13,592	$ 10,045

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were $25,611 and $102,701, respectively.

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

	Year ended December 31,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 4,522	$ 3,973
Expense on short-term lease contracts	9,041	3,130
Expense on leases of low-value assets	836	552

F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were $28,024 and $16,509, 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 3 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of $3,339 and $5,130, 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, 2022		December 31, 2021
2023	$ 1,547	2022	$ 5,130
2024	1,547	2023	1,543
2025	597	2024	1,217
2026	150	2025	357
After 2027	150	After 2026	-
Total	$ 3,991	Total	$ 8,247

(10) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for business facilities	$ 444,506	$ 334,257
Prepayments for intangible assets	8,077	3,946
Guarantee deposits paid	3,040	2,968
Others	271	-
Total	$ 455,894	$ 341,171

(11) Other payables

	December 31, 2022	December 31, 2021
Wages and salaries payable	$ 139,912	$ 132,236
Employees' compensation and directors' remuneration payable	88,053	58,310
Payable on machinery and equipment	129,545	92,918
Payable on repair expenses	28,075	24,810
Other accrued expenses	80,687	65,465
Total	$ 466,272	$ 373,739

(12) Bonds payable

	December 31, 2022	December 31, 2021
Bonds payable	$ -	$ 1,002,078
Less: Discount on bonds payable	-	(13,452)
	-	988,626
Less: Current portion or exercise of put options	-	(988,626)
	$ -	$ -

A. The issuance of domestics convertible bonds by the Company

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

The Company issued $1,000,000, 0% first domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issued date (November 13, 2019 ~ November 13, 2022) and will be radeemed in cash value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

i. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue to the maturity date, except 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.

ii. 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 November 13, 2022, the last conversion application date, the conversion price was adjusted to NT$63.90 (in dollars) per share.

iii. The convertible bonds will be redeemed in cash at 100.7519% of face value at the maturity date.

iv. 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.

v. 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.

vi. 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) As of November 13, 2022, the last conversion application date, the bonds totaling $246,300 (face value) had been converted into 3,854,404 shares of common stock. The remaining unconverted bonds amounting to $748,300 (face value) had been redeemed in cash at 100.7519% of face value at the maturity date according to Article 6 of the regulations governing the issuance and conversion of the Company's first domestic unsecured convertible bonds.

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%.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022
Plant syndicated loan (Note 1)	2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	$ 385,600
Plant loan	2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period	Floating rate	Buildings and structures	193,918
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
Mid-term secured borrowings (Note 2)	2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	17,500
Mid-term secured borrowings	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2024.12.08 Repayment by installments and installments over the agreed period	Floating rate	None	625,000
Unsecured borrowings	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
				4,495,018
Less: Current portion				(503,910)
Less: Arrangement fee for the syndicated loan				(5,551)
				$ 3,985,557
Annual interest rate range				1.175%~1.986%

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Plant loan (Note 2)	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 2)	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	2019.6.27~2024.12.08 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%

A. As of December 31, 2022, the Company's unamortised arrangement fee for the syndicated loan amounting to $5,551 was recorded as a deduction amount of initial measurement of long-term secured borrowings and amortised as interest expense over the borrowing period.

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

Note 1: According to the agreement, the Company should maintain a specific current ratio, debt ratio, interest coverage ratio and shareholders' equity amount every year during the loan period.

Note 2: 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 Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 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, 2022	December 31, 2021
Present value of defined benefit obligations	$ 36,773	$ 42,165
Fair value of plan assets	(23,834)	(22,300)
Net defined benefit liability	$ 12,939	$ 19,865

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	$ 42,165	($ 22,300)	$ 19,865
Current service cost	86	-	86
Interest expense (income)	211	(118)	93
	42,462	(22,418)	20,044
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,658)	(1,658)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(4,758)	-	(4,758)
Experience adjustments	715	-	715
	(4,043)	(1,658)	(5,701)
Pension fund contribution	-	(1,404)	(1,404)
Paid pension	(2,446)	2,446	-
At December 31	$ 35,973	($ 23,034)	$ 12,939

	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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement

Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence, 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, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31,	
	2022	2021
Discount rate	1.500%	0.500%
Future salary increases	3.500%	3.500%

Assumptions regarding future mortality experience are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	($ 1,066)	$ 1,113	$ 1,072	($ 1,032)
December 31, 2021				
Effect on present value of defined benefit obligation	($ 1,344)	$ 1,406	$ 1,343	($ 1,292)

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 of analysis sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to $1,362.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 11.8 years. The analysis of timing of the future pension payment over the next 10 years was as follows:

Within 1 year	$	1,390
1-2 year(s)		5,293
2-5 years		2,804
5-10 years		5,453
	$	14,940

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

(b) The pension costs under defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021, were $29,678 and $26,416, respectively.

(15) Provisions

	Decommissioning liabilities	
2022		
At January 1	$	16,600
Unwinding of discount		817
At December 31	$	17,417

Analysis of total provisions:

	December 31, 2022		December 31, 2021	
Non-current	$	17,417	$	16,600

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 and right-of-use assets 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, 2022, 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 $1,526,280 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

	2022	2021
At January 1	140,352,480	132,408,000
Stock dividends from capital surplus	8,421,149	7,944,480
Conversion of convertible bonds	3,854,404	-
At December 31	152,628,033	140,352,480

B. The stock dividends from 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, 2021.

C. The stock dividends from of capital surplus amounting to $84,211 was proposed by the Board of Directors on April 14, 2022, resolved by the shareholders on May 27, 2022 and approved by the regulatory authority on June 16, 2022. Its effective date was set on July 29, 2022 as resolved by the Board of Directors on June 24, 2022.

(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.

	2022			
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates	Options
At January 1	$ 407,885	$ 70,793	$ -	$ 131,580
Stock dividends from of capital surplus	(84,211)	-	-	-
Conversion of convertible bonds	241,293	-	-	(32,584)
Redemption of convertible bonds at the maturity date	98,996	-	-	(98,996)
Changes in equity of associates	-	-	9,469	-
At December 31	$ 663,963	$ 70,793	$ 9,469	$ -

	2021		
	Share premium	Changes in ownership interests in subsidiaries	Options
At January 1	$ 486,616	$ 15,858	$ 132,294
Stock dividends from of capital surplus	(79,445)	-	-
Changes in ownership interests in subsidiaries	-	54,935	-
Reversal of repurchased convertible bonds	714	-	(714)
At December 31	$ 407,885	$ 70,793	$ 131,580

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after tax, if any, shall first be used to offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve, the remainder along with the beginning unappropriated earnings shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

Dividends and bonuses or legal reserve and capital surplus distributed in the form of cash shall be authorised to be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting and are not subject to the aforementioned regulations of resolutions from 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 2021 and 2020 earnings as resolved by the shareholders at their meetings on May 27, 2022 and July 5, 2021 are as follows:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 23,400		$ 13,511	
Cash dividends	112,282	$ 0.80	79,445	$ 0.60
Total	$ 135,682		$ 92,956	

(19) Operating revenue

	Year ended December 31,	
	2022	2021
Revenue from contracts with customers	$ 3,138,053	$ 2,656,741

A. Disaggregation of revenue from contracts with customers

Revenue of the Company can be disaggregated by major product lines as follows:

Year ended December 31, 2022	Semiconductor business	Power business	Total
Revenue from external customer contracts	$ 3,138,053	$ -	$ 3,138,053
Timing of revenue recognition			
At a point in time	$ 106,868	$ -	$ 106,868
Over time	3,031,185	-	3,031,185
	$ 3,138,053	$ -	$ 3,138,053

Year ended December 31, 2021	Semiconductor business	Power business	Total
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

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	$ 266,439	$ 77,591	$ 128,884
Contract liabilities - advance sales receipts	$ 140	$ 157	$ 1,040

	Year ended December 31,	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the year	$ 17	$ 1,040

(20) Interest income

	Year ended December 31,	
	2022	2021
Interest income from bank deposits	$ 2,815	$ 1,032
Interest income from financial assets measured at amortised cost	124	97
Other interest income	-	16
	$ 2,939	$ 1,145

(21) Other income

	Year ended December 31,	
	2022	2021
Rent income	$ 3,339	$ 5,130
Other income, others	6,016	2,012
	$ 9,355	$ 7,142

(22) Other gains and losses

	Year ended December 31,	
	2022	2021
Gains on disposals of property, plant and equipment	$ 5,740	$ 1,358
Gains on disposals of investments (Note 6(6))	61,467	53,524
Net foreign exchange gains (losses)	42,720	(17,935)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(3,127)	12,707
Losses on financial liabilities at amortised cost	-	(73)
Other gains and losses	-	(2,362)
	$ 106,800	$ 47,219

(23) Finance costs

	Year ended December 31,	
	2022	2021
Borrowings from financial institutions	$ 12,734	$ 889
Bonds payable	12,553	15,335
Lease liabilities	4,522	3,973
Provisions - unwinding of discount	817	725
	$ 30,626	$ 20,922

(24) Expenses by nature

	Year ended December 31,	
	2022	2021
Employee benefit expense	$ 930,486	$ 793,810
Depreciation charges	587,136	517,204
Amortisation charges on intangible assets	15,880	16,813

(25) Employee benefit expense

	Year ended December 31,	
	2022	2021
Wages and salaries	$ 780,765	$ 664,056
Labour and health insurance fees	68,773	59,956
Pension costs	29,857	26,592
Other personnel expenses	51,091	43,206
	$ 930,486	$ 793,810

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, 2022 and 2021, employees' compensation was accrued at $67,348 and $43,888, respectively; while directors' remuneration was accrued at $8,980 and $5,852, respectively. The aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2022, 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 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 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

(a) Components of income tax expense:

	Year ended December 31, 2022	Year ended December 31, 2021
Current tax:		
Current tax on profits for the year	$ 42,312	$ 12,450
Prior year income tax underestimation	2,559	3,942
Total current tax	44,871	16,392
Deferred tax:		
Origination and reversal of temporary differences	2,537	(9,197)
Total deferred tax	2,537	(9,197)
Income tax expense	$ 47,408	$ 7,195

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Remeasurement of defined benefit obligations	$ 1,140	($ 413)

(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, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate	$ 74,532	$ 48,570
Expenses disallowed by tax regulation	4,760	4,812
Tax exempt income by tax regulation	(13,645)	(36,152)
Prior year income tax underestimation	2,559	3,942
Effect from investment tax credits	(31,316)	(16,002)
Effect from Alternative Minimum Tax	10,518	2,025
Income tax expense	$ 47,408	$ 7,195

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

	2022			
	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	$ 8,958	$ 2,807	$ -	$ 11,765
Discount on bonds payable	6,492	(6,492)	-	-
Seniority bonus	2,489	(155)	-	2,334
Decommissioning liabilities	3,320	163	-	3,483
Pensions	3,974	(246)	(1,140)	2,588
Others	539	353	-	892
Investment tax credits	5,577	(477)	-	5,100
Subtotal	$31,349	($ 4,047)	($ 1,140)	$ 26,162
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	($ 1,510)	$ 1,510	$ -	$ -
Total	$29,839	($ 2,537)	($ 1,140)	$ 26,162

	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
Seniority bonus	2,304	185	-	2,489
Decommissioning liabilities	2,978	342	-	3,320
Pensions	3,764	(203)	413	3,974
Others	281	258	-	539
Investment tax credits	-	5,577	-	5,577
Subtotal	$20,229	$ 10,707	$ 413	$ 31,349
Deferred tax liabilities:				
- Temporary differences:				
Unrealised gain on valuation of financial liabilities	$ -	($ 1,510)	$ -	($ 1,510)
Total	$20,229	$ 9,197	$ 413	$ 29,839

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	Year ended December 31, 2022		
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	$ 325,251	150,180	$ 2.17
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 325,251	150,180	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	10,124	11,207	
Employees' compensation	-	1,323	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 335,375	162,710	$ 2.06

	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	$ 235,654	148,774	$ 1.58
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 235,654	148,774	
Assumed conversion of all dilutive potential ordinary			
Convertible bonds	11,948	15,484	
Employees' compensation	-	835	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 247,602	165,093	$ 1.50

The abovementioned weighted average number of ordinary shares outstanding had been modified retrospectively according to the ratio of stock dividends from capital surplus for the year ended December 31, 2022.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of property, plant and equipment	$ 2,552,864	$ 1,433,669
Add: Opening balance of payable on machinery and equipment	92,918	46,677
Add: Ending balance of prepayments for business facilities	444,506	334,257
Less: Ending balance of payable on machinery and equipment	(129,545)	(92,918)
Less: Opening balance of prepayments for business facilities	(334,257)	(86,992)
Less: Capitalisation of interest	(25,162)	(7,629)
Cash paid during the year	$ 2,601,324	$ 1,627,064

	Year ended December 31, 2022	Year ended December 31, 2021
Purchase of intangible assets	$ 7,747	$ 17,670
Add: Ending balance of prepayments	8,077	3,946
Less: Opening balance of prepayments	(3,946)	-
Cash paid during the year	$ 11,878	$ 21,616

B. Financing activities with no cash flow effects:

	Year ended December 31, 2022	Year ended December 31, 2021
Convertible bonds being converted to capital stocks	$ 247,253	$ -

(29) Changes in liabilities from financing activities

	2022				
	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 988,626	$ 1,901,730	$ 327,499	$ 1,010	$ 3,218,865
Changes in cash flow from financing activities	-	2,593,288	(13,625)	58	2,579,721
Interest paid on lease liabilities	-	-	(4,522)	-	(4,522)
Amortisation of interest expense on lease liabilities	-	-	4,522	-	4,522
Increase in lease liabilities	-	-	25,611	-	25,611
Amortisation of interest expense on bonds payable	12,553	-	-	-	12,553
Stock dividends from convertible bonds	(247,253)	-	-	-	(247,253)
Redemption of convertible bonds at the maturity date	(753,926)	-	-	-	(753,926)
Payment of arrangement fee for the syndicated loan	-	(6,779)	-	-	(6,779)
Amortisation of arrangement fee for the syndicated loan	-	1,228	-	-	1,228
At December 31	$ -	$ 4,489,467	$ 339,485	$ 1,068	$ 4,830,020

	2021				
	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

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
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.

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31, 2022	Year ended December 31, 2021
Sales of goods:		
Phoenix Battery Corporation	$ -	$ 5,355

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, 2022	Year ended December 31, 2021
Purchases of goods:		
Phoenix Battery Corporation	$ -	$ 225

Goods sold to subsidiaries are based on normal commercial terms and conditions.

C. Receivables from related parties:

	December 31, 2022	December 31, 2021
Accounts receivable:		
Phoenix Battery Corporation	$ -	$ 331
Other receivables:		
Phoenix Battery Corporation	$ 16	$ -

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, 2022	December 31, 2021
Other payables :		
Phoenix Battery Corporation	$ -	$ 5
Other payables -acquisition of property, plant and equipment:		
Phoenix Battery Corporation	1,253	-
	$ 1,253	$ 5

E. Property transactions - acquisition of property, plant and equipment:

	Year ended December 31, 2022	Year ended December 31, 2021
Phoenix Battery Corporation	$ 11,930	$ -

F. Loans to related parties - interest income:

	Year ended December 31, 2022	Year ended December 31, 2021
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.

G. Revenues and expenses

	Item	Year ended December 31, 2022	Year ended December 31, 2021
Phoenix Battery Corporation	Rental income	$ 2,046	$ 3,912
Phoenix Battery Corporation	Other income	280	420
Phoenix Battery Corporation	Other expenses	287	-

H. Other transactions

	Item	December 31, 2022	December 31, 2021
Phoenix Battery Corporation	Advance rent receipts	$ 15	$ -
Phoenix Battery Corporation	Guarantee deposits received	30	-

(3) Key management compensation

	Year ended December 31, 2022	Year ended December 31, 2021
Short-term employee benefits	$ 50,153	$ 33,191
Post-employment benefits	589	745
Total	$ 50,742	$ 33,936

8. Pledged Assets

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

Pledged asset	Book value December 31, 2022	Book value December 31, 2021	Purpose
Time deposits (shown as 'non-current financial assets at amortised cost')	$ 2,500	$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,555	10,417	Guarantee for land lease in science park
Buildings and structures	1,074,712	1,038,803	Long-term borrowings
Machinery and equipment (including 'equipment pending acceptance')	438,190	246,847	Long-term borrowings
	$ 1,525,957	$ 1,298,067	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2022	December 31, 2021
Property, plant and equipment	$ 1,809,163	$ 2,386,646

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, 2022, the Company's strategy, which was unchanged from 2021, 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, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
Total borrowings	$ 4,489,467	$ 2,890,356
Less: Cash and cash equivalents	(1,070,340)	(1,081,999)
Net debt	3,419,127	1,808,357
Total equity	2,991,308	2,517,056
Total capital	$ 6,410,435	$ 4,325,413
Gearing ratio	53.33%	41.81%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 17,750
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,070,340	$ 1,081,999
Financial assets at amortised cost	13,055	12,417
Notes receivable	86	185
Accounts receivable (including related parties)	414,091	463,281
Other receivables (including related parties)	26,050	2,733
Guarantee deposits paid (including current portion)	4,176	2,968
	$ 1,527,798	$ 1,563,583
Financial liabilities		
Financial liabilities at amortised cost		
Accounts payable	$ 234,513	$ 153,441
Other payables (including related parties)	466,272	373,739
Bonds payable (including current portion)	-	988,626
Long-term borrowings (including current portion)	4,489,467	1,901,730
Guarantee deposits received	1,068	1,010
	$ 5,191,320	$ 3,418,546
Lease liabilities (including current portion)	$ 339,485	$ 327,499

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 Note 6(2).

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, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 18,031	30.70	$ 553,557
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	$ 2,642	30.70	$ 81,107
JPY:NTD	11,002	0.2326	2,559
Non-monetary items: None			

	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
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			

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, 2022 and 2021, amounted to $42,720 and ($17,935), respectively.

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

	Year ended December 31, 2022		
	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%	$ 5,536	$ -
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 811)	$ -
JPY:NTD	1%	(26)	-
Non-monetary items: None			

	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	$ -
Non-monetary items: None			
Financial liabilities			
Monetary items			
USD:NTD	1%	($ 470)	$ -
JPY:NTD	1%	(282)	-
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 2022 and 2021, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars. Borrowings issued at fixed rates expose the Company to 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, 2022 and 2021 would have increased/decreased by $11,238 and $4,754, 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 Company'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 adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

vi. 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.

vii. 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.

viii. 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, 2022 and 2021, 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, 2022						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 680,616	$ -	$ -	$ -	$ -	$ 680,616
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, 2021						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	$ 541,057	$ -	$ -	$ -	$ -	$ 541,057
Loss allowance	$ -	$ -	$ -	$ -	$ -	$ -

ix. Movements in relation to the Company applying the modified approach to provide loss allowance for notes receivable, accounts receivable, accounts receivable due from related parties, contract assets are as follows:

	2022
	Accounts receivable
At January 1 / December 31	$ -

	2021
	Accounts receivable
At January 1	$ 304
Provision for impairment	101
Reversal of impairment loss	(405)
At December 31	$ -

x. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	December 31, 2022	December 31, 2021
	12 months	12 months
Financial assets at amortised cost	$ 13,055	$ 12,417

(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, 2022 and 2021, the Company held money market position of $1,070,030 and $1,081,677, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	$ 700,000	$ 780,635
Expiring beyond one year	1,362,600	618,110
Fixed rate:		
Expiring within one year	-	-
Expiring beyond one year	-	-
	$ 2,062,600	$ 1,398,745

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, 2022	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:				
Accounts payable	$ 234,513	$ -	$ -	$ -
Other payables	236,408	1,899	-	-
Lease liability	9,569	9,569	18,820	363,124
Long-term borrowings (including current portion)	124,353	446,471	842,745	3,297,527
Guarantee deposits received	-	-	788	290
Derivative financial liabilities: None				

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				

(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, 2022 and 2021 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

There were no such transactions on December 31, 2022.

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: None				

(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, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
	Convertible bonds	Convertible bonds
At January 1	($ 100)	$ 200
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	100	(300)
At December 31	$ -	($ 100)
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at December 31, 2022 (Note)	$ 100	($ 300)

Note: Recorded as non-operating income and expenses.

E. For the years ended December 31, 2022 and 2021, 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:

There were no such transactions on December 31, 2022.

	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

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:

There were no such transactions on December 31, 2022.

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable	Unfavourable change	Favourable	Unfavourable change
Financial assets						
Convertible bonds Call/put options	Volatility	±5%	$ 10	$ -	$ -	$ -

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

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: None.

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, 2022 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net loss arising from trading in forward foreign exchange contract for the year ended December 31, 2022 was approximately $1,061.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 1.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 2.

14. Segment Information

None.

PHOENIX SILICON INTERNATIONAL CORPORATION
INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2022

Table 1

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, 2022	Balance as at December 31, 2021	Shares	Ownership (%)	Book value	Net income of investee as of December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Phoenix Battery Corporation	Taiwan	Battery manufacturing business	$ 94,933	$ 125,500	9,493,302	25.28	$ 82,431	$ (86,643)	$ (23,800)	Associate

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2022

Table 2

	Share	
Name of major shareholders	Name of shares held	Percentage of ownership
Applied Materials,Inc.	17,109,363	11.20%

Item	Description		Amount
Cash on hand and petty cash - NTD			$ 70
- Foreign	USD	2,909，Exchange Rate 30.70	89
Currency	JPY	300,000，Exchange Rate 0.2326	70
	RMB	18,528，Exchange Rate 4.345	81
			310
Cash in banks			
Demand deposits - NTD			664,847
- Foreign	USD	5,370,159，Exchange Rate 30.70	164,864
Currency	JPY	1,370,669，Exchange Rate 0.2326	319
Time deposits - NTD	Subsequently due before March 27, 2023, interest rate 0.285%~1.035%		240,000
			1,070,030
			$ 1,070,340

Customer name	Description	Amount	Note
General customers:			
A		$ 206,406	
B		50,369	
D		25,861	
Others		131,455	Balance of each client has not exceeded 5% of total account balance.
		414,091	Amount of account overdue one year is zero.
Less: Allowance for uncollectible accounts		-	
		$ 414,091	

Item	Description	Amount		Note
		Cost	Market value	
Raw materials		$ 299,044	$ 301,229	Use net realizable value as market price
Work in process		4,218	4,746	"
Finished goods		14,363	17,536	"
		317,625	$ 323,511	
Less: Allowance for valuation loss		(58,826)		
		$ 258,799		

	Beginning Balance		Additions		Decrease			Ending Balance			Market value or net equity value			
Name	Shares (in thousands)	Amount	Shares (in thousands)	Amount (Note)	Shares (in thousands)	Amount	Investment (loss) income	Shares (in thousands)	Ownership	Amount	Unit	Total	Collateral	Note
Phoenix Battery Corporation	12,550	$ 125,503	-	$ 9,469	3,057	($ 28,831)	($ 23,800)	9,493	25.28%	$ 82,341	8.67	$ 82,341	None	

Note: Refers to the changes in equity in associates.

Item	Balance at January 1, 2022	Additions	Disposals	Transfers	Balance at December 31, 2022	Collateral
Buildings and structures	$ 2,012,590	$ 151,916	$ -	$ 128,161	$ 2,292,667	Collateral for long-term loan.
Machinery and equipment	3,371,258	450,538	(22,142)	480,353	4,280,007	"
Transportation equipment	9,172	2,208	-	-	11,380	None
Office equipment	21,760	3,633	-	-	25,393	"
Leased assets	110	-	(110)	-	-	"
Other equipment	72,997	14,382	(230)	-	87,149	"
Unfinished construction and equipment pending acceptance	694,787	1,930,187	-	(609,150)	2,015,824	Collateral for long-term loan.
	$ 6,182,674	$ 2,552,864	($ 22,482)	($ 636)	$ 8,712,420	

Item	Balance at January 1, 2022	Additions	Disposals	Transfers	Balance at December 31, 2022	Note
Buildings and structures	$ 488,061	$ 163,267	$ -	$ -	$ 651,328	
Machinery and equipment	1,996,675	393,174	(19,043)	-	2,370,806	
Transportation equipment	6,800	1,045	-	-	7,845	
Office equipment	15,373	3,314	-	-	18,687	
Leased assets	110	-	(110)	-	-	
Other equipment	39,898	12,744	(230)	-	52,412	
	$ 2,546,917	$ 573,544	($ 19,383)	$ -	$ 3,101,078	

Client Name	Description	Amount	Note
General vendor:			
Company B		$ 27,591	
Company H		24,933	
Company A		19,885	
Company E		16,167	
Other		145,937	None of balances of each remaining items is greater than 5% of this account.
		$ 234,513	

Item	Volume	Amount	Note
Net amount of sales revenue			
Silicon wafer	157(thousand pieces)	$ 106,868	
Net amount of labor income			
Silicon wafer	6,220(thousand pieces)	3,031,185	
Net amount of operating revenue		$ 3,138,053	

Item	Description	Amount
Beginning raw materials		$ 191,551
Add: Materials purchased		920,887
Less: Ending raw materials		(299,044)
Transfers to expenses		(255,010)
Cost to sell raw materials		(811)
Cost of consumption raw materials		557,573
Direct labor		356,650
Manufacturing expense		1,390,686
Manufacturing cost		2,304,909
Add:Beginning work in progress		2,717
Less:Ending work in progress		(4,218)
Cost of finished goods		2,303,408
Add: Beginning finished goods		16,184
Less: Ending finished goods		(14,363)
Transfers to expenses		(702)
Total cost of goods manufactured		2,304,527
Cost to sell work in progress		811
Loss on decline in market value		14,033
Revenue from sales of scraps		(87)
Other		(13,021)
Total operating cost		$ 2,306,263

Item	Description	Amount	Note
Depreciation expense		$ 551,213	
Wages and salaries		227,543	
Repairs and maintenance expense		136,517	
Utility expenses		120,345	
Other expenditure		355,068	None of balances of each remaining items is greater than 5% of this account.
		$ 1,390,686	

Item	Description	Amount	Note
Freight		$ 19,598	
Wages and salaries		16,083	None of balances of each remaining items is greater than 5% of this account.
Other expenditure		4,581	
		$ 40,262	

Item	Description	Amount	Note
Wages and salaries		$ 160,316	
Labor expense		29,527	
Depreciation expense		24,277	
Other expenditure		126,093	None of balances of each remaining items is greater than 5% of this account.
		$ 340,213	

Item	Description	Amount	Note
Wages and salaries		$ 92,387	
Depreciation expense		11,645	
Research expenses		8,131	
Labour and health insurance fees		7,428	
Other expenditure		23,733	None of balances of each remaining items is greater than 5% of this account.
		$ 143,324	

By function / By nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	$ 511,979	$ 256,942	$ 768,921	$ 431,935	$ 223,530	$ 655,465
Labour and health insurance fees	48,768	20,005	68,773	42,343	17,613	59,956
Pension costs	19,782	10,075	29,857	17,299	9,293	26,592
Directors' remuneration	-	11,844	11,844	-	8,591	8,591
Other personnel expenses	41,811	9,280	51,091	33,916	9,290	43,206
Depreciation	551,213	35,923	587,136	481,302	35,902	517,204
Amortisation	1,177	14,703	15,880	619	16,194	16,813

Notes:

1: For the years ended December 31, 2022 and 2021, the Company had 921 and 826 employees, respectively, both including 8 non-employee directors.

B.(a) The Company has average employee benefit expenses of $1,006 and $960 for the years ended December 31, 2022 and 2021, respectively.

(b) The Group has average employee salary expenses of $842 and $801 for the years ended December 31, 2022 and 2021, respectively.

(c) For the year ended December 31, 2022, adjustments of average employees salary expenses increased 5.12%.

(d) The Company has no supervisors' emolument as it set up the audit committee.

(e) The Company has set up the remuneration committee to support the Board of Directors to determine the remuneration of the Company's directors and managers and the Company's salary policies. According to the Company's Articles of Incorporation, operating of the remuneration committee and the Board of Directors, the Company examines the remuneration of directors and managers in adequate time based on their participation degree of operation and contribution value to the Company, and minimise the possibility and relativeness of risk in the future for the going concern and balance of risk management of the Company. Employees' salary and compensation are based on their education background, professional knowledge and skill, professional experience and individual performance, and will not differ from age, gender, race, religion, political affiliation and marital status. With reference to market of salary, price index and organisation structure to determine the salary payment standard and pays reward according to the profit situation of the Company's operation and employees' individual performance.