

Etron Technology, Inc.

Annual Report 2021

(Translation)

Published on April 10, 2022

Annual Report is available at <https://mops.twse.com.tw>
<https://www.etrn.com.tw>

I、Spokesperson、Deputy Spokesperson

Spokesperson	Deputy Spokesperson
Name : Justine Tsai	Name : Eason Cheng
Title : Director	Title : Supervisor
TEL : (03) 5782345	TEL : (03) 5782345
E-mail : invest@etron.com	E-mail : invest@etron.com

II、Address and telephone number of the Company

Address : No. 6, Technology Road 5, Hsinchu Science Park, Hsinchu Taiwan
TEL : (03) 578-2345
Taipei Office : 10F, No. 22, Lane 35, Jihu Rd., Neihu Dist., Taipei City, Taiwan
TEL : (02) 8751-2838

III、Stock Transfer Agency

CTBC Transfer Agency Dept
Address : 5F., No.83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City, Taiwan
Website : <https://www.ctbcbank.com>
TEL : (02) 6636-5566

IV、Certified Public Accountant

Name of CPA firm:PricewaterhouseCoopers Taiwan
Names of the CPA: Tsai-Yen, Chiang, Fang-Yu, Wen
Address : : 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City, Taiwan
Website : <https://www.pwc.com/tw>
TEL : (02) 2729-6666

V、The Company does not issue any overseas securities.

VI、Company Website : <https://www.etron.com.tw>

Table of Contents

Chapter 1	Letter to Shareholders.....	1
Chapter 2	Company Profile.....	4
	I. Date of Incorporation.....	4
	II. Company History.....	4
Chapter 3	Corporate Governance.....	13
	I. Organizational System.....	13
	II. Information on the Directors, Presidents, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units.....	15
	III. Compensation Paid to the Directors, Presidents and Vice Presidents.....	25
	IV. Implementation of Corporate Governance.....	28
	V. Information on CPA Professional Fees.....	51
	VI. Information on Replacement of CPA.....	51
	VII. The Company's Chairman, Presidents, or Managerial Officers in Charge of Finance or Accounting Holding any Positions in CPA Firm or Its Affiliates in the Most Recent One Year.....	52
	VIII. Change in the Shareholding of and the Shares Pledged by the Directors, Managerial Officers, and Shareholders Holding More Than 10% Shares in the Company.....	52
	IX. Relationship among the Company's Top 10 Shareholders in Shareholding Percentage.....	54
	X. Number of Shares and Total Equity Stake Held in the Same Reinvested Companies by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company.....	54
Chapter 4	Capital Overview.....	55
	I. Capital and Shares.....	55
	II. Issuance of Corporate Bonds.....	58
	III. Issuance of Preferred Shares.....	58
	IV. Issuance of Global Depository Receipts (GDRs).....	58
	V. Issuance of Employee Share Subscription Warrants.....	59
	VI. Issuance of New Restricted Employee Shares.....	60
	VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies.....	60
	VIII. Implementation of Capital Allocation Programs.....	60
Chapter 5	Operational Highlights.....	62
	I. Business Contents.....	62
	II. Analysis of the market and production and marketing.....	67
	III. Number of employees, average length of service, average age, and education distribution.....	71
	IV. Environmental Protection Expenditure.....	72
	V. Labor-management Relations.....	72
	VI. Cyber Security Management.....	74
	VII. Important Agreements.....	76
Chapter 6	Financial Information.....	77
	I. Condensed Financial Statements for the Most Recent Five Years.....	77
	II. Financial Analyses for the Most Recent Five Years.....	79
	III. Audit Committee's Report for the Most Recent Year's Financial Statements.....	82
	IV. Financial Statements for the Most Recent Year.....	82
	V. Parent Company Only Financial Statements.....	82
	VI. In the Most Recent Year and As of the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Status.....	82
Chapter 7	Review and Analysis on Financial Status and Financial Performance and Risk Matters.....	83
	I. Financial Status.....	83

II. Financial Performance.....	83
III. Cash Flows	84
IV. Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Year	84
V. Reinvestment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated Thereby, Improvement Plan, and Investment Plans for Coming Year	84
VI. Risk Assessment and Management	85
VII. Other Important Issues	87
Chapter 8 Special Records	88
I. Relevant Information on Affiliates	88
II. Issuance of Private Placement Securities in the Most Recent Year and As of the Date of Publication of the Annual Report	92
III. Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Year and Up to the Date of Publication of the Annual Report	92
IV. Other Necessary and Supplemental Description	92
V. Conditions that Materially Affect Shareholders' Interests or Price of Securities	92

Chapter 1 Letter to Shareholders

Dear Shareholders,

As the COVID-19 pandemic continued to hit the global economy into 2021, against this backdrop, the world had a new normal with people working and studying from home. As consumers changed their behaviors, they became significantly more tech-savvy and technology proliferated. This had driven an overall demand for semiconductor end-use products. Last year, the Taiwanese semiconductor industry topped the NT\$ 4 trillion mark in gross production value for the first time -- according to the Industrial Economics and Knowledge Center of the Industrial Technology Research Institute -- hitting NT\$ 4.08 trillion, with a 27% increase. The biggest contributor to the industry was the IC design sector, whose production value grew by 42%, crossing the NT\$ 1 trillion mark to NT\$1.21 trillion.

As the Company concentrates its investment in its three core product lines, it improves the operations in the main business areas, accumulates competitive intellectual properties, and maintains the footholds after specialty transformation. This way, we can be well-prepared for a fast-evolving industry.

Operating Achievements

While in the midst of improving our operations, we continue to reshape ourselves by implementing the specialty policy, utilizing our financial sources sparingly, enhancing our operational efficiency, optimizing our product portfolio, and actively developing new products and new markets. Moreover, thanks to increased demand from our markets, our net consolidated operating revenues stood at NT\$ 6.146 billion in 2021, up by 73% from NT\$ 3.551 billion in 2020. We turned losses into high profits for the year 2021 -- with a consolidated net income of NT\$ 1.015 billion after tax (the net loss was NT\$ 268 million after tax the year before), an increase of NT\$ 1.283 billion in net income, and an all-time high EPS of NT\$ 3.91.

Operations policy and business strategy

The Group continues its strategy “Eye-Brain-Nerve Convergence” to develop products that emulate the eyes, brains, and nerves of the human body, while undertaking integration within the Group. On the business front, we are quality-centered and focus on the delivery of technical services to maintain long-term and stable partnerships with globally leading companies. We harness our technical and business capabilities and work with different systems integrators to create products that can meet the needs of the future, while transforming ourselves from a component vendor to a secondary system provider in the fields of software, applications, and systems. We also work with strategic partners from different sectors on matters related to production capacity, technology, markets, and capital, thereby fueling our growth dynamics and securing our foothold in long-term development.

Research & Development

Based on the strategy “Eye-Brain-Nerve Convergence”, the Group established 3 major product lines:

I. Specialty Buffer Memory

Etron Technology’s specialty DRAM products boast high quality, high performance, and high cost effectiveness. These products, which feature ultra-high bandwidth and super-low power consumption, help to promote smartization of end devices. The product line consists of SDR, DDR, DDR2, DDR3, DDR3L, DDR4, and LP DDR2, with input and output from 4b to 64b and capacity from 16 MB to 8 GB. In particular, our high-capacity products such as DDR2, DDR3, DDR3L, and DDR4 are manufactured by 2X nm advanced process mass production. Our specialty DRAM products have been widely used in an array of fields, including network communications, set-top boxes, digital TVs, surveillance devices, 5G broadband communications, endpoint AI, smart speakers, robots, and cloud storage.

We also offer customization for our customers. Apart from the commercial-use products in the consumer market, we also provide customized Known-Good-Die (KGD) solutions to meet industrial-use products that are used in harsh environments, and automotive-use products that feature high-quality and high reliability.

We have also launched the world's first RPC® DRAM manufactured by the wafer level chip scale packaging. The RPC® DRAM has only half of the number of pins of a conventional DRAM, has the smallest form factor to date, and is a mini-sized DRAM that supports high data bandwidth for x16 DDR3 SDRAM. In addition, because of its size advantage, this DRAM is compatible with endpoint AI devices such as wearable devices, or mini AI cameras mounted on mobile devices. Therefore, it can be a viable memory solution for the design of chips needed to build an AI-enabled world.

Apart from meeting the needs of end devices, Etron Technology focuses on innovation and in-depth R&D on its direct-wide-bus (DWB) and reduced-access-and-latency (RAL) technologies. Deviating from the high-bandwidth memory (HBM) technology, Etron Technology is aiming to develop GDDR5 products that are compatible with bandwidths of 10GB/s to 400GB/s, so as to meet the ever-growing demands for computing power and throughput of AI SoCs, and offer a customer-centered one-stop solution, combining the controllers and DRAM. KOOLDRAM™, our latest product, is a long retention time product. Its heat dissipation design allows it to exert better overall effectiveness in high-temperature environments such as automotive equipment and KGDs, and largely extends the data-retention time under the JEDEC standards. Having been patented in a number of countries, certified for automotive use, and mass-produced for the automotive supply chain, this product offered us a brand-new business model.

II. High-speed USB chips

Etron Technology has the world-leading IC solutions for both USB Type-C and Thunderbolt that meets the USB4 specifications. These solutions are incorporated with the latest lower-layer protocol of the USB4 specifications and support USB 3.2, DP 1.4, and Thunderbolt 3, thus ensuring the optimal interoperability between devices. In addition to extending our customers' product competitiveness in their PCs, laptops, tablets, and docking stations that use USB PD3.0, the solutions also have newfound uses in AC adapters, power banks, car chargers, and video dongles. On the other hand, our recently launched fiber-optic cable solution - the optically isolated active cable (OIAC) - transmits data of up to 10 Gbps; it can be used in a large video conferencing room, thus satisfying the growing need for virtual conferences among companies hit by the COVID-19 pandemic. In addition to securing our existing high-speed chip markets, we have developed the USB video capture device for live game streaming by leveraging USB control technologies. Such products can suffice the demand in the blooming gaming industry, and are now adopted by our key customers.

III. 3D Image chips

We have developed a wide-angle video technology and a depth of field point cloud algorithm, and both can facilitate the development of AI edge computing and deep learning. We have mass-produced and launched our 2D/3D machine-vision sensing modules and single/dual/multiple-lens 3D vision (ThingCapture) cameras. Both products employ our exclusive software development kit (SDK) to build machine learning models for image recognition, image navigation, and 3D holograms. Furthermore, we have improved our depth map algorithm to design a Depthmap Processing Unit with high image resolutions, a high refresh rate, and a wide angle view. This has made us one of the world's leaders in the industry and we have thus become the designated supplier for the AR/VR head-mounted displays, 3D Thing Capture devices, Robots and Logistics products of internationally renowned manufacturers. Recently, we have launched the world's smallest dual-lens 3D vision module. It is dust- and water-proof and

features environmental adaptation. This module has been successfully adopted in a medical-grade endoscope system for minimally invasive spine surgery. Other related products of ours can be used to connect the daily life and the medical industry to build a “Life with 3D” life-style for all people.

We are committed to providing high-end and high-value-added products. We exert our expertise in soft- and hardware design, and focus on software, hardware, and firmware R&D to embody our concept of “Eye-Brain-Nerve Convergence” that emulates the human body. As of the end of 2021, Etron Technology had obtained 744 patents in Taiwan and abroad, as well as 120 pending patent applications, which demonstrates our solid R&D capability.

Future Operating Outlook

Due to the issues of the US-China trade war, tech war, and information security in the past few years, Taiwan has become the world’s largest semiconductor supplier, and the semiconductor industry is entering the trillion-dollar era. The Company has been following the industrial trend of heterogeneous integration. Also, it has adopted the concept of sustainability of green design, and continues to develop high-speed, high-bandwidth, full-range capacity, low-cost specialty DRAMs and logic chips to provide for the emerging product markets (such as broadband communications, wireless networks, virtual reality, consumer electronics, smart homes, surveillance systems, intelligent cars, AI, and machine learning), so that we can stay in line with the future trend and respond to the latest demand of the fast-growing industry. At the same time, we have also set foot in the markets of industrial- and automotive-grade products, and are thus developing a new operating model and expanding our product lines. We will expedite our R&D, continue to optimize our product portfolios, build new customer bases in new markets, and increase market shares in targeted application markets, to ultimately ensure steady growth.

Chairman: Nicky Lu

President: Elvis Deng

Accounting Officer: Yu-Chia, Cheng

Chapter 2 Company Profile

I. Date of Incorporation

The Company was founded in February 1, 1991

II. Company History

- 1991
 - Worked with the Electronic Research Laboratory, Industrial Technology Research Institute (ITRI), to implement the national sub-micron program to define the 0.5-micron logic, 16Mb DRAM, and 4Mb SRAM technologies independently developed by Taiwan, and developed such technologies on a trial basis; developed Taiwan's first 4Mb DRAM in the same year.
 - Chairman Nicky Lu was awarded the Honorary Fellow of the Institute of Electrical and Electronics Engineers (IEEE).
- 1993
 - Developed Taiwan's first 16Mb DRAM and 4Mb SRAM.
- 1994
 - Successfully completed the national sub-micron program, enabling the Republic of China to independently manufacture 8-inch wafers and to design sub-micron products. The industry has thus begun to invest heavily in the semiconductor industry, so it has been awarded the medal of "Achievement in Sub-Micron" by the Electronic Research Laboratory, ITRI.
- 1995
 - Successfully verified 256Kb×16 graphics display DRAM as Taiwan's first EDO DRAM and won the "Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park.
 - Won the second place in the excellent business growth performance in Hsinchu Science Industrial Park and the third place in productivity in the design industry.
- 1996
 - Ranked 10th in the comprehensive index of private manufacturing industry of large enterprises in Taiwan by China Credit Information Service Ltd. and 13th in the semiconductor manufacturing industry of the "Top 1000 Manufacturing Enterprises" by Business Weekly.
 - Chairman Lu was elected as the first director of Taiwan Semiconductor Industry Association (TSIA).
 - Chairman Lu was elected as one of the five IEEE Solid-State Circuits Society AdCom members worldwide.
- 1997
 - Developed the 8Mb SGRAM, the first in the ethnic-Chinese community and the sixth in the world, and the 16Mb SGRAM, the first in the world, and began mass production.
 - Won the second place in the single-quarter evaluation of Intel memory strategic suppliers.
- 1998
 - Chairman Lu won the highest honorary technological medal in the international semiconductor electronics industry: "1998 IEEE Solid-State Circuits Award" with the citation "for pioneering contributions to high speed dynamic memory design and cell technology".
 - Officially listed for trading on Taipei Exchange.
 - Passed ISO 9001 quality certification awarded by KEMA.
 - 16Mb SGRAM won the "Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park.
- 1999
 - Won the 7th "Industrial Technology Development Outstanding Award" from

- the Ministry of Economic Affairs.
- Chairman Lu was elected as a member of the National Academy of Engineering (NAE).
- 2001
- Chairman Lu and Joe Ting, Senior Vice President, were awarded the "National Outstanding Science and Technology Award" by the Executive Yuan.
 - EL7300 high-performance liquid crystal display controller chip product won the "Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park and the first "Outstanding Product Award of Flat-Panel Display Device Technology Award" from the Ministry of Economic Affairs.
 - Led the development of the world's most competitive 8Mb LP SRAM die products.
 - Won the Excellent Smart Building Award from the Ministry of Interior.
 - Led the development of 1.8V 4Mb and 8Mb low-power SRAM products for portable electronic products.
- 2002
- Low-power SRAM product line won the 10th Taiwan Excellence Award.
 - Took the lead in the introduction of 4Mb×32 DDR DRAM with a transmission speed of 2.4GB per second and began mass production.
 - Passed the INTEL SSQA_Lite Supplier Self Quality Assessment quality system verification.
 - Took the lead in the launch of 4Mb×32 low-power SDRAM products, stepping into the portable information device market.
 - EL7301 liquid crystal display control IC won the second "Outstanding Product Award of Display Components Product Technology Award".
 - Won the Silver Medal of the 11th "National Invention Award" from the Ministry of Economic Affairs.
 - Passed ISO 9001: 2000 quality certification awarded by Underwriters Laboratories Inc.
 - The 8Mb low-power SRAM Known-Good-Die product won the "Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park.
 - Won the Seagate "Partners Strengthen the Chain" award.
- 2003
- The LCD Controller IC product line won the 11th Taiwan Excellence Award.
 - Launched the world's first 8 Mb×32 DDR memory product as the best solution to laptops and graphics cards.
 - Won the Sony's "Certificate of Green Partner".
 - Won Intel's Certified Supplier Quality Award.
 - Won the ABIT COMPUTER CORP.'s "Outstanding Partnership" award.
- 2004
- Chairman Lu was the first ethnic-Chinese to be invited to deliver a keynote speech at International Solid-State Circuits Conference (ISSCC) hosted by the IEEE. In his speech, he stated that the heterogeneous integration generation of semiconductors was approaching. After Moore's Law, human beings would begin the application of mD-IC to work towards the integration of multiple nanodevices.
 - Selected by the Executive Yuan as a "Excellent Business Unit that Values Female Human Resources".
 - Won the MCP Award from Seagate.

- Won the Intel's Preferred Quality Supplier Award (PQS) of the year; the news of the award was published in the Wall Street Journal.
 - Chairman Lu was appointed as the chair of the Asia-Pacific Fabless Leadership Council of Fabless Semiconductor Association (FSA).
 - Chairman Lu was awarded the "Excellent Director and Supervisor Medal of the Industrial and Mining Organization of Republic of China".
 - Chairman Lu was awarded a fellow of the Chinese Society for Management of Technology (CSMOT) of the Republic of China.
- 2005
- Ranked among the top 500 importers and exporters by the Ministry of Economic Affairs.
 - Won the "Best Partner Award" of Powerchip Semiconductor Manufacturing Corporation.
 - Passed ISO 14001:2004 environmental management system certification.
- 2006
- Ranked among "2006 Top 100 Tech Companies in Taiwan" by the BusinessNext Magazine.
 - Won Seagate's "In Appreciation of Your Valuable Contributions".
 - Chairman Lu was appointed as a director of FSA.
 - Won the "R&D Achievement Award" from the Hsinchu Science Industrial Park Administration.
- 2007
- Participated in the private placement project of TXC Corporation (5468).
 - Signed a 10-year industry-academia collaboration agreement with National Taiwan University.
 - Recognized by the Tax Collection Office of the Hsinchu City Government for honest tax payment.
 - Chairman Lu was approved by the Ministry of Economic Affairs as the Excellent Merchant of the Republic of China in 2007, and was received by the President and awarded the Golden Merchant Award by the General Chamber of Commerce of the Republic of China.
- 2008
- Passed Underwriters Laboratories Inc.'s ISO 14001 quality certification.
 - Passed the OHSAS 18001:2007 occupational safety and health management system.
 - Launched DDR and SDR product lines designed through 90 nm process.
 - Won the "Performance Achievement Award" from WD in the U.S.
 - Won the national-level "Friendly Workplace" certification mark by the Council of Labor Affairs, Executive Yuan.
- 2009
- Launched DDR and SDR DRAM product lines designed through 70 nm process.
 - Certified as a member of the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT).
 - Rated grade A in the information evaluation of listed companies.
 - Chairman Lu was appointed as the chair of the board of Global Semiconductor Alliance (GSA).
- 2010
- Chairman Lu won the 2010 ERSO Award.
 - Ranked among the top 500 importers and exporters by the Bureau of Foreign Trade and won the label.
 - USB3.0 host-side controller IC chip product EJ168 was certified with the Windows Logo by Microsoft's Windows Hardware Quality Labs (WHQL)

and won the "2010 Information Month Outstanding Information Application and Product Award" as the only USB3.0 technology application product in the award. In the same year, it was officially mass-produced and launched to the market. The Company was the first domestic semiconductor company that mass-produced USB3.0 host controllers, and became the world's leading manufacturer of the official version of USB3.0 host controllers with the latest HCI 1.0 specifications.

- 2011
- Accepted the invitation of the USB Implementers Forum (USB-IF) to reveal Etron's development of technology based on the concept of " Eye-Brain-Nerve Convergence " at the Consumer Electronics Show (CES).
 - Won the "Best Quality Award" from Arcadyan Technology Corporation of the Compal and two excellent supplier awards from DRAM key customers.
 - USB3.0 host controller chip EJ168 and USB3.0 dual-channel flash memory drive controller chip EV268 passed the Super Speed USB international certification of the USB-IF. EJ168 also won the "2011 Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park.
 - Passed Underwriters Laboratories Inc.'s BS OHSAS quality certification.
 - Launched 2Mb×16 A/D Mux Pseudo SRAM products designed through 6X nm process.
 - The eSP 868 3D image capture and somatosensory recognition single chip won the "2021 Information Month Outstanding Information Application and Product Award".
 - Won the "Top 10 Best Operational Efficiency Award" from the Hsinchu Science Industrial Park.
 - Selected as an enterprise for offering an excellent "Employee Assistance Program (EAP)" by the Council of Labor Affairs
- 2012
- Chairman Lu won the "2011 Outstanding Evening Session Award" from the ISSCC.
 - USB3.0 single-channel flash memory drive controller chip EV166 and USB3.0 four-port host controller chip EJ188 passed the SuperSpeed USB international certification of the USB-IF as the first Taiwanese manufacturer to have passed the USB-IF xHCI 1.0 certification.
 - EJ198 USB3.0 four-port host controller chip passed the international USB-IF x HCI 1.0 certification.
 - USB3.0 host controller chip product line: Dual-port EJ168, four-port EJ188, and four-port EJ198 were certified by Microsoft's Windows 8 ahead of other suppliers.
 - Chairman Lu won the "Management of Technology Award of the Chinese Society For Management Of Technology".
 - The single-chip eSP868 for 3D image capture and somatosensory recognition won the "2012 Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park.
- 2013
- Chairman Lu was elected as the 9th Chairman of the TSIA.
 - Participated in the Intel Developer Forum to exhibit USB3.0 host controller chip, USB3.0 flash memory drive controller chip, and USB3.0 3D image capture and somatosensory recognition single chip total solution.
- 2014
- Chairman Lu was invited to discuss "Future Innovation and Prospects of the Semiconductor Industry" at the evening forum of ISSCC.

- 3D dual image capture and in-depth recognition single-chip SoC eSP870 won the "Best Choice Golden Award" at the Computex Taipei.
 - TSIA held the World Semiconductor Council (WSC), chaired by Dr. Nicky Lu, Chairman of TSIA and Chairman of Etron Technology, which enabled Taiwan's semiconductor industry to contribute to the world's technological and human progress and greatly enhance Taiwan's image in the international community.
 - Won the Family LOHAS Award and the Health LOHAS Award of the first Work-Life Balance Award launched by the Ministry of Labor, which were the highest national honor for the Company's promotion of work-life balance.
 - Launched 3D scanning and imaging system (in both desktop and mobile forms) and 3D somatosensory game box to create new human-computer interaction experience for consumers.
 - Etron Technology delivered a speech on "The Capabilities, Approaches, and Future Applications of Three-Dimensional Image Capture" and gave an on-site demonstration at the Image Sensors Americas 2014
 - Took the lead in the introduction of the switch control IC-EJ179 that supported the USB Type-C connector with the transmission rate of as high as 10Gbps.
 - Chairman Lu served as the chair of the 2014 Asian Solid-State Circuits Conference (A-SSCC).
 - Chairman Lu was awarded the "2014 Excellent Director and Supervisor Medal of the Industrial and Mining Organization of Republic of China" by the Chinese National Federation of Industries
 - Introduced the "ThingCapture" platform and eSP870 IC to launch the "OK360™". Individuals can use the "ThingCapture" system to convert images into 3D data or use 3D printing to create a three-dimensional model. It is a brand-new "thing capturing" technology in addition to photo, photography, and 3D Video.
 - Took the lead in introduction of three IC products EJ898 (USB PD 2.0), EJ179V (USB Type-C Switch plus integrated control function), and EJ988 (the world's first integrated Type-C switch and PD2.0 multifunctional IC).
- 2015
- Demonstrated USB Type-C and Power Delivery series of IC products at Intel IDF Spring Technology Summit.
 - Chairman Lu was re-elected as the 10th Chairman of the TSIA.
 - Developed random access time from 30ns (nanoseconds) of traditional DRAM to <10ns significantly, and the ultra-high-speed DRAM design through heterogeneous integration with the bandwidth as high as 100GB/s, which was published at 2015 VLSI Symposium.
 - Complete the design of 128Mb DDR2/DDR DRAM products with 45nm process, which was put into trial production.
 - USB Type-C data switching/power transmission controller EJ988 won the "Best Choice Golden Award" at the Computex Taipei.
 - Presented "A Computer Designed Half Gb 16-Channel 819Gb/s High-bandwidth and 10ns Low-Latency DRAM for 3D Stacked Memory Device Using TSVs" at the 2015 VLSI Circuit Symposium.
 - USB Type-C E-Marker transmission line control IC-EJ901 passed the certification of the USB-IF.

- Conducted demerger of the business groups. The high-speed interface control chip business segment and the 3D image control chip business segment were divided into 100%-owned subsidiaries Eever Technology, Inc. and eYs3D Microelectronics, Co., respectively.
 - Participated in the USB Developer Days held by the USB-IF to exhibit the USB Type-C fast charge control chip.
 - Chairman Lu was invited to give a special speech on "Hsinchu Science Industrial Park Talents Achieve Technological Innovation as Global Heroes" at the 35th anniversary of the Hsinchu Science Industrial Park.
 - Launched the 3D OK363™ mobile imaging system for mobile phones as the first in the world.
 - Released the USB3.0 video and audio capture solution GamePtS, which could record the game process on-site and share it on the Internet.
 - USB Type-C E-Marker transmission line control IC-EJ901 and USB Alternate Mode Micro-Controller chipset EJ898 passed the USB Type-C™ certification of the USB-IF.
 - Launched the "eYsGlobe™" 360-degree camera.
- 2016
- USB Display Alternate Mode chipset EJ898A entered the systems Intel advised as a world-class recognized Type-C participating brand.
 - Chairman Lu was elected as a member of the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA).
 - HIWIN, Etron Technology, and eYs3D Microelectronics, Co. took the lead in developing the "Industry 4.0 Robot Vision Application" to introduce IC design into industrialization so as to develop a layout in industrial IC, increase added value, and optimize manufacturing processes.
 - eYs3D Microelectronics, Co. and Etron Technology jointly launched NR/VR 3D eYsGlobe™—a good mobile phone partner with 3D virtual reality function; successfully developed controller single chip eSP876 with the world's highest speed 3D image capture technology which was up to 60 HD 720P 3D depth maps per second and the depth recognition function.
 - Invested in eCapture Technologies and launched LyfieEye™ fundraising event on the crowdfunding platform, raising a fund reaching 200% of the target.
- 2017
- Invested in eCapture Technologies to launch LyfieEye™, the world's first 360-degree camera that supports Android phones, and officially launched it to the markets in the U.S. and Taiwan, which won the Best Choice Award and the Computex D&I Award 2017 at the Computex Taipei.
 - Etron Technology released 30nm high-bandwidth, energy-efficient specialty buffer memory products, which could be introduced to advanced driver assistance systems (ADAS) and audio-visual information platforms, supporting 4K ultra-high-quality display panels and VR photography sampling applications.
 - eYs3D Microelectronics, Co. and Etron Technology jointly released the IC+Module for Cyber6d-Vision&Sense™ for the business opportunities from new technology applications, such as VR/NR/AR, AI, robots, and smart cars .
 - Chairman Lu was awarded the Industry Contribution Award from the Semiconductor Equipment and Materials Institute (SEMI) and the President of the Republic of China at the SEMICON Taiwan Leadership Gala Dinner.

- The highly integrated USB PD3.0 controller IC-EJ899 of Eever Technology, Inc. and Etron Technology passed Quick Charge 3.0 certification, which could double the charging speed of mobile phones.
 - Etron Technology took the lead in launching high-performance low-power memory 256Mb Mobile DDR2 and 512Mb DDR3, which specialized in AR/VR high-bandwidth image processing, and provide complete memory product lines for broadband communication.
- 2018
- Etron Technology, Inc. and Eever Technology, Inc. jointly launched the EJ515 USB bridge and control solution for consumers to play mobile games across different platforms.
 - Etron Technology, Inc. and eYs3D Microelectronics, Co. jointly launched the 3D-MAMEC (Multiple-Aperture Measurement+Eye+Capture) Sub-System EX8038, which adopted 3D natural light depth map vision IC/platform technology, and won the "Excellent Manufacturer Innovative Product Award" from the Hsinchu Science Industrial Park Administration.
 - Invested in Ecapture Co., Limited Taiwan Branch (Hong Kong) to release the world's smallest and lightest 360° panoramic camera LyfieEye200™ with LyfieRoam™ app, which was designed for AR/VR and commercial applications and supported Android and Windows systems, and won the Computex D&I Award 2018; the fund raised for this product on the crowdfunding platform reached 141% of the target
 - Etron Technology's 3D sensing wide-angle ranging/gesture recognition module-EX8036 won the Best Choice Award at the Computex Taipei, and Etron Technology was invited to exhibit the medical applications with the 3D gesture control system adopted.
 - Etron Technology, Inc. and eYs3D Microelectronics, Co. jointly launched the world's smallest and lightest "4Kx2K Industrial 360° Eye", "3Kx1.5K Industrial 360° Eye" and "3Kx1.5K Automotive 180° Eye". The 360°/180° panoramic image capture solution was expanded from commercial applications to industrial and automotive panoramic vision applications.
 - Etron Technology exhibited the world's smallest and lightest 360° panoramic camera LyfieEye series of products at the Hsinchu 300 Expo and the IC60 Special Exhibition at the 60th anniversary of the invention of the integrated circuit.
- 2019
- Etron Technology, Inc. released the new DRAM-RPC® (Reduced Pin Count) technology required by the small form factor of artificial intelligence (AI) end points, which could minimize the system, making it easy to be applied to devices around so as to accelerate the popularization of IA in terminal devices.
 - Eever Technology, Inc. and Etron Technology's USB PD3.0 control dual-channel output 1A+1C power smart distribution transmission solution EJ899V was certified by Qualcomm QC4+ and passed the USB-IF's PD3.0 PPS compatibility test.
 - Eever Technology, Inc. and Etron Technology's USB Type-C E-Marker transmission line control IC-EJ903 passed the USB-IF's certification and Intel's and Apple's Thunderbolt™ 3 40Gbps certification.
 - Etron Technology, Inc. and eYs3D Microelectronics, Co. participated in "NEPCON Japan 2019", exhibiting 3D Depth-Map Modules & Platforms in the Taiwan Pavilion in the theme of "Automotive World 2019" and deliver a keynote speech on "3D Depth Sensing for Enhanced ADAS".

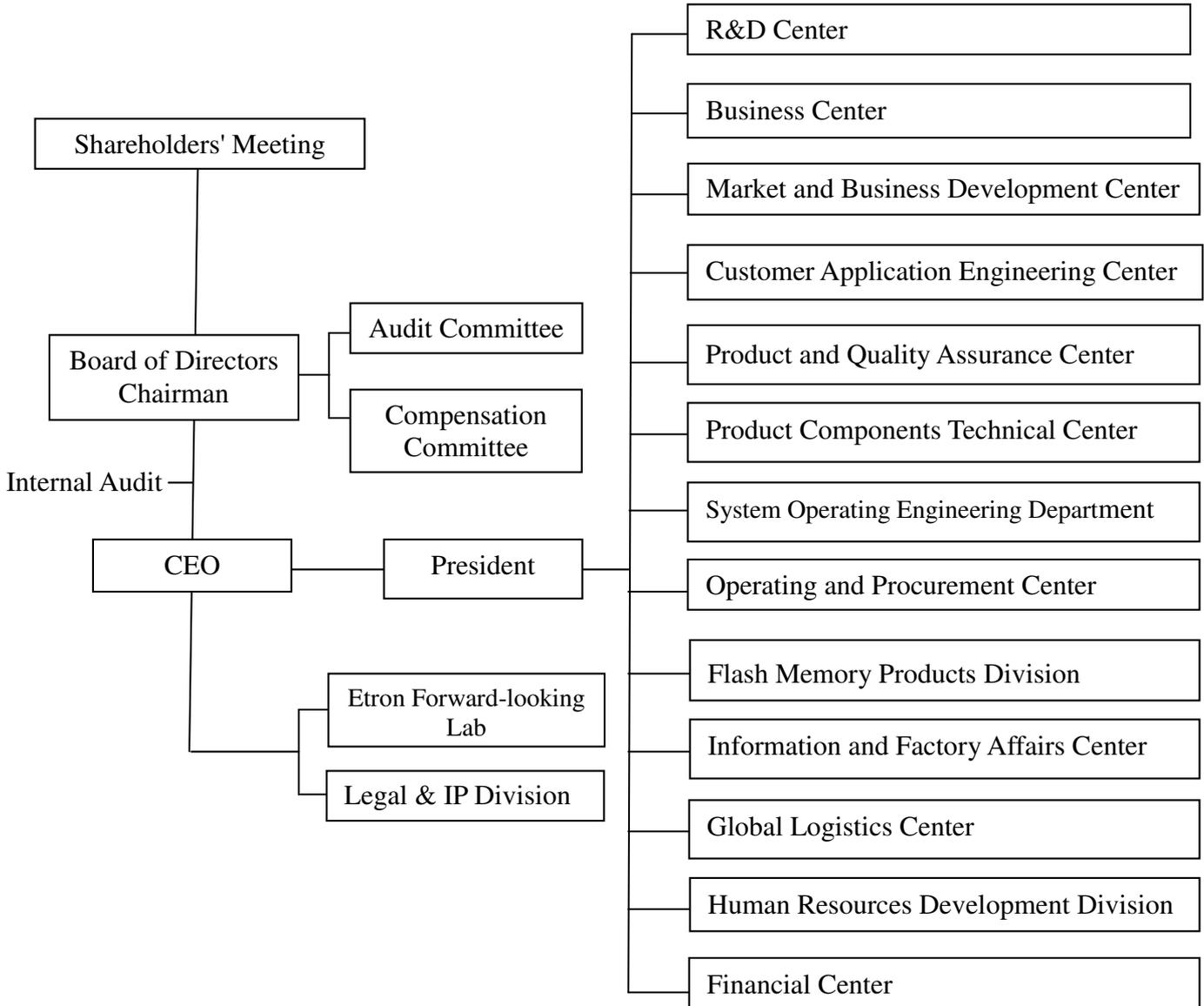
- Etron Technology's 180°, 4K high-definition, 6-DoF IMU 3D depth map camera EX8040S won the Best Choice Award at the Computex Taipei.
 - Etron Technology was invited to showcase and deliver a speech on "Use of Sensor Fusion to Accelerate AIOT Ecosystem" in the AI Application Zone and InnoVEX Forum at the 2019 Computex.
 - Etron Technology released the world's first WLCSP (wafer-level die packaging) DRAM in VLSI Symposia, which was the world's smallest RPC® DRAM designed for AI-Edge/Wearable/FPGA.
 - The world's smallest RPC® DRAM of Etron Technology won the Enterprise Excellence Award at the 3rd Innovative and Smart Application Contest. eYs3D Microelectronics, Co.'s 3D, four-eye, natural light depth map visual 3D sensing sub-system EX8038 won the Innovation Excellence Award. Both were invited to exhibit said products at TAITRONICS and AIoT Taiwan. Etron Technology also delivered a keynote speech on "AIoT: Application and Opportunity for Memory" at the exhibition.
- 2020
- eYs3D Microelectronics, Co. and Etron Technology jointly released AI machine-human eSP678, eSP778, and eSP777 image processing controller ICs to meet developers' increasing demand for software and hardware development platforms that adopt AI/ML machine vision.
 - Eever Technology, Inc. and Etron Technology's USB Type-C E-Marker transmission line control IC-EJ903 passed both USB-IF's 40Gbps USB4™ certification and Intel's Thunderbolt™4 certification as the only manufacturer in the world that has passed the USB4™ and Thunderbolt™4 certifications.
 - BizLink, Eever Technology, Inc., and Etron Technology took the lead in launching high-quality certified USB4 Gen 3 Type-C transmission line products, which have been officially mass-produced.
 - Eever technology, Inc. and eTron Technology launched the EJ511 series of USB audio and video capture solutions, which can provide users with the most comfortable and convenient live broadcast, game and video recording experience.
 - eYs3D microelectronics, Co. published the 3D depth sensing system EX8052 with high accuracy and High C/P value, which is the first choice for new epidemic prevention technologies with contactless man-machine interface; and launched the integration scheme of 3D depth sensing technology and AR smart glasses.
- 2021
- Chairman Nicky Lu, LIN, MING-HUA and LEE, CHI-FENG were honored to be awarded with National Invention and Creation Award for their joint invention, "IMAGE DEVICE CORRESPONDING TO DEPTH INFORMATION/PANORAMIC IMAGE AND RELATED IMAGE SYSTEM THEREOF" (Patent Certificate No.: I660231)."
 - Etron Technology sponsored and co-organized the K. T. Li Technology Forum on "Semi-conductor in Taiwan, Road to the New Century," , with Chairman Nicky Lu as the forum convener and moderator.
 - Eever technology, Inc. and eTron Technology took the lead in launching the OIAC optical fiber cable and E-Marker IC solutions to active cables, such as USB Type-C of USB4 Re-driver.
 - ETron Technology launched the KOOLDRAM™, a JEDEC-compliant product that significantly extends the retention time of DRAM data.

- eYs3D microelectronics, Co.'s eSP777 image processing controller ICs, an innovative binocular 3D color image distortion correction chipset platform, were successfully applied to medical grade minimally invasive spinal endoscopy systems, smart follow-up trolleys, fitness magic goggles and other lifestyle applications.
- 2022
- The world's smallest 3D binocular vision module, G53, and vision SLAM module, D60i, were exhibited at CES.
 - ETron Technology, together with several semiconductor companies, signed an industry-academic partnership with Chang Gung University to offer memory education program to cultivate advanced memory R&D talents for the next generation.
 - Decloak intelligence Co. developed a technological epidemic prevention app, "Epidemic Prevention Assistant," and made it available to the public for free download to serve as a back-up for the government and people to prevent epidemics and fulfill their social responsibility.

Chapter 3 Corporate Governance

I. Organizational System

(I) Organizational Chart



(II) Divisions in Charge

Division	Introduction to Division
Etron Forward-looking Lab	Be responsible for the research and development of forward-looking technologies and products.
Legal & IP Division	Corporate legal affairs, contracts patents and other intellectual property (IP) management.
R&D Center	Be responsible for the research and development of forward-looking technologies, as well as memory IC circuit design, simulation, and layout.
Business Center	Be responsible for the global sales strategies, product sale, and customer services of and for memory ICs.
Market and Business Development Center	Be responsible for the market planning and analysis of products, jointly develop the product technology development of advanced processes with customers, and plan the development of new products, follow up the progress, and coordinate and solve technical problems.
Customer Application Engineering Center	Make coordination in meeting and resolving client's technical requirements, as well as product application issues and compliants.
Product and Quality Assurance Center	Be responsible for quality inspection, and establishment of ISO quality system to ensure the quality of products, documents and processes.
Product Components Technical Center	Be responsible for the improvement of components, software, hardware, wafer process, masks, trial production, and yield, product feature analysis, as well as the research and development of testing software, hardware and other related technologies.
System Operating Engineering Department	Be responsible for product feature analysis, the research and development of testing software, hardware, and other related technologies, as well as the application engineering of system chips.
Operating and Procurement Center	Be responsible for operating management, production planning, outsourcing strategies, and warehousing management; general procurement, wafer procurement businesses.
Flash Memory Products Division	Be responsible for chip IC design, firmware design, and the research and development of other related technologies, as well as chip sales strategies, product sale, customer services, and product applications, for Flash systems.
Information and Factory Affairs Center	Be responsible for computerized system planning, programming, and management of network information security, factory affairs, general affairs, environmental safety and health, etc.
Global Logistics Center	Be responsible for the administrative operating of businesses, and coordination in production and sale.
Human Resources Development Division	Be responsible for making coordination in human resources, and the short-, mid- and long-term planning for talents development to assist various divisions in achieving the Company's overall operating goals.
Financial Center	Be responsible for the preparation of and analysis on accounting data, financial scheduling and funds management, etc.; the convening of Shareholders' Meetings, the issuance of new shares, as well as Shareholders' equity and other shareholders' affairs related operations. Preparation of and control over budgets, analysis on business performance and related financial competitiveness, public relations marketing, investment relations.

II. Information on the Directors, Presidents, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

(I) Directors

April 10, 2022; Unit: shares, %

Position	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (or Taking Office)	Term	Date First Elected	Shareholding When Elected		Current Shares Held		Current Shareholding of Spouse & Minor Child(ren)		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Other Heads, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairman	R.O.C	Nicky Lu	Male	2021.7.2	Three years	1991.2.1	14,613,757	5.46	14,613,757	5.41	11,380,694	4.21	0	0.00	Master and PhD in Electrical Engineering, Stanford University, USA Bachelor's Degree in Electrical Engineering, National Taiwan University Manager, IBM Technology Headquarter and R&D Center, USA Member of National Academy of Engineering (NAE), USA IEEE Fellow The Highest Honor Medal for IEEE Solid State and Integrated Circuit Technology The Honor Medal of the Executive Yuan for National Outstanding Science and Technology Director, Co-founder and First Chairman, Global Unichip Corp. Co-founder, Ardentec President, Chinese Management Association Outstanding Alumni, National Taiwan University Outstanding Alumni and Chair Professor, National Chiao Tung University Director-general, World Semiconductor Council (WSC) Chairman of the Board of Directors, Global Semiconductor Alliance (GSA) Director-general, Taiwan Semiconductor Industry Association (TSIA)	CEO, Etron Technology Director/CEO, eEver Technology Inc. Founder/CEO/Director, eYs3D Microelectronics, Co. Director, eEver Technology Limited Director, eYs3D Microelectronics, Inc. Director, Decloak Intelligence Co. Director Representative, Walton Advanced Engineering, Inc. President, AI on Chip Taiwan Alliance (AITA) Standing Director, Taiwan Semiconductor Industry Association (TSIA) Director, Global Semiconductor Alliance (GSA); Chairman, Asia Pacific Leadership Council Standing Director, The Allied Association for Science Park Industries Member of Technical Committee, VLSI Symposia Vice Chairman, Monte Jade Science & Technology Association of Taiwan Director, Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	None	None	None	Note 3
Directors	R.O.C	Elvis Deng	Male	2021.7.2	Three years	2015.6.24	587,490	0.22	979,490	0.36	0	0.00	0	0.00	Master of Business, National Taiwan University Bachelor of Engineering, National Chiao Tung University Electronics Research and Service Organization, Industrial Technology Research Institute Head of Division, Vangurd International	President, Etron Technology Director, Etron Technology America, Inc. Director, Anzon Technology, Inc. Chairman/President, eEver Technology Chairman, eYs3D Microelectronics Director, eCapture Ltd. Co.	None	None	None	None

Position	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (or Taking Office)	Term	Date First Elected	Shareholding When Elected		Current Shares Held		Current Shareholding of Spouse & Minor Child(ren)		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Other Heads, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Directors	R.O.C	Chiu Chiang Investment Co., Ltd.	N/A	2021.7.2	Three years	1995.4.17	735,027	0.27	735,027	0.27	0	0.00	0	0.00	N/A	N/A	N/A			None
		Representative: Chen Shyh Yi	Male A				0	0.00	0	0.00	0	0.00	0	0.00	Bachelor in Enterprise Management, California State University, USA Bachelor, National Taiwan University YAMAHA MOTORS CORP USA President, Hong Tai Electric Industrial Co., Ltd.	Chairman and CEO, Hong Tai Electric Industrial Co., Ltd. Chairman, Xinfu Investment	None	None	None	None
Directors	R.O.C	Kai Chun Investment Corp.	N/A	2021.7.2	Three years	2009.6.19	6,310	0.00	6,310	0.00	0	0.00	0	0.00	N/A	N/A	N/A			None
		Representative: Mei-Ling, Hsu	Female B				51,507	0.02	51,507	0.02	0	0.00	0	0.00	Bachelor, National Taiwan University CFO, Mycenax Biotech Inc. CFO, G-tech Optoelectronics Corporation. CFO, Member of Management Committee, and Supervisor, Linli Wedding Studio Co. Member of Compensation Committee, Hong Tai Electric Industrial Co., Ltd.	Supervisor, Kai Chun Investment Corp. Supervisor Representative, eEver Technology Supervisor Representative, eYs3D Microelectronics Director, eEver Technology Limited Director, eYs3D Microelectronics, Inc.	None	None	None	None
			Representative: Bor-Douu Rong (Note 4)				Male C	192,962	0.07	136,962	0.06	32,880	0.01	0	0.00	Master of Electrical Engineering, Arizona State University, USA Senior Vice President, Etron Technology	Chairman, Kai Chun Investment Corp. Senior Vice President and R&D Supervisor, Etron Technology	None	None	None	None
Independent	R.O.C	Ai-Chen, Wang	Female	2021.7.2	Three years	2015.6.24	0	0.00	0	0.00	0	0.00	0	0.00	Banking Team, Department of Business, National Taiwan University	Supervisor, Netclass Technology Inc.	None	None	None	None

Position	Nationality or Place of Registration	Name	Gender Age (Note 2)	Date Elected (or Taking Office)	Term	Date First Elected	Shareholding When Elected		Current Shares Held		Current Shareholding of Spouse & Minor Child(ren)		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at the Company and Other Companies	Other Heads, Directors or Supervisors who Are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Director			C											Analyst, HSBC Securities Investment Consulting Inc., Taipei Branch Supervisor of Research Department, Tainan Branch, Asia Securities Director, Southern District, Crown Do Well CFO, Crown Global Chinese Co., Ltd.	Member of Compensation Committee, Fintek Convener of Compensation Committee and Audit Committee, Etron Technology					
Independent Director	R.O.C	Jen-Hung, Tseng	Male	2021.7.2	Three years	2006.6.12	0	0.00	0	0.00	0	0.00	0	0.00	Master, Department of Business & Management, National Chiao Tung University Bachelor Degree in Electrical Engineering, National Taiwan University President, K Laser President, Taijie Technology CEO, Great Team Backend Foundry, Inc.	Member of Compensation Committee and Audit Committee, Etron Technology	None	None	None	None
Independent Director	R.O.C	Yun-Chieh, Huang	Female	2021.7.2	Note	2020.5.13	0	0.00	0	0.00	0	0.00	0	0.00	Department of Finance and Taxation, Chung Hsing University Director, Jingjing Technology Director, JUMBO HARVEST INTERNATIONAL CO., LTD. Director, Moneywin International Limited Supervisor, RAFFAR TECHNOLOGY CORP. Supervisor, EXPLOIT TECHNOLOGY CO., LTD. Investment Manager, Hong Tai Electric Industrial Co., Ltd.	Member of Audit Committee, Etron Technology Supervisor, LUMIMORE TECH. CO., LTD.	None	None	None	None

Note 1: The total number of shares issued by the Company on April 19, 2021: 267,707,347 shares; the total number of shares issued on April 10, 2022: 270,357,347 shares.

Note 2: Zone A is for age over 71, Zone B age between 51 and 70, and Zone C age between 51 and 60.

Note 3: Explanation of the reason, reasonableness and necessity of concurrently serving as a CEO: the Chairman, Nicky Lu, has been committed to making contributions to global IC design and semiconductor industry for many years, focusing on the innovation of technologies, academic research, and corporate management, and creating a number of new businesses, thus, it is reasonable and necessary for him to hold the concurrent position.

Responsive measures: The Company has increased the number of Independent Directors in response thereto.

Note 4: Kai Chun Investment Corp. re-appointed Warren Chen as its representative on March 1, 2021, because its former representative, Chen-Tung, Chi, passed away (release of the office was announced on February 1, 2021). The annual shareholders' meeting on July 2, 2021 re-elected Bor-Doou Rong as the representative.

Note 5: As Wang, Teng-Wei, an independent director, resigned as an independent director on 24 January 2022 to become the Company's Group General Counsel, a by-election of an independent director will be held at the 2022 annual shareholders' meeting.

(II) Directors who are the Representatives of Corporate Shareholders. The Major Shareholders of Such Corporate Shareholders

Name of Corporate Shareholder	Major Shareholder
Chiu Chiang Investment Co., Ltd.	CHEN, ISAAC (47.67%), CHEN, LAWRENCE LI (33.96%), CHEN SHYH YI (9.93%), HSU, WEI CIH (4.64%), and CHANG CHUN FEI (3.80%)
Kai Chun Investment Corp.	David Leu (12.5%), Bor-Doou Rong (12.5%), Wei-Qian Li (12.5%), Yao, Tzu-Chin (12.5%), Hung, Fu-Yung (12.5%), Yuan-Hong Lin (12.5%), Kuo, Ming-Hong (12.5%), and Chung, Jung-Kun (12.5%)

(III) Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders: None.

(IV) Professional Qualifications and Independence of Directors

Position and Name		Qualifications	Professional Qualifications and Work Experience	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Chairman	Nicky Lu		Note	<ol style="list-style-type: none"> (1) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (2) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company. (3) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (4) Not a spouse or relative within the second degree of kinship of any other Directors. (5) Not under any of the categories stated in Article 30 of the Company Act. (6) Not a Government Apparatus agency, juristic person or its representative elected under Article 27 of the Company Act. 	0
Directors	Chiu Chiang Investment Co., Ltd. Representative: CHEN SHYH YI		Note	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a Director or Supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings. (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the Managerial Officers specified in preceding (1) subparagraph, or of any of the persons specified in the preceding (2) and (3) subparagraphs. (5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. (6) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (7) Not a Director, Supervisor (Governor), or employee of other company or institutions who is the Chairman, Vice President, 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. (8) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (10) Not a spouse or relative within the second degree of kinship of any other Directors. (11) Not under any of the categories stated in Article 30 of the Company Act. 	0

Position and Name		Qualifications	Professional Qualifications and Work Experience	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Directors	Elvis Deng		Note	<ol style="list-style-type: none"> (1) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings. (2) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. (3) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (4) Not a spouse or relative within the second degree of kinship of any other Directors. (5) Not under any of the categories stated in Article 30 of the Company Act. (6) Not a Government Apparatus agency, juristic person or its representative elected under Article 27 of the Company Act. 	1
Directors	Kai Chun Investment Corp. Representative: Mei-Ling, Hsu		Note	<ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings. (3) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the Managerial Officers specified in preceding (1) subparagraph, or of any of the persons specified in the preceding (2) and (3) subparagraphs. (4) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (5) Not a Director, Supervisor (Governor), or employee of other company or institutions who is the Chairman, Vice President, 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. (6) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company. (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (8) Not a spouse or relative within the second degree of kinship of any other Directors. (9) Not under any of the categories stated in Article 30 of the Company Act. 	0
Directors	Kai Chun Investment Corp. Representative: Bor-Doou Rong		Note	<ol style="list-style-type: none"> (1) Not a Director or Supervisor of the Company or any of its affiliates. (2) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (3) Not a Director, Supervisor (Governor), or employee of other company or institutions who is the Chairman, Vice President, 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. (4) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company. (5) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. (6) Not a spouse or relative within the second degree of kinship of any other Directors. (7) Not under any of the categories stated in Article 30 of the Company Act. 	0
Independent Director	Ai-Chen, Wang		Note	<ol style="list-style-type: none"> 1. Please refer to page 16-17 of this annual report for the comprehensive shareholding of independent directors. 2. Each of the Company's independent directors met the following independence criteria in the two years prior to their election and during their term of office: <ol style="list-style-type: none"> (1) Not an employee of the Company or any of its affiliates. (2) Not a Director or Supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings. 	0

Position and Name		Qualifications	Professional Qualifications and Work Experience	Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Independent Director	Jen-Hung, Tseng		Note	(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the Managerial Officers specified in preceding (1) subparagraph, or of any of the persons specified in the preceding (2) and (3) subparagraphs. (5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. (6) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person.	0
Independent Director	Yun-Chieh, Huang		Note	(7) Not a Director, Supervisor (Governor), or employee of other company or institutions who is the Chairman, Vice President, 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. (8) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company. (9) Not a professional or the owner, partner, Director, Supervisor, or Managerial Officer of any sole proprietorship, partnership, company, or institution in business, legal, financial, or accounting, or consulting services, and their spouse who or which provided auditing to, or obtained less than NT\$500,000 compensation accumulatively in the most recent two years from, the Company or its affiliates. (10) Not a spouse or relative within the second degree of kinship of any other Directors. (11) Not under any of the categories stated in Article 30 of the Company Act. (12) Not a Government Apparatus agency, juristic person or its representative elected under Article 27 of the Company Act.	0

Note: Please refer to pages 15-17 of this annual report for major experience (education) as well as other position concurrently held at other companies

(V) Diversity and Independence of the Board of Directors

1. Diversity of the Board of Directors

The Company has formulated a "Policy on Diversity of Members of the Board of Directors" and disclosed it on the Company's website. It clearly stipulates the composition of the Company's Board of Directors shall take into account the Company's own operation, business model and development needs in formulating a diversified approach, and the Board of Directors as a whole shall have eight abilities, including operational judgment, accounting and financial analysis, operational management, crisis management, industry knowledge, international market perspective, leadership and decision making. The goal is to have at least one Board Member with relevant background in each professional field, and set up four Independent Directors.

The 11th Board of Directors of the Company elected nine Directors (five General Directors and four Independent Directors, with Independent Directors accounting for 44%). As of the printing date of this annual report, the Board of Directors of the Company is currently composed of five General Directors and three Independent Directors (Independent Directors accounting for 38%) due to the transfer of Independent Director Wang, Teng-Wei, to the position of Group Legal Counsel of the Company. One Independent Director will be

by-elected at the 2022 Annual Shareholders' Meeting. The relevant diversity policy of the Board of Directors has been achieved as follows.

April 10, 2022

Items of Diversity Name		Basic Composition						Professional Background			
		Nationality	Age (Note 1)	Gender	Serving concur- rently as an em- ployee	Acting as An Audit Commit- tee member?	Number of the times as an Inde- pendent Director of the Company	Finance and Accounting	Banking and Securities	Technology & R & D	Marketing and Operations
Chairman	Nicky Lu	R.O.C.	B	Male	✓	N/A	N/A			✓	✓
Directors	Chiu Chiang Investment Co., Ltd. Representative: Chen Shyh Yi	R.O.C.	A	Male		N/A	N/A			✓	✓
Directors	Elvis Deng	R.O.C.	C	Male	✓	N/A	N/A			✓	✓
Directors	Kai Chun Investment Corp. Representative: Mei-Ling, Hsu	R.O.C.	B	Female		N/A	N/A	✓			✓
Directors	Kai Chun Investment Corp. Representative: Bor-Doou Rong	R.O.C.	C	Male	✓	N/A	N/A			✓	
Independent Director	Ai-Chen, Wang	R.O.C.	C	Female		✓	3	✓ (Note 2)	✓ (Note 2)		✓
Independent Director	Jen-Hung, Tseng	R.O.C.	B	Male		✓	2			✓	✓
Independent Director	Yun-Chieh, Huang	R.O.C.	C	Female		✓	2	✓ (Note 2)			✓
Proportion		—	—	Male 62% Female 38%	Employee 38% Non- employee 62%	100%	—	38%	13%	63%	88%

Note 1: Zone A is for age over 71, Zone B age between 51 and 70, and Zone C age between 51 and 60.

Note 2: Please refer to page 16-17 of this annual report for the work experience of Independent Director, Ai-Chen, Wang and Yun-Chieh, Huang with professional background in finance and accounting.

2. Independence of the Board of Directors

As of the date of publication of the annual report, there are 3 Independent Directors of the Company, accounting for 38% of all Directors. Moreover, it can be seen from the information field of other directors, Directors or Supervisors with a spousal relationship or a familial relationship within the second degree of kinship on pages 15-17 of this annual report that the Independent Directors of the Company comply with the provisions of Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act, and do not have a spousal relationship or a familial relationship within the second degree of kinship with other Board members.

(VI) President, Vice Presidents, Assistant Vice Presidents, and Heads of Divisions and Branch Units

April 10, 2022; Unit: shares, %

Position	Nationality	Name	Gender	Date Taking Office	Shareholding		Spouse & Minor Child(ren) Shareholding		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
CEO	R.O.C	Nicky Lu	Male	1991.2.01	14,613,757	5.41	11,380,694	4.21	0	0.00	Master and PhD in Electrical Engineering, Stanford University, USA Bachelor's Degree in Electrical Engineering, National Taiwan University Manager, IBM Technology Headquarter and R&D Center, USA Member of National Academy of Engineering (NAE), USA IEEE Fellow The Highest Honor Medal for IEEE Solid State and Integrated Circuit Technology The Honor Medal of the Executive Yuan for National Outstanding Science and Technology Director, Co-founder and First Chairman, GLOBAL UNICHIP CORP. Co-founder, Ardentec President, Chinese Management Association Outstanding Alumni, National Taiwan University Outstanding Alumni and Chair Professor, National Chiao Tung University Director-general, World Semiconductor Council (WSC) Chairman of the Board of Directors, Global Semiconductor Alliance (GSA) Director-general, Taiwan Semiconductor Industry Association (TSIA)	Director/CEO, eEver Technology Inc. Founder/CEO/Director, eYs3D Microelectronics, Co. Director, eEver Technology Limited Director, eYs3D Microelectronics, Inc. Director, Decloak Intelligence Co. Director Representative, Walton Advanced Engineering, Inc. President, AI on Chip Taiwan Alliance (AITA) Standing Director, Taiwan Semiconductor Industry Association (TSIA) Director, Global Semiconductor Alliance (GSA); Chairman, Asia Pacific Leadership Council Standing Director, The Allied Association for Science Park Industries Member of Technical Committee, VLSI Symposia Vice Chairman, Monte Jade Science & Technology Association of Taiwan Director, Taiwan Electrical and Electronic Manufacturers' Association (TEEMA)	None	None	None	Note 1
President	R.O.C	Elvis Deng	Male	2014.8.12	979,490	0.36	0	0.00	0	0.00	Master of Business, National Taiwan University Bachelor of Engineering, National Chiao Tung University Electronics Research and Service Organization, Industrial Technology Research Institute Head of Division, Vanguard International Semiconductor-America Co-founder and Vice President, Ardentec Technology Marketing and Business Vice President, COO, President and Other Positions, CSMC CEO and Executive Director, CR Micro	Director, Etron Technology America, Inc. Director, Anzon Technology, Inc. Chairman/President, eEver Technology Chairman, eYs3D Microelectronics Director, eCapture Ltd. Co. Director, e Capture Co., Limited Director, Insignis Technology, Inc. Director, Insignis Technology Corporation Director, eEver Technology Limited Director, eYs3D Microelectronics, Inc. Director, Great Team Backend Foundry, Inc. Supervisor, DeCloak Intelligences Co. Director, AiYs3D Technology, Inc. Director/President, Invention and Collaboration Laboratory Pte. Ltd. Independent Director, Episil Technology Inc.	None	None	None	None
Special Assistant	R.O.C	David Leu (Note 3)	Male	2022.1.28	26,298	0.01	7,000	0.00	0	0.00	Bachelor in Marine Engineering, Tamkang University Section Chief, Electronics Research and Service Organization, Industrial Technology Research Institute Manager, Procurement, Import & Export Department, Vanguard International Semiconductor Corporation Head of Division, E-procurement Department, Quanta Display Inc. Manager, Equipment Procurement Department, AUO Director Representative, Li Yi Technology	Director Representative, Pioneer Chip Technology Limited Director, Kai Chun Investment Corp.	None	None	None	None
Senior Vice President and R&D Supervisor	R.O.C	Bor-Doou Rong	Male	2015.12.8	136,962	0.05	32,880	0.01	0	0.00	Master of Electrical Engineering, Arizona State University, USA; Assistant Vice President, Etron Technology, Inc.	Chairman, Kai Chun Investment Corp.	None	None	None	None

Position	Nationality	Name	Gender	Date Taking Office	Shareholding		Spouse & Minor Child(ren) Shareholding		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note	
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship		
Vice President and R&D Supervisor	R.O.C	Chun Shiah	Male	2015.12.8	10,213	0.00	6,158	0.00	0	0.00	Master of Electronic Engineering, Syracuse University, New York State, USA; Assistant Vice President, Etron Technology, Inc.	None	None	None	None	None	
Vice President	R.O.C	Kuo, Ming-Hong (Note 3)	Male	2021.1.14	0	0.00	0	0.00	0	0.00	Master of Electronics, National Chiao Tung University Head of Division, Operating Office, mCube Assistant Vice President of Components and Technology Office, Etron Technology Quality Assurance and Technical Assistant Manager, Taiwan Semiconductor Manufacturing Company R&D Process Integration Manager, Vanguard International Semiconductor Corporation Assistant Manager, Electronics Research and Service Organization, Industrial Technology Research Institute	Director Representative, Ardentec Director Representative, SuperMCPCB Director, Kai Chun Investment Corp.	None	None	None	None	
Vice President	R.O.C	Mei-li, Lin (Note 3)	Female	2022.1.1	81,000	0.03	0	0.00	0	0.00	Bachelor in Information Management, University of Michigan, USA Manager, Chi Sheng Chemical Corp. Assistant Vice President, Etron Technology Inc.	None	None	None	None	None	
Group General Counsel	R.O.C	Teng-Wei, Wang (Note 3)	Male	2022.1.24	0	0.00	0	0.00	0	0.00	Department of Laws, Fu-Jen Catholic University Master of Laws, University of Minnesota Twin City Head of Division, Chungghwa Picture Tubes, Ltd. Assistant Vice President, Etron Technology Inc. Vice President, MEDEON BIODESIGN, INC. Director, PRODEON, INC.	None	None	None	None	None	
Assistant Vice President	R.O.C	Yao, Tzu-Chin	Male	2020.8.15	80,000	0.03	0	0.00	0	0.00	MBA, Emory University Head of Division, Etron Technology Manager, Jietai Technology Section Chief, Mosel Vitelic Inc.	Chairman, Kingwell Investment Corp. Director, Plusway Corp. Director, Etron Technology America, Inc. Chairman, EUTREND TECHNOLOGY INC. Chairman, Kingcharm Investment Corp. Director, Anzon Technology, Inc. Director, Anzon Corporation Director, Etron Technology(HK) Limited Director, Intercosmos Group Limited Director, Grandsino Technology Limited Director Representative, Fullboom International Limited Executive Director, Fullboom Electronics (Shenzhen) Co., Ltd. Director, Creative Ally Limited Chairman, Invention and Collaboration Laboratory, Inc. Chairman, Pioneer Chip Technology Limited Supervisor Representative, eEver Technology Supervisor Representative, eYs3D Microelectronics Director, eCapture Ltd. Co. Director, e Capture Co., Limited Director, Insignis Technology, Inc. Director, Insignis Technology Corporation Chairman, nD-HI Technologies Lab, Inc. Chairman, DeCloak Intelligences Co. Director, AiYs3D Technology, Inc. Director, Invention and Collaboration Laboratory Pte. Ltd. Director, Great Team Backend Foundry, Inc. Director, Great Team Backend Foundry Ltd. (Dongguan) Director, Innorich Venture Capital Corp.	None	None	None	None	None

Position	Nationality	Name	Gender	Date Taking Office	Shareholding		Spouse & Minor Child(ren) Shareholding		Shareholding under Others' Names		Major Experience (Education)	Other Position Concurrently Held at Other Companies	Managerial Officer who Are Spouses or within the Second Degree of Kinship			Note	
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship		
Assistant Vice President	R.O.C	Wen-Chi, Wang	Male	2019.10.9	11,000	0.00	0	0.00	0	0.00	Bachelor in Electrical Engineering, Chung Hua University Section Chief, Powerchip Semiconductor Head of Division, Etron Technology	None	None	None	None	None	
Assistant Vice President	R.O.C	Hung, Fu-Yung	Male	2019.10.9	8,386	0.00	0	0.00	0	0.00	Master, Department of Information Science, State University of New York Head of Division, Etron Technology	None	None	None	None	None	
Assistant Vice President	R.O.C	Chung, Jung-Kun	Male	2020.8.15	48	0.00	0	0.00	0	0.00	Master, Department of Business Administration, Chuo University Head of Division, Etron Technology	None	None	None	None	None	
Accounting Supervisor and Corporate Governance Supervisor	R.O.C	Cheng, Yu-Chia (Note 3)	Female	2011.12.23	203,926	0.08	0	0.00	0	0.00	Bachelor, Department of Accounting, Fu-Jen Catholic University Team Leader, Deloitte & Touche Firm Financial and Accounting Section Chief, OSG Financial and Accounting Director, Asia Microelectronics	None	None	None	None	None	
Finance Supervisor	R.O.C	Hsieh, Jui-Ling	Female	2016.3.23	0	0.00	0	0.00	0	0.00	Master, Department of Management Science, National Chiao Tung University Senior Audit Specialist and Vice Programme Manager, Tecom Co., Ltd. Supervisor, GLOBAL UNICHIP CORP. Supervisor Representative, Hong Tai Electric Industrial Co., Ltd.	Director Representative, Kingwell Investment Corp. Director, Kinglord Corp. Chairman, Plusway Corp. Director Representative, Kingcharm Investment Corp. Director, Intercosmos Group Limited Director, Grandsino Technology Limited Director, Creative Ally Limited Director Representative, Invention and Collaboration Laboratory, Inc. Director Representative, Pioneer Chip Technology Limited Director Representative, nD-HI Technologies Lab, Inc.	None	None	None	None	None

Note 1: The total number of shares issued on April 10, 2022: 270,357,347 shares.

Note 2: The reason, reasonableness and necessity of concurrently serving as a Chairman: the Chairman, Nicky Lu, has been committed to making contributions to global IC design and semiconductor industry for many years, focusing on the innovation of technologies, academic research, and corporate management, and creating a number of new businesses, thus, it is reasonable and necessary for him to hold the concurrent position.

Responsive measures: The Company has increased the number of Independent Directors in response thereto.

Note 3: Vice President Kuo, Ming-Hong assumed office on January 14, 2021; Vice President Wan-Ta, Kan retired on January 15, 2021; Accounting Supervisor Cheng, Yu-Chia became Corporate Governance Supervisor on November 18, 2021; Assistant Vice President Lin, Mei-li was promoted to Vice President on January 1, 2022; Group Legal Counsel Wang, Teng-Wei assumed office on January 24, 2022; Vice President David Leu became Special Assistant on January 28, 2022.

Range of Compensation Table

Range of Compensation Paid to the Company's Directors	Name of Director			
	Total of the first four compensation items (A+B+C+D)		Total of the first seven compensation items (A+B+C+D+E+F+G)	
	The Company	All Companies in Financial Report	The Company	All Companies in Financial Report
Less than NT\$1,000,000	CHEN SHYH YI, Mei-Ling, Hsu, Chen-Tung, Chi, Bor-Doou Rong, David Leu, Warren Chen and Wang, Teng-Wei	CHEN SHYH YI, Mei-Ling, Hsu, Chen-Tung, Chi, Bor-Doou Rong, David Leu, Warren Chen and Wang, Teng-Wei	CHEN SHYH YI, Mei-Ling, Hsu, Chen-Tung, Chi, Warren Chen and Wang, Teng-Wei	CHEN SHYH YI, Mei-Ling, Hsu, Chen-Tung, Chi, Warren Chen and Wang, Teng-Wei
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Chiu Chiang Investment Co., Ltd., Ai-Chen, Wang, Jen-Hung, Tseng and Yun-Chieh, Huang	Chiu Chiang Investment Co., Ltd., Ai-Chen, Wang, Jen-Hung, Tseng and Yun-Chieh, Huang	Chiu Chiang Investment Co., Ltd., Ai-Chen, Wang, Jen-Hung, Tseng and Yun-Chieh, Huang	Chiu Chiang Investment Co., Ltd., Ai-Chen, Wang, Jen-Hung, Tseng and Yun-Chieh, Huang
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Kai Chun Investment Corp. and Elvis Deng,	Kai Chun Investment Corp. and Elvis Deng,	Kai Chun Investment Corp., Bor-Doou Rong and David Leu	Kai Chun Investment Corp., Bor-Doou Rong and David Leu
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Nicky Lu	Nicky Lu		
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)			Elvis Deng	Elvis Deng
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)			Nicky Lu	Nicky Lu
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)				
Over NT\$100,000,000				
Total	14 persons in total	14 persons in total	14 persons in total	14 persons in total

Note: The estimated amount shall be temporarily filled in according to the Measures for Compensation to Directors in effect as of the printing date of the annual report. The actual allotment and distribution shall be subject to the Measures for Compensation to Directors in effect at the time of allotment and the resolution of the Board of Directors.

(II) Compensation Paid to Presidents and Vice Presidents

Unit: NT\$ thousand; %

Position	Name	Salary A		Severance Pay and Pension B		Bonus and Special Expenses C		Employee Compensation D				Proportion of the Total Amount of A, B, C and D in Net Earnings after Tax		Compensation from Re-invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Financial Report	The Company	All Companies in Financial Report	The Company	All Companies in Financial Report	The Company		All Companies in Financial Report		The Company	All Companies in Financial Report	
								Cash	Stock	Cash	Stock			
CEO	Nicky Lu	24,971	24,971	740	740	10,740	11,464	13,900	0	13,900	0	50,351 4.79	51,075 4.86	None
President	Elvis Deng													
Special Assistant	David Leu													
Senior Vice President	Bor-Doou Rong													
Vice President	Wan-Ta, Kan (Note 2)													
Vice President	Chun Shiah													
Vice President	Kuo, Ming-Hong (Note 3)													

Note 1: The net income for the current period specified in 2021 parent company only financial statements was NT\$1,051,071 thousand.

Note 2: Vice President Wan-Ta, Kan retired on January 15, 2021 and Vice President Kuo, Ming-Hong assumed office on January 14, 2021. As a result, the compensation disclosed here is only for the amount during their tenures.

Range of CompensationTable

Range of Compensation Paid to the Company's Presidents and Vice Presidents	Name of President and Vice President	
	The Company	All Companies in Financial Report
Less than NT\$1,000,000	Wan-Ta, Kan	Wan-Ta, Kan
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Nicky Lu, Elvis Deng, Chun Shiah, David Leu, Bor-Doou Rong and Kuo, and Ming-Hong	Nicky Lu, Elvis Deng, Chun Shiah, David Leu, Bor-Doou Rong and Kuo, and Ming-Hong
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)		
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)		
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)		
Over NT\$100,000,000		
Total	7 persons in total	7 persons in total

(III) Compensation of the Top Five Highest paid Executives: Not Applicable

(IV) Payment of Employee Compensation to Managerial Officers and Their Names

Unit: NT\$ thousand; %

Position	Name	Stock	Cash	Total	Ratio of total amount to net profit after tax
CEO	Nicky Lu				
President	Elvis Deng				
Special Assistant	David Leu				
Senior Vice President	Bor-Doou Rong				
Vice President	Kuo, Ming-Hong				
Vice President	Chun Shiah				
Vice President	Mei-li, Lin				
Assistant Vice President	Wen-Chi, Wang	0	19,975	19,975	1.9
Assistant Vice President	Hung, Fu-Yung				
Assistant Vice President	Chung, Jung-Kun				
Assistant Vice President	Yao, Tzu-Chin				
Accounting Supervisor	Cheng, Yu-Chia				
Finance Supervisor	Hsieh, Jui-Ling				

Note: Refers to the managerial officers regulated by the Financial Supervisory Commission (FSC) in accordance with its letter order of Tai Cai Zheng San Zi No.0920001301 dated March 27, 2003

(V) Compensation Paid to Directors, Presidents and Vice Presidents in the Most Recent Two Years

- The proportion of the total compensation paid to the Directors, Presidents and Vice Presidents in the net profit after tax specified in the parent company only financial statements.

Unit: %

Year & Proportion Position	2020		2021	
	The Company	All Companies in Financial Report	The Company	All Companies in Financial Report
Directors	(0.42)	(0.47)	2.03	2.04
President and Vice President	(13.18)	(13.23)	4.57	4.64

Note: The Company's net loss specified in 2020 Parent Company Only Financial Statements was

NT\$254,393 thousand, and its current net profit specified in 2021 Parent Company Only Financial Statements was NT\$1,051,071 thousand. Moreover, the Company has established an Audit Committee to replace the duties of the Supervisor.

2. Compensation policies, standards, and packages, procedure for determining compensation, and linkage thereof to operating performance and future risk exposure

The Company has formulated the Measures for Compensation to Directors, the Measures for Performance Assessment and Compensation Management of Managerial Officers, and other measures to specify the standards for payment of compensation to Directors and improve the Company's system for performance assessment on and compensation management of its Managerial Officers. And the Company has established Compensation Committee to be responsible for establishing and assessing the policies, systems, standards, and structure of the compensation to Directors and Managerial Officers, and submit their suggestions to the Board of Directors for discussion. The Company shall establish the procedures, standards, and combinations for and of compensation cautiously, by considering its overall operating performance and future risks with priority, then by referring to individual performance achievement rate, scope of rights and responsibilities, and the level in the industry both at home and abroad. Affiliates were handled according to their respective Consolidated Financial Reports and Articles of Incorporation. For the compensation paid to Directors in the most recent two years, operating performance and future risks were considered.

IV. Implementation of Corporate Governance

(I) Operations of the Board of Directors

A total of 6 Board of Directors' meetings were held in 2021. The attendance of the Directors was as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Chairman	Nicky Lu	6	0	100	None
Directors	Elvis Deng	6	0	100	None
Directors	Chiu Chiang Investment Co.,Ltd., represented by: CHEN SHYH YI	6	0	100	None
Directors	Kai Chun Investment Corp., represented by: Mei-Ling, Hsu	6	0	100	None
Directors	Kai Chun Investment Corp., represented by: Warren Chen	3	0	100	Took office on March 1, 2021, was relieved on July 2, 2021 and is supposed to attend 3 meetings
Directors	Kai Chun Investment Corp., represented by: David Leu	3	0	100	Was relieved on July 2, 2021 and is supposed to attend 3 meetings
Directors	Kai Chun Investment Corp., represented by: Bor-Doou Rong	3	0	100	Took office on July 2, 2021 and is supposed to attend 3 meetings
Independent Director	Ai-Chen, Wang	6	0	100	None
Independent Director	Jen-Hung, Tseng	6	0	100	None
Independent Director	Yun-Chieh, Huang	6	0	100	None
Independent Director	Teng-Wei, Wang	3	0	100	Took office on July 2, 2021, and was relieved on January 24, 2022; shall attend 2 meetings

■ Other matters to be recorded:

I. With regard to the implementation of the Board of Directors, where any of the following circumstances occurs, the dates, sessions of the meetings, contents of proposals, all Independent Directors' opinions and the Company's response to such opinions shall be specified.

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

Date & Session	Contents of Proposals	All Independent Directors' Opinions	The Company's Response
3/24/2021 The 12th session of the 10th meeting Board of Directors	<ul style="list-style-type: none"> ■ Proposal for not to proceed with the private security offering approved at 2020 Annual Shareholders' Meeting 	None	N/A
7/12/2021 The 1st Session of the 11th Board of Directors' Meeting Board of Directors	<ul style="list-style-type: none"> ■ Proposal for reporting the FSC for issuance of employee share subscription warrants 	None	N/A
8/9/2021 The 2nd Session of the 11th Board of Directors' Meeting Board of Directors	<ul style="list-style-type: none"> ■ Proposal for amending the measures for issuance of the employee share subscription warrants and issuance of employee share subscription warrants in 2021 ■ Proposal for changing managerial officers' compensation ■ Proposal for update of lifting the non-competition restrictions on managerial officers 	None	N/A
3/18/2022 The 4th Session of the 11th Board of Directors' Meeting Board of Directors	<ul style="list-style-type: none"> ■ 2021 Capital Increase by Retained Earning ■ Proposal for replacing the independent certified CFAs of financial statements and evaluating their independence in 2022 ■ Amendments to the Procedures for Acquisition and Disposal of Assets ■ Proposal to issue domestic unsecured convertible bonds for the third time ■ Proposal for changing managerial officers' compensation ■ Amendment to the Company's "Measures for Compensation to Directors," (the part regarding resolution for General Directors) ■ Amendment to the Company's "Measures for Compensation to Directors," (the part regarding resolution for Independent Directors) ■ Proposal for lifting the non-competition restrictions on managerial officers 	None	N/A

(II) Any recorded or written resolutions made by the Board of Directors to which Independent Directors have objections or reservations in addition to the above: None.

II. Abstentions of Directors from Voting due to Conflicts of Interests

Session	Name	Contents of Proposals	Reason for Abstention	Voting
7/12/2021	Ai-Chen, Wang/Jen-Hung, Tseng	<ul style="list-style-type: none"> ■ Proposal for appointing members of Compensation Committee 	Parties to the Proposal	Not participated in the discussion and voting
8/9/2021 The 2nd Session of the 11th Board of Directors' Meeting Board of Directors	Nicky Lu/Elvis Deng/Bor-Doou Rong	<ul style="list-style-type: none"> ■ Proposal for amending the measures for issuance of the employee share subscription warrants and issuance of employee share subscription warrants in 2021 ■ Proposal for changing managerial officers' compensation 	Parties to the Proposal	Not participated in the discussion and voting
	Elvis Deng	<ul style="list-style-type: none"> ■ Proposal for update of lifting the non-competition restrictions on managerial officers 		
3/18/2022 The 4th Session of the 11th Board of Directors' Meeting Board of Directors	Nicky Lu/Elvis Deng/Bor-Doou Rong	<ul style="list-style-type: none"> ■ Proposal for changing managerial officers' compensation 	Parties to the Proposal	Not participated in the discussion and voting
	Nicky Lu/Elvis Deng/CHEN SHYH YI/Mei-Ling, Hsu/Bor-Doou Rong	<ul style="list-style-type: none"> ■ Amendment to the Company's "Measures for Compensation to Directors," (the part regarding resolution for General Directors) 		
	Ai-Chen, Wang/Jen-Hung, Tseng/Yun-Chieh, Huang	<ul style="list-style-type: none"> ■ Amendment to the Company's "Measures for Compensation to Directors," (the part regarding resolution for Independent Directors) 		
	Elvis Deng	<ul style="list-style-type: none"> ■ Proposal for lifting the non-competition restrictions on managerial officers 		

III. Assessment and Implementation by the Board of Directors

Frequency of Assessment	Period of Assessment	Scope of Assessment	Method of Assessment	Contents of Assessment
Once a year	2021	<ul style="list-style-type: none"> ■ Board of Directors ■ Individual Members of Board of Directors ■ Functional Committees 	Self-assessment by the Board of Directors, the members of the Board of Directors, and functional committees through questionnaire	<p>The Board of Directors made assessment from the following 5 aspects based on 25 indicators in total:</p> <ul style="list-style-type: none"> ● Participation in the Company's operating ● Improvement of the Board of Directors' decision-making quality ● Composition and structure of the Board of Directors ● Election and continued education of the Directors ● Internal Control <p>Individual members of the Board of Directors made assessment from the following 6 aspects based on 20 indicators in total:</p> <ul style="list-style-type: none"> ● Grasping of the Company's goals and tasks ● Understanding of the Director's duties ● Participation in the Company's operating ● Management and communication of the internal relations ● Expertise and continued education of the Directors ● Internal Control <p>Functional committees made assessment from the following 5 aspects based on 22 indicators in total:</p> <ul style="list-style-type: none"> ● Participation in the Company's operating ● Understanding of the functional committee's duties ● Improvement of the functional committee's decision-making quality ● Composition and structure of the Board of functional committees ● Internal Control

IV. Goals for Strengthening the Functions of the Board of Directors in the Current Year and the Most Recent Year (such as, setting up an audit committee and improving information transparency), and its Implementation Status

- (I) Has Established the Compensation Committee and Audit Committee to Submit the Suggestions to the Board of Directors Based on Their Duties for Discussion.
- (II) Has Formulated Internal Regulations and Rules such as the "Organizational Rules for the Special Committee for Mergers and Acquisitions", "Diversity Policy for the Members of Board of Directors", and the "Guidelines for the Adoption of Codes of Ethical Conduct for a Director, or Managerial Officer" to strengthen the functions of the Board of Directors.
- (III) Has Formulated the "Board of Directors' Performance Evaluation Regulations" and Implemented Board of Directors' Performance Evaluation once a year since 2020.
- (IV) One Seat of Independent Director was increased in 2021.

(II) Operations of Audit Committee:

Operations of Audit Committee: 4 meetings of the Audit Committee were held in 2021. The attendance of the Independent Directors was as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Convener	Ai-Chen, Wang	5	0	100	None
Committee Member	Jen-Hung, Tseng	5	0	100	None
Committee Member	Yun-Chieh, Huang	5	0	100	None
Committee Member	Teng-Wei, Wang	3	0	100	Took office on July 2, 2021, was relieved on January 24, 2022 and is supposed to shall attend 3 meetings

■ Other matters to be recorded:

- I. With regard to the implementation of the Audit Committee, where any of the following circumstances occurs, the dates, sessions of the meetings, contents of proposals, Audit Committee's resolutions, and the Company's response to such resolutions shall be specified.

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

Date & Session of Audit Committee	Contents of Proposals	Independent Directors' dissenting opinions, qualified opinions or contents of material suggestions	Audit Committee's Resolutions	The Company's Response
3/23/2021 The 11th Session of the 1st Audit Committee's meeting	<ul style="list-style-type: none"> ■ 2020 Final Statement ■ 2020 Statement on Internal Control System ■ Proposal for not to proceed with the private security offering approved at 2020 Annual Shareholders' Meeting 	None	Approved	N/A
7/12/2021 The 1st Session of the 2nd Audit Committee's meeting	<ul style="list-style-type: none"> ■ Proposal for reporting the FSC for issuance of employee share subscription warrants 	None	Approved	N/A
8/6/2021 The 2nd Session of the 2nd Audit Committee's meeting	<ul style="list-style-type: none"> ■ Proposal for amending the measures for issuance of the employee share subscription warrants and issuance of employee share subscription warrants in 2021 	None	Approved	N/A
3/17/2022 The 3rd Session of the 2nd Audit Committee's meeting	<ul style="list-style-type: none"> ■ 2021 Final Statement ■ 2019 Statement on Internal Control System ■ 2021 Capital Increase by Retained Earning ■ Proposal for replacing the independent certified CFAs of financial statements and evaluating their independence in 2022 ■ Amendments to the Procedures for Acquisition and Disposal of Assets ■ Proposal to issue domestic unsecured convertible bonds for the third time 	None	Approved	N/A

- (II) In addition to the above-mentioned, any other proposals which failed to obtain the approval of the Audit Committee, but were approved by over two-thirds of all Directors: None.

- II. Where there are Independent Directors who abstained from voting due to conflict of interests, the Independent Directors' names, contents of the proposals, and causes of abstention and voting shall be specified: None

- III. Communication of Independent Directors with Internal Audit Supervisor and CPAs: The major annual work of the Company's Audit Committee (Independent Directors) and the communication with Internal Audit Supervisor and CPA are as follows:
- (I) Disposal progress of Internal Audit Reports and internal control tracking matters: The Audit Department sends relevant data every month, and makes report at the Audit Committee's meeting every quarter.
 - (II) Assessment on the effectiveness of internal control system: The Audit Department submits the Statement on Internal Control System at the Audit Committee's meeting every year.
 - (III) Review on Financial Reports and the Company's important proposals: The Audit Committee communicates with the Internal Audit Supervisor and CPAs at the Audit Committee's meeting every quarter. The discussion and resolutions on relevant important proposals are shown in the above table.
 - (IV) Communication about the Company's financial and business status: The Audit Committee holds communication meetings or makes communications and discussions by means of letters, telephone calls, etc. in the Company from time to time.

(III) Implementation of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Does the Company formulate and disclose the "Corporate Governance Best-practice Principles" according to the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"?	✓		The Company has formulated the "Corporate Governance Best-practice Principles" and disclosed the principles on the Market Observation Post System (MOPS) and the Company website.	No deviation
II. Shareholding structure & Shareholders' rights		✓	(I) In practice, the Company handles Shareholder's suggestions or disputes through spokesperson system, corporate communication, as well as shareholders' affairs, legal affairs and other relevant departments based on their duties.	Description No deviation
(II) Has the Company possessed a list of the major Shareholders who actually control the Company, and the ultimate owners of these major shareholders?	✓		(II) The Company has possessed a list of the major Shareholders who actually control the Company, and the ultimate owners of these major shareholders	No deviation
(III) Has the Company established and implemented risk control and firewall systems with its affiliate companies?	✓		(III) As for internal control system, the Company has formulated the management rules such as "Subsidiary Supervision and Management Operations" and "Related Person Transaction Management Operations", etc. to specify the management rights and responsibilities as well as control methods related to affiliates. It supervises the establishment and implementation of necessary internal control systems by subsidiaries. If there are business with affiliates, they are deemed as independent third parties, and abnormal transactions are completely eradicate, so as to establish a good risk control mechanism and firewall.	No deviation
(IV) Has the Company formulated internal rules prohibiting the Company's insiders from trading securities by using information not disclosed to the market?	✓		(IV) The Company has formulated the "Codes of Ethical Conduct", the "Guidelines for the Adoption of Codes of Ethical Conduct for a director, or managerial officer", and the "Management Procedures for Disposal of Internal Significant Information and Prevention of Insider Transactions", etc., expressly prohibiting the occurrence of related incidents.	
III. Composition and duties of the Board of Directors		✓	(I) In order to strengthen corporate governance and promote the sound development of the composition and structure of the Board of Directors, the Company has formulated the "Diversity Policy for the Members of Board of Directors", and disclosed the Policy on the Company website and the Market Observation Post System (MOPS), and selected the members of the Board of Directors according to the policy. Specific management objectives:	No deviation

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(II) In addition to the Compensation Committee and Audit Committee, has the Company voluntarily established other functional committees?	✓		<p>Members of the Board of Directors shall generally have the knowledge, skills and literacy necessary for the performance of their duties. In order to achieve the ideal goal of corporate governance, the overall competencies of the Board of Directors are operational judgment, accounting and financial analysis skills, operational management, crisis management, industry knowledge, international market perspective, leadership and decision making</p> <p>Implementation status is as follows:</p> <ul style="list-style-type: none"> • The Company has set up nine seats of Directors to meet the needs of the Company's development (the current vacant seat will be filled by a by-election held at the latest shareholders' meeting). • The Company's female Directors account for 37.5% of all Directors. • The professionals with different professional backgrounds in technology, management, industry, accounting, and laws, etc. have been elected to serve as the members of the Company's Board of Directors. • Independent Directors hold the positions of the Company's Independent Directors for no more than three terms. 	No deviation
(III) Has the Company established the measures to evaluate the performance of the Board of Directors, and does the Company implement performance evaluation annually? Does it report the performance evaluation results to the Board of Directors and use them as a reference for individual Director's compensation and nomination of term renewal?	✓	✓	(III) The Company has formulated the Board of Directors' Performance Evaluation Regulations, and it conducts performance evaluation annually, reports the results of the performance evaluation and submits the information at the Board of Directors' meeting in the first quarter of the next year, and adopts them as a reference for relevant compensation and nomination. The 2021 performance evaluation results of the Company's Directors were presented at the Board of Directors' meeting on March 18, 2022 and reported to the TPEX. within the specified time limit.	No deviation
(IV) Does the Company regularly assess on the independence of CPAs?			(IV) The Company assesses the independence of CPAs annually, and fills in Assessment Form and submits it to the Board of Directors for review together with the Independence Statements issued by CPAs; The contents of the assessment is that whether the CPAs comply with Article 47 of the CPA Act, whether they have been punished by the FSC, and whether they have visa experience in related industries, etc. The 2021 and 2022 performance evaluation results of the Company's Directors have been reviewed and approved by the Board of Directors respectively on March 24, 2021 and March 18, 2022.	

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
IV. Does the Company appoint adequate and appropriate persons and a corporate governance supervisor to be in charge of corporate governance matters (including but not limited to providing Directors and Supervisors with their required information for business execution, assisting Directors and Supervisors in following laws and regulations, handling matters in relation to the Board of Directors' meetings and Shareholders' Meetings, and keeping minutes of the Board of Directors meetings and Shareholders' Meetings according to law)?	✓		<p>The Company's Capital Markets and Shareholders' Affairs Department is responsible for providing Directors with their required information for business execution, handling matters in relation to the meetings of Audit Committee, Board of Directors, and Shareholders' Meetings, and keeping meeting minutes, conducting business registration and change registration for the Company, handling the Company's information disclosure and other businesses, and providing the basis for assessment on corporate governance. The Company has established a Corporate Governance Supervisor in accordance with the regulations.</p> <p>Implementation of corporate governance by the Company's Capital Markets and Shareholders' Affairs Department and Corporate Governance Supervisor in 2021 was as follows:</p> <ol style="list-style-type: none"> 1. Provided the members of the Board of Directors with the financial and business information, changes to laws and regulations, and other related information required for operating, from time to time. 2. Dealt with the affairs related to the meetings of the Audit Committee, the Board of Directors, and the Shareholders' Meeting, and implemented related issues, in accordance with laws. 3. Was responsible for the disclosure of information on the Company's MOPS. 4. Handled change registration for the Company. 5. Made cooperation in the assessment on corporate governance to strengthen corporate governance. 	No deviation
V. Does the Company establish communication channels and a dedicated section on the Company website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		<p>The Company has established a dedicated section for stakeholders, and it communicates with stakeholders in the following ways.</p> <p>(I) Company website: Provide the Company's contact methods, and update the various information related to the Company.</p> <p>(II) Industry value chain information platform: The Company's business philosophy, product information, etc. can be inquired on the common platform established by the counter-based purchase center.</p> <p>(III) Daily communication: Dedicated units are set for different stakeholders to maintain communication with them through daily meetings, visits, phone calls, emails, etc.</p> <p>(IV) Exchanges in the industry: Actively participate in the representative organizations and related activities in the academic and industrial circles, such as GSA, TSIA, labor union of the Park, so as to maintain a good communication with the overall industry.</p>	No deviation
VI. Does the Company appoint a professional shareholder service agency to deal with the affairs of Shareholders' Meeting?	✓		<p>The Company has entrusted the Shareholder Service Department of CTBC to deal with the affairs of the Company's Shareholders' Meeting act an agency.</p>	No deviation

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
VII. Information disclosure				
(I) Has the Company established a corporate website to disclose information regarding the Company's financial, business, and corporate governance status?	✓		(I) The Company has established a corporate website both in Chinese and English to disclose various related information.	No deviation
(II) Has the Company established any other information disclosure channels (e.g. maintaining a website in English, designating dedicated persons to be responsible for collection and disclosure of the Company's information, implementing spokesperson system, webcasting investors' conference, etc.)?	✓		(II) In addition to the corporate website both in Chinese and English, the Company has adopted the following information disclosure methods: 1. The Company has established Corporate Communication Department, Capital Markets and Shareholders' Affairs Department, and other related units for dedicated persons to collect and disclose the Group's information based on their duties. 2. The Company has established a spokesperson and an acting spokesperson, and it provides its contact information on the Company's website for investors to contact with the Company and inquire about the Company's publicized information. Where the Company holds road show, the information related thereto will also be put on its website for investors' reference. 3.	No deviation
(III) Does the Company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?		✓	(III) In 2021, the Company announces and declares its financial reports as well as its operating conditions of each month by the deadline stipulated by competent authority.	Description
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, care for employees, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' continued education, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and purchase of liability insurance by the Company for its Directors and Supervisors)?	✓		(I) The Company's organizational structure and management, internal control system, corporate governance-related rules, corporate social responsibility policies, the dedicated sections for stakeholders, and other related contents have been disclosed on the Company website. (II) The information about the continued education of the members of the Company's Board of Directors has been disclosed on the MOPS. (III) The Company purchases director, supervisor and important employee liability insurance for its Board of Directors' members and important personnel every year. Such insurance purchased in 2021 has been reported to the Board of Directors on November 10, 2021, and disclosed on the MOPS.	No deviation
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center in the most recent year, and provide the priorities and plans for improvement with items yet to be improved.				
(I) In the 6th (2020) corporate governance evaluation, the Company was in the 51%~65% among the listed companies, maintaining the same level in the 5th (2018) corporate governance evaluation. As of April 10, 2022, the competent authority has not announced the result of the 8th (2021) corporate governance evaluation. In the future, the Company will optimize corporate governance related matters gradually depending on its status.				

Evaluation Item	Implementation Status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
(II)			The Company makes cooperation in corporate governance evaluation, revises the corporate governance related rules, evaluates and improves the information disclosed in its annual reports and on its website, and improves the completeness of the description of various indicators.	

(IV) Composition, Duties and Operation of the Compensation Committee

1. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Name	Qualifications	Meeting One of the Following Professional Qualification Requirements, Together with At Least Five Years of Work Experience	Compliance with Independence										Number of Other Public Companies where the Individual Concurrently Serves as a Compensation Committee Member	Note	
				1	2	3	4	5	6	7	8	9	10			
Independent Director	Ai-Chen, Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None
Independent Director	Jen-Hung, Tseng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Others	Hsiang-Lan, Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None

Note: Please check "✓" the corresponding boxes if the members meet the following conditions during the two years prior to the election and during the term of office. ✓

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an Independent Director of the Company, and its parent company, subsidiary, or the subsidiary under the same one parent company appointed according to these Regulations or local laws and regulations.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of the Managerial Officers specified in preceding (1) subparagraph, or of any of the persons specified in the preceding (2) and (3) subparagraphs.
- (5) Not a Director, Supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act (Not applicable in cases where the person is an Independent Director of the Company, and its parent company, subsidiary, or the subsidiary under the same one parent company appointed according to these Regulations or local laws and regulations).
- (6) Not a Director, Supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person (Not applicable in cases where the person is an Independent Director of the Company, its parent company, subsidiary, or the subsidiary under the same one parent company appointed according to these Regulations or local laws and regulations).
- (7) Not a Director, Supervisor (Governor), or employee of other company or institutions who is the Chairman, Vice President, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses (Not applicable in cases where the person is an Independent Director of the Company, and its parent company, subsidiary, or the subsidiary under the same one parent company appointed according to these Regulations or local laws and regulations).
- (8) Not a Director, Supervisor (Governor), Managerial Officer, or shareholder with over 5% shareholding of any specific company or institution which has financial or business relationships with the Company (Not applicable in cases where the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company, and is an Independent Director of the Company, and its parent company, subsidiary, or the subsidiary under the same one parent company appointed according to these Regulations or local laws and regulations).
- (9) Not a professional or the owner, partner, Director, Supervisor, or Managerial Officer of any sole proprietorship, partnership, company, or institution in business, legal, financial, or accounting, or consulting services, and their spouse who or which provided auditing to, or obtained less than NT\$500,000 compensation accumulatively in the most recent two years from, the Company or its affiliates. However, this does not apply in cases where members of the Compensation Committee, the Review Committee for Public Tender Offer or the Special Committee for Mergers and Acquisitions perform their functions in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

2. Duties of Compensation Committee

The Compensation Committee of the Company shall exercise the care of an administrator with good faith, faithfully fulfill the following functions and powers, and submit the suggestions to the Board of Directors for discussion.

- (1) Review these Regulations and make amendment suggestions as appropriate in response to environmental change.
- (2) Establish and regularly review the Company's Directors' and Managerial Officers' performance evaluation and compensation policies, systems, standards, and structure.
- (3) Regularly assess and determine the Director's and Managerial Officer's compensation.

3. Operational Status of the Compensation Committee

- (1) The Company's Compensation Committee consists of 3 members in total.
- (2) Term of this Compensation Committee: July 12th, 2021 to July 1st, 2024. Two Compensation Committee meetings were held in 2021. The qualifications and attendance of the members was as follows:

Position	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Convener	Ai-Chen, Wang	2	0	100	None
Committee Member	Jen-Hung, Tseng	2	0	100	None
Committee Member	Hsiang-Lan, Kuo	2	0	100	None

Other matters to be recorded:

- I. If the Board of Directors declines to adopt or revise a suggestion of the Compensation Committee, the dates, sessions of the meetings, contents of proposals, Board of Directors' resolutions, and the Company's response to such resolutions shall be specified: None.
- II. If there are recorded or written resolutions of the Compensation Committee to which members have objections or reservations, the dates, sessions of the meetings, contents of proposals, all members' opinions, and the Company's response to such resolutions shall be specified: None.

(V) Implementation Status of Sustainable Development and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Promotional Item	Implementation Status		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
I. Does the Company establish a governance structure to promote sustainable development, and set up a full-time (part-time) unit to promote sustainable development, which is handled by the senior management authorized by the Board of Directors? And how does the supervision of the Board of Directors go?	✓		<p>1. Description of the Company's governance structure to promote sustainable development. At present, the Company has set up a sustainable development promotion team, led by senior executives, and all relevant departments work together to promote various sustainable development items, and the Company intends to set up a part-time unit to promote and implement sustainable development in the second quarter of 2022.</p> <p>2. Description of the implementation of each organization of the Company (1) Name, Setting Time and Authorization of the Board of Directors of the Full-time (Part-Time) Unit to Promote Sustainable Development: The Company expects to establish a part-time unit for sustainable development in the second quarter of 2022, and will report the relevant operation to the Board of Directors as necessary. (2) Member Composition, Operation and Implementation of the Unit to Promote Sustainable Development in the Current Year: At present, a sustainable development promotion team is set up, with an executive at the rank of vice president as the convener. Various groups of aspects related to sustainability issues such as corporate governance, social care, environmental sustainability and supply chain management are subordinate to the promotion team. It is expected that after the establishment of the part-time unit for sustainable development, the goal will be to integrate the existing framework, establish the Company's sustainable development policies and systems, and promote the work related to sustainable development in the Company. (3) Frequency of the Promotion Unit Reporting to the Board of Directors, or the Date of Reporting to the Board of Directors in the Current Year: It is expected that future plans will be reported to the Board of Directors depending on the progress of operation and performance.</p> <p>3. Description of the Board of Directors Supervision of Sustainable Development: The Company has been implementing the items concerned for sustainable development by various departments according to their work responsibilities. In the future, depending on the progress of actual operation and implementation of the promotion unit, a plan will be reported to and supervised by the Board of Directors.</p>	Description
II. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>1. Description of the boundary of risk assessment (the scope of the subsidiaries covered). In addition, the boundary of this risk assessment shall be the same as that of the subsequent environmental and social issues in this schedule. If there is any difference, the boundary shall be stated in each issue: As the Company's sustainable development promotion team is still in the initial stage, the relevant assessment will be conducted in the future.</p> <p>2. Description of the risk assessment criteria, process, results and risk management</p>	Description

Promotional Item	Implementation Status		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No		
			policies or strategies for identifying material issues related to environment, society and corporate governance: The Company implements risk management, according to the materiality of risks and prior improvement directions, strategies, and corresponsive measures determined based on the Company's operating status and various indicators, after making risk evaluation and analysis based on the needs and expectations of all stakeholders for various related issues as well as the advantages and disadvantages in and outside the organization, and the Company has formulated the "Organization Situation and Risk Management Procedures for Stakeholders" and other related risk management policies for compliance.	
III. Environmental issues				
(I) Does the Company establish proper environmental management systems based on the characteristics of its industry?	✓		<p>1. Description of how an effective environmental management system is implemented, and the regulations to follow: The Company has established an appropriate environmental management system according to the characteristics of the industry. In addition to the implementation of environmental protection in accordance with the relevant domestic environmental protection laws and regulations, the Company also regularly carries out internal and external environmental management system audit to ensure its effectiveness.</p> <p>2. Description of the relevant international verification standards passed by the Company (which shall be valid as of the printing date of the annual report) and their coverage: The Company has complied with the requirements of EU Restriction of Hazardous Substances Directive (RoHS-2011/65/EU), thus being recognized by major international manufacturers as a green partner. Also having obtained ISO 14001 environmental management system certification, the Company continues to improve environmental performance, formulates relevant management rules on environmentally restricted substances, and complete the adjustments to design and production processes.</p>	No deviation
(II) Is the Company committed to utilizing all resources more efficiently and using renewable materials which have low impact on the environment?	✓		<p>Description of the Company's policies for improving energy efficiency and using recycled materials, including but not limited to: base-year data, promotion measures, targets and achievements:</p> <p>The Company has improved energy efficiency through recycling of product packaging materials, recycling of waste heat from chiller units, replacing traditional lamps with energy-saving lamps, changing constant frequency motors to inverter motors, reusing cooling water tower drainage and the like. The Company also enforces the control of environmentally restricted substances for product raw materials to reduce the environmental impact. The Company's improved energy efficiency results: 6,153K kWh of electricity used in 2018, with the target is to reduce electricity consumption by 1% per annum. The Company's electricity consumption in 2021 was 5,666K kWh, and the overall reduction of electricity consumption over three years reaches about 8%.</p>	No deviation

Promotional Item	Implementation Status		Description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof																								
	Yes	No																										
(III) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		<p>Description of how the Company has evaluated the potential risks and opportunities of climate change for the business now and in the future, the evaluation results and the measures taken to address them:</p> <p>The Company's environmental safety committee team has evaluated and identified the potential risks and opportunities of climate change to the enterprise now and in the future. The risks identified include water shortage, power limitation, flooding, increase in operating costs, impairment of assets and the like. The measures to be taken are to improve the recovery time of operation-related support systems, shorten the time to return to normal operation, implement a mechanism to handle material abnormal events, and continue to pay attention to and comply with relevant energy and environmental regulations. The potential opportunities of climate change for the Company in the future are the use of energy-efficient electrical appliances, which will be addressed by continuous research and development and mass production of low energy consumption related products.</p>	No deviation																								
(IV) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of wastes in the last two years, and formulate policies on energy saving and carbon reduction, greenhouse gas reduction, water reduction, or wastes management?	✓		<p>1. Description of the statistical data, intensity (e.g. service or turnover calculated by per unit product) and data coverage (e.g. all plants and subsidiaries) of the following items in the last two years:</p> <p>The coverage of greenhouse gases (scope1, scope2), water consumption, and waste volume is for the Company's Hsinchu Headquarters, where the values of each information have not been verified by a trusted third party.</p> <p>(1) Greenhouse gases</p> <p style="text-align: right;">Unit: Ton</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Data coverage</th> <th colspan="2">Hsinchu Headquarters</th> <th>Global</th> <th rowspan="2">Total</th> <th rowspan="2">Turnover (NT\$ billion)</th> <th rowspan="2">Intensity (Ton CO2/NT\$ 100 million)</th> </tr> <tr> <th>Scope1</th> <th>Scope2</th> <th>Scope3</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>60</td> <td>3,092</td> <td>504,432</td> <td>507,584</td> <td>35.5</td> <td>14,298</td> </tr> <tr> <td>2021</td> <td>58</td> <td>2,997</td> <td>No information yet</td> <td>—</td> <td>61.5</td> <td>No information yet</td> </tr> </tbody> </table>	Data coverage	Hsinchu Headquarters		Global	Total	Turnover (NT\$ billion)	Intensity (Ton CO2/NT\$ 100 million)	Scope1	Scope2	Scope3	2020	60	3,092	504,432	507,584	35.5	14,298	2021	58	2,997	No information yet	—	61.5	No information yet	No deviation
Data coverage	Hsinchu Headquarters		Global		Total	Turnover (NT\$ billion)	Intensity (Ton CO2/NT\$ 100 million)																					
	Scope1	Scope2	Scope3																									
2020	60	3,092	504,432	507,584	35.5	14,298																						
2021	58	2,997	No information yet	—	61.5	No information yet																						

Promotional Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof																																						
	Yes	No	Description																																							
			<p>(2) Water consumption</p> <p style="text-align: right;">Unit: Ton</p> <table border="1"> <thead> <tr> <th>Data coverage</th> <th>Hsinchu Headquarters</th> <th>Intensity (Ton/NT\$ 100 million)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>70,268</td> <td>1,979</td> </tr> <tr> <td>2021</td> <td>66,692</td> <td>1,084</td> </tr> </tbody> </table> <p>(3) Waste</p> <p style="text-align: right;">Unit: Ton</p> <table border="1"> <thead> <tr> <th>Data coverage</th> <th>Hsinchu Headquarters</th> <th>Intensity (Ton/NT\$ 100 million)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>56</td> <td>1.6</td> </tr> <tr> <td>2021</td> <td>58</td> <td>0.9</td> </tr> </tbody> </table> <p>2. Description of the policies for greenhouse gas reduction, water reduction or other waste management, including but not limited to: base-year data, reduction targets, promotion measures and achievement: The Company's policies on greenhouse gas reduction, water use reduction or other waste management are: (1)Energy saving, pollution prevention, and resource recovery (2)Encouraging the use of environmentally friendly packaging materials to reduce resource consumption (3)Implementing green design and providing energy-saving products The promotion and achievement are as follows:</p> <table border="1"> <thead> <tr> <th colspan="4">Base-year: 2020</th> </tr> <tr> <th>Item</th> <th>Greenhouse gases</th> <th>Water</th> <th>Waste</th> </tr> </thead> <tbody> <tr> <td>Reduction target</td> <td>From 2016 onwards, the target will be to reduce carbon emissions by 1% each year.</td> <td>None</td> <td>None</td> </tr> <tr> <td>Reduction measures</td> <td>1. Replacing with LED lamps 2. Cleaning heat dissipation materials of cooling water tower</td> <td>1. Installing water economizers 2. Advocating water conservation</td> <td>Recycling and reuse of packaging materials</td> </tr> <tr> <td>Achievement</td> <td>3%</td> <td>None</td> <td>None</td> </tr> </tbody> </table>	Data coverage	Hsinchu Headquarters	Intensity (Ton/NT\$ 100 million)	2020	70,268	1,979	2021	66,692	1,084	Data coverage	Hsinchu Headquarters	Intensity (Ton/NT\$ 100 million)	2020	56	1.6	2021	58	0.9	Base-year: 2020				Item	Greenhouse gases	Water	Waste	Reduction target	From 2016 onwards, the target will be to reduce carbon emissions by 1% each year.	None	None	Reduction measures	1. Replacing with LED lamps 2. Cleaning heat dissipation materials of cooling water tower	1. Installing water economizers 2. Advocating water conservation	Recycling and reuse of packaging materials	Achievement	3%	None	None	
Data coverage	Hsinchu Headquarters	Intensity (Ton/NT\$ 100 million)																																								
2020	70,268	1,979																																								
2021	66,692	1,084																																								
Data coverage	Hsinchu Headquarters	Intensity (Ton/NT\$ 100 million)																																								
2020	56	1.6																																								
2021	58	0.9																																								
Base-year: 2020																																										
Item	Greenhouse gases	Water	Waste																																							
Reduction target	From 2016 onwards, the target will be to reduce carbon emissions by 1% each year.	None	None																																							
Reduction measures	1. Replacing with LED lamps 2. Cleaning heat dissipation materials of cooling water tower	1. Installing water economizers 2. Advocating water conservation	Recycling and reuse of packaging materials																																							
Achievement	3%	None	None																																							

Promotional Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
IV. Social issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company's appointment policy complies with internationally recognized international conventions (including the "Universal Declaration of Human Rights", "International Covenant on Economic, Social and Cultural Rights", "International Covenant on Civil and Political Rights", and "Declaration of Fundamental Principles and Rights of the International Labor Organization", as well as other laws and regulations. The Company does not treat people in different ways due to their race, socioeconomic class, language, ideology, religion, party, birthplace, gender, marriage, appearance, physical obstacles or previous union memberships. The Company has established appropriate internal management methods and procedures, and regularly accepts the audit conducted by its internal units, certification units and customers, so as to ensure the implementation thereof.	No deviation
(II) Has the Company established and does it implement reasonable benefits for employees (including compensation, leave, and other benefits), and reflects the business performance or results in employee's compensation appropriately?	✓		As for the Company's benefits to its employees, the Company provides its employees with the flexible leave superior to that stipulated by Labor Standard Act, in addition to compliance with Labor Standard Act, as well as related laws and regulations. Compensation: The Company has established internally the bonus payment principles and incentive bonus implementation methods, and it provides employee with stock trusts and employee stock options to reward employees. Other benefits: The Company has established Employee Benefit Committee, group insurance measures, health examinations for senior managers, as well as marriage, funeral, celebration, paternal, and emergency subsidiaries, and it provides family security services to take and send employee's child(ren) after school for free, after-school guidance, and other childcare measures. The Company was awarded the "Friendly Workplace" certification mark granted by the Labor Committee of Executive Yuan in 2008, commended by the Labor Committee of Executive Yuan as an excellent EAPs business unit in 2011, and granted with the Family LOHAS Award and Health LOHAS Award in the first "Work-Life Balance Award" granted by the Ministry of Labor in 2014.	No deviation
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		The Company has established a healthy and safe working environment, by introducing effective methods, technologies and equipment, to prevent occupational disasters and diseases, improve employee's morale and health, and maintain product quality and service level. And the Company has set work safety management goals, and it regularly tracks, improves and formulates standardized emergency response procedures, provides various safety response drills as well as first aid educations and trainings every year, and offers health examination as well as safety and health education, etc. to employees. Moreover, the Company passed the OHSAS (Occupational Health and Safety Assessment Series) 18001:2007 certification as early as in 2008.	No deviation
(IV) Does the Company provide its employees with effective career ability development and training plans?	✓		The Company plans for and encourages employees to accept continued education, and provides them with continued education courses, channels, subsidies and leave, as well as continued education without payment but with positions kept, based on their functions and class, so as to improve their professional skills and encourage diversified development.	No deviation

Promotional Item	Implementation Status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Description	
(V) Does the Company's products and services comply with related regulations and international rules for customers' health and safety, privacy, marketing, and marks, and set related policies and compliant procedures to protect consumers' rights and interest?	✓		The Company has obtained ISO 9001:2015 and other international certifications to ensure that customers satisfy with its product quality and services, and established customer communication channels. And it complies with international rules and relevant regulations to safeguard customer's safety and privacy. The Company also has formulated the "Procedures for Management of the Relationships with Customers", the "Procedures for Dealing with Customer Complaints", the "Packaging Operation Methods", as well as other measures and policies related to consumer rights and interests.	No deviation
(VI) Has the Company established the supplier management policies requesting suppliers to comply with relevant laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised its implementation?	✓		In order to achieve a sustainable development of the supply chain, the Company has formulated the "Supplier Management Procedures" and other related procedures managing suppliers in accordance with RoHS, Supply Chain Security Management System (C-TPAT), Code of Conduct - Responsible Business Alliance (RBA), and other relevant international regulations, and it implements the following policies for supply chain, so as to work together to improve corporate social responsibility: 1. Require suppliers to sign "EICC (RBA) Code of Conduct", "Environmental Protection Statement", "Non-use of Conflict Minerals Statement", and other related documents. 2. Etron's outsourcers shall have IECQ QC080000 or SONY GP (Green Partner) certification, sign the "Environmental Protection Statement", and provide the RoHS ICP test report on various raw materials issued by third-party laboratories to confirm the composition of hazardous substances, and they may be listed into the list of qualified suppliers after they are qualified as evaluated by the Company, in order to promote green procurement. 3. Require suppliers to establish an environmental, safety and health management system, and urge them to promote their sub-suppliers to implement Etron's environmentally restricted substances management and establish environmentally restricted substances system. 4. Regularly review and audit internal and external labor, ethics, environmental safety and health to confirm the effectiveness of the management system.	No deviation
V. Does the Company refer to internationally-used standards or guidelines for the preparation of reports to prepare CSR and other reports to disclose the Company's non-financial information? Are the reports certified or assured by a third-party accreditation body?		✓	1. Description of the international preparation standards or guidelines referred to and the report prepared to disclose non-financial information: The Company has not yet prepared a CSR for the year of 2021. 2. Description of the name of the entity that assures or verifies the Company's CSR, the items or scope verified and the standard it is based on: The Company has not yet prepared a CSR for the year of 2021.	The Company has not yet prepared a CSR for the year of 2021.
VI. Where the Company has established its own corporate sustainable development best-practice principles based on the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: The Company has established "Etron Corporate Social Responsibility Best Practice Principles" based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" to fulfill its corporate social responsibility and promote the balance among and sustainable development of economy, society and environmental ecology. The actual implementation status is consistent with the Principles formulated by the Company. Amendments will be made to the existing "Etron Corporate Social Responsibility Best Practice Principles" in response to the renaming of the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" to the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."				
VII. Other important information to facilitate a better understanding of sustainable development practices: (I) The Company has implemented and promoted sustainable development from the five aspects, i.e. labor, health and safety, environment, ethics, and management system, in accordance with the Code of Conduct - Responsible Business Alliance (RBA), and made disclosure the Company website. (II) Please refer to the Company website (http://www.etrn.com.tw/tw/aboutus/rba.php) for further information about the implementation of corporate social responsibility.				

(VI) Implementation of ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation Item	Implementation Status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Does the Company establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis the business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the prevention measures specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Has the Company provided any solutions to prevent the unethical conducts, and specify the definite procedures, conduct guidelines, punishment for violation as well as appeals system, and put them into practice, and review and revise on a regular basis the aforesaid solutions?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(I) The Company has established the "Codes of Ethical Conduct", the "Guidelines for the Adoption of Codes of Ethical Conduct for A Director, or Managerial Officer", and "Etron Ethical Corporate Management Best Practice Principles", as approved by the Board of Directors, requiring the Board of Directors, senior managements and all employees to make commitment for and actively implement ethical corporate management.</p> <p>(II) The Company has established the "Guidelines for the Adoption of Codes of Ethical Conduct for a Director, or Managerial Officer", the "Codes of Ethical Conduct", "Etron Ethical Corporate Management Best Practice Principles", "Etron Corporate Social Responsibility Best Practice Principles", and other related rules, in order to allow its employees to be aware of and understand ethical acts, and it will publish its internal PDMS in ethical management-related rules and documents for employee's inquiry at any time. In addition, the Company has established accounting system and internal control system. The internal auditors and external auditors regularly and irregularly inspect and review the compliance with and implementation of the said systems.</p> <p>(III) The Company has established related rules, specifying the definite procedures, conduct guidelines, punishment for violation as well as appeals system, and put them into practice, review the aforesaid solutions regularly, and revise them depending on actual situation.</p>	<p>No deviation</p> <p>No deviation</p> <p>No deviation</p>
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company evaluate counterparties' ethical records and expressly specify ethics-related clauses in the business contracts signed</p>	<p>✓</p>		<p>(I) The Company makes relevant evaluations on all of its counterparties, and signs similar clauses. In the future, it will continue to comprehensively implement the policies of signing relevant statements with its counterpar-</p>	<p>No deviation</p>

Evaluation Item	Implementation Status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No		
with counterparties? (II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct? (III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly? (IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educations and trainings on ethical management?	✓ ✓ ✓ ✓	✓	ties or incorporating such clauses into the contracts. (II) The Company is committed to promoting the matters related to corporate social responsibility and ethical corporate management. However, no regular report is made to the Board of Directors at present. (III) The Company has specified related policies in the “Codes of Ethical Conduct”, and required employees to sign relevant commitments upon employing them, and has set up whistle-blowing systems on the Company’s internal and external websites. If any reports are accepted, a special team will be established to make investigation. (IV) The Company has established effective accounting systems and internal control systems, and had its internal audit unit to conduct regular audit to ensure their design and implementation continue to be effective, and entrusted a CPA to conduct the audit. (V) The Company holds 4 labor-management meetings every year, and promotes ethical management in the meetings, and it includes ethical management in the irregular educations and trainings held for new employees which were held for 4 times in 2021.	Description No deviation No deviation No deviation
III. Operation of the whistle-blowing system (I) Does the Company establish specific whistle-blowing system, reward/punishment system, and convenient whistle-blowing channels, and appoint proper dedicated person for the whistle-blowing objects?	✓		(I) In case of serious violation by any employee, necessary criminal and civil lawsuits will be made against him/her in accordance with laws, in addition to appropriate handling or termination of employment according to internal rules. Employees may submit reports to their direct supervisors or human resources supervisor via e-mail, whistle-blowing hotline, or confidential written documents. If the report is accepted, a special team will be established to make investigation.	No deviation

(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?	✓	(II) The Company has established the "Codes of Ethical Conduct". There are clear operating procedures for making complaints, investigations, and completion of investigations. The Company keeps confidential all related personnel who report or are reported.	No deviation
(III) Does the Company take measures to protect whistleblowers against improper treatment due to whistle-blowing?	✓	(III) The Company shall be obligated to keep confidential the identity of whistleblowers. If it is deemed as necessary during the investigation, the whistleblowers and the reported persons may be notified to make explanation, provide evidences, or conduct defend separately, so as to prevent whistleblowers from being treated improperly due to the whistle-blowing.	No deviation
IV. Enhanced disclosure of information Does the Company disclose its Ethical Corporate Management Best Practice Principles and the results of its implementation on the Company website and MOPS?	✓	The Company has disclosed its Ethical Corporate Management Best Practice Principles on the Company website and MOPS. Please refer to http://www.etrn.com.tw/tw/ir/audit.php? #01	There's no significant deviation, except for the effectiveness of its implementation.
V. If the Company has established its Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any deviation of implementation from the Principles: The Company's has established "Etron Ethical Corporate Management Best Practice Principles" requiring all Etron employees to conduct businesses under the Principles, so as to establish the corporate culture and sound development of ethical management. No deviation of implementation from the Principles formulated by the Company.			
VI. Other important information to facilitate the understanding of the implementation of ethical corporate management: The Company also has established the "Codes of Ethical Conduct" expressly specifying the terms and provisions related to employees' acts and code of ethics.			

(VII) Method for Inquiring the "Corporate Governance Best Practice Principles" and Relevant Regulations

1. Refer to the Company's website (<http://www.etrn.com.tw>) for downloads related to investment relations and corporate governance.
2. The Company has established its related rules for corporate governance. Please refer to Market Observation Post System.

(VIII) Other important information to facilitate a better understanding of the Company's corporate governance implementation status: none

(IX) Implementation status of internal control system

1. Statement on Internal Control

Etron Technology, Inc.
Statement on Internal Control System

Date: March 18, 2022

The Company hereby states the results of the self-evaluation on the internal control system for 2021 as follows:

- I. The Company duly understands that it is the responsibility of its Board of Directors and Managerial Officers to establish, implement, and maintain an internal control system, and the Company has established such system. Its purpose is to reasonably ensure the achievement of the goals for the effectiveness and efficiency of operations (including income, performance, and asset safety), the reliability, timeliness, and transparency of reporting, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to the changes in environment and circumstances. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate correction actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the aforesaid criteria.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This Statement is an integral part of the Company's Annual Report and prospectus and will be disclosed to the public. Any falsehood, concealment, or other illegality in the contents disclosed to the public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. It is hereby stated that this Statement was approved by the Board of Directors on March 18, 2022, and none of the eight Directors in attendance objected to it and all consented to the contents expressed in this Statement.

Etron Technology, Inc.

Chairman & CEO: Nicky Lu

President: Elvis Deng

2. Where a CPA has been engaged to carry out an audit on the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalty imposed on the Company or its personnel in accordance with laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules in 2021 and as of the date of the publication of the Annual Report, as well as details of the penalties, major deficiencies and subsequent improvements if any possible significant impact of the penalties on shareholder's interests or security price: None.

(XI) Important Resolutions made by the Shareholders' Meeting and Board of Directors in 2021 and As of the Date of Publication of the Annual Report

1. Major Resolutions of Shareholders' Meeting and Implementation

Proposal in 2021 Shareholders' Meeting	Subsequent Implementation Status
Proposal for ratification of the Company's 2020 Business Report and Financial Statement.	N/A
Ratification of the Company's 2020 Loss Recovery Plan	N/A
Proposal for re-election of Directors of the Company	Election of Mr. Nicky Lu, Mr. Elvis Deng, Chiu Chiang Investment Co., Ltd. and Representatives of Kai Chun Investment Corp. (Miss Mei Ling, Hsu and Mr. Bor-Doou Rong) to act as Directors, as well as Mr. Miss Ai-Chen, Wang, Mr. Jen-Hung, Tseng, Miss Yun-Chieh, Huang and Mr. Teng-Wei, Wang to act as Independent Directors.
Proposal for lifting the non-competition restrictions on Directors	Lifting the non-competition restrictions on Directors per the resolution of the shareholders' meeting

2. Important resolutions made by the Board of Directors

Date	Session	Summary
3/24/2021	The 12th session of the 10th meeting	<ul style="list-style-type: none"> ■ 2020 Final Statement ■ 2020 Loss Recovery Plan ■ 2020 Statement on Internal Control System ■ Proposal for not to proceed with the private security offering approved at 2020 Annual Shareholders' Meeting ■ Proposal for re-election and acceptance of nomination for the Board of Directors ■ The list of Director candidates to be nominated by the Board of Directors and the proposal for lifting the non-competition restrictions on new Directors at the Annual Shareholders' Meeting. ■ Matters related to convening 2021 Annual Shareholders' Meeting ■ 2021 business plan
5/5/2021	The 13th session of the 10th meeting	<ul style="list-style-type: none"> ■ Consolidated Financial Report for the first quarter of 2021 ■ Proposal for appointment of Corporate Governance Supervisor and amendment to the Rules Governing the Meeting Procedures of Board of Directors
6/15/2021	The 14th session of the 10th meeting	<ul style="list-style-type: none"> ■ Matters related to convening the Company's 2021 Annual Shareholders' Meeting
7/12/2021	The 1st Session of the 11th Board of Directors' Meeting	<ul style="list-style-type: none"> ■ Proposal for election of Chairman of the Board ■ Proposal for appointing members of Compensation Committee ■ Proposal for reporting the FSC for issuance of employee share subscription warrants
8/9/2021	The 2nd Session of the 11th Board of Directors' Meeting	<ul style="list-style-type: none"> ■ Consolidated Financial Report for the second quarter of 2021 ■ Proposal for amending the measures for issuance of the employee share subscription warrants and issuance of employee share subscription warrants in 2021 ■ Proposal for update of lifting the non-competition restrictions on managerial officers
11/10/2021	The 3rd session of the 11th meeting	<ul style="list-style-type: none"> ■ Consolidated Financial Report for the third quarter of 2021 ■ 2022 business plan
3/18/2022	The 4th Session of the 11th Board of Directors' Meeting	<ul style="list-style-type: none"> ■ 2021 Final Statement ■ Distribution of 2021 compensation to employees and Directors ■ 2021 Earnings Distribution ■ 2021 Capital Increase by Retained Earning ■ 2021 Statement on Internal Control System ■ Proposal for replacing the independent certified CFAs of financial statements and evaluating their independence in 2022 ■ Amendments to the Procedures for Acquisition and Disposal of Assets ■ Proposal for re-election of an Independent Director and nomination of Independent Director candidate ■ The list of Independent Director candidates to be nominated by the Board of Directors and the proposal for lifting the non-competition restrictions on the new Independent Director at the Annual Shareholders' Meeting. ■ Matters related to convening the Company's 2022 Annual Shareholders' Meeting ■ Proposal to issue domestic unsecured convertible bonds for the third time ■ Proposal for appointment of Corporate Governance Supervisor ■ Proposal for lifting the non-competition restrictions on managerial officers

(XII) Where there are recorded or written important resolutions approved by the Board of Directors to which Directors or Audit Committee have/has different opinions in 2021 and as of the date of publication of the Annual Report, their major contents shall be specified: None.

(XIII) Resignation or dismissal of the Company's Chairman, President, Chief Accounting Officer, Chief Financial Officer, Internal Audit Supervisor, Chief Governance Officer, and R&D Director, etc. in 2021 and as of the date of publication of the Annual Report

Position	Name	Date of appointment	Date of termination	Reasons for resignation or dismissal
Corporate governance supervisor	Warren Chen	2021.6.18 (note)	2021.11.18	Job adjustment

Note: Fill in the date when taking the office of Audit Supervisor.

V. Information on CPA Professional Fees

(I) CPA Professional Fees

Unit: NT\$ thousand

Name of CPA Firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Company Registration	Human Resources	Others	Subtotal		
Pricewaterhousecoopers, Taiwan	Tsai-Yen, Chiang, Fang-Yu, Wen	5,500	0	125	0	1,800	1,925	2021	The field of Others under Non-audit Fees lists NT\$1,000 thousand for filing Profit-seeking Enterprise Income Tax certified and NT\$800 thousand for certification of transfer pricing report.

(II) When the CPA Firm is changed, and decrease in the audit fees paid for the year when such change is made as compared with the previous year: None.

(III) Audit fees paid for the year are at least 10% less than those paid for the previous year: None.

VI. Information on Replacement of CPA

(I) Regarding the former CPAs

Date of Replacement		March 18, 2022	
Replacement Reasons and Explanations		Internal adjustment of Pricewaterhouse-Coopers, Taiwan	
Termination or refusal of appointment by the Company the CPAs	Party		CPA
	Termination by the Company		N/A
	Termination by the CPAs		N/A
Opinions (Other than Unqualified Opinions) in the Past 2 Years and Reasons		N/A	
Deviation form the Issuer		Yes	Accounting Principles or Practices
			Disclosure of Financial Reports
			Audit Scope or Steps
			Others
		None	<input checked="" type="checkbox"/>
		Description: N/A	
Other Disclosures		N/A	

(II) Regarding the succeeding CPAs

Name of CPA Firm	PricewaterhouseCoopers, Taiwan
Name of CPA	Tsai-Yen, Chiang/Sheng-Zhong, Hsu
Date of Appointment	March 18, 2022
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	N/A
Succeeding CPA's written opinion of disagreement toward the former	N/A

- | | |
|-----|--|
| CPA | |
|-----|--|
- (III) Former CPAs' reply to disclosures under items 1 and 2-3, subparagraph 6, Article 10 of the Guidelines for the Items to be Recorded in the Annual Reports of Public Companies: N/A.

VII. The Company's Chairman, Presidents, or Managerial Officers in Charge of Finance or Accounting Holding any Positions in CPA Firm or Its Affiliates in the Most Recent One Year

None

VIII. Change in the Shareholding of and the Shares Pledged by the Directors, Managerial Officers, and Shareholders Holding More Than 10% Shares in the Company

- (I) Change in the shareholding of the Directors, Managerial Officers, and major shareholders

Position	Name	2021		April 10, 2022	
		Increase (Decrease) in number of shares held	Pledged Shares Increase (Decrease)	Increase (Decrease) in number of shares held	Pledged Shares Increase (Decrease)
Chairman & CEO	Nicky Lu	0	0	0	0
Directors	Chiu Chiang Investment Co., Ltd.	0	0	0	0
Director and President	Elvis Deng	392,000	0	0	0
Directors	Kai Chun Investment Corp.	0	0	0	0
Independent Director	Ai-Chen, Wang	0	0	0	0
Independent Director	Jen-Hung, Tseng	0	0	0	0
Independent Director	Yun-Chieh, Huang	0	0	0	0
Director Representative, Senior Vice President and R&D Director	Bor-Doou Rong	(146,000)	0	(65,000)	0
Special Assistant	David Leu	(80,000)	0	(20,000)	0
Vice President and R&D Supervisor	Chun Shiah	294,000 (290,000)	0	0	0
Vice President	Wan-Ta, Kan (Note)	0	0	N/A	N/A
Vice President	Kuo, Ming-Hong (Note)	0	0	0	0
Vice President	Mei-li, Lin	3,000	0	78,000	0
Group General Counsel	Teng-Wei, Wang (Note 2)	0	0	0	0
Assistant Vice President	Wen-Chi, Wang	(299,608)	0	0	0
Assistant Vice President	Hung, Fu-Yung	(20,000)	0	(5,000)	0
Assistant Vice President	Chung, Jung-Kun	100,000	0	(100,000)	0
Assistant Vice President	Yao, Tzu-Chin	200,000	0	(120,000)	0
Corporate Governance Supervisor	Warren Chen (Note)	0	0	N/A	N/A
Accounting Supervisor and Corporate Governance Supervisor	Cheng, Yu-Chia	100,000	0	100,000	0
Finance Supervisor	Hsieh, Jui-Ling	0	0	0	0

Note: Kuo, Ming-Hong assumed office on January 14, 2021; Wan-Ta, Kan retired on January 15, 2021; Warren Chen assumed the position of Director Representative on March 1, 2021, was relieved on July 2, 2021 due to re-election at the shareholders' meeting, and was relieved as Corporate Governance Supervisor on November 18, 2021; Wang, Teng-Wei assumed the position of Independent Director on July 2, 2021, and was re-designated as Group Legal Counsel on January 24, 2022. This Table only discloses the changes in their shareholding during their tenures.

- (II) Shares pledged: None.

(III) Equity changed: None.

IX. Relationship among the Company's Top 10 Shareholders in Shareholding Percentage

April 10, 2022; Unit: shares, %

Name	Current shareholding		Spouse & minor child(ren) shareholding		Shareholding under others' names		Among the top ten shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Nicky lu	14,613,757	5.41	11,380,694	4.21	0	0.00	Shu-chuan, liao	Spouse	None
							Min-chuan, liao	Relative within the second degree of kinship	
Shu-chuan, liao	11,380,694	4.21	14,613,757	5.41	0	0.00	Nicky lu	Spouse	None
							Min-chuan, liao	Relative within the second degree of kinship	
Mei-ling, liao	3,687,885	1.36	3,034,053	1.12	0	0.00	Ming-yu, tsai	Spouse	None
Jpmorgan chase bank n.a. taipei branch - vanguard emerging markets stock index fund, a series of vanguard international equity index funds	3,444,960	1.27	N/a						None
Jpmorgan chase bank n.a. taipei branch - vanguard total international stock index fund, a series of vanguard star funds	3,059,651	1.13	N/a						None
Ming-yu, tsai	3,034,053	1.12	3,687,885	1.36	0	0.00	Mei-ling, liao	Spouse	None
Min-chuan, liao	2,164,185	0.80	0	0.00	0	0.00	Nicky lu	Relative within the second degree of kinship	None
							Shu-chuan, liao	Relative within the second degree of kinship	
Liang, xuan-li	1,433,000	0.53	0	0.00	0	0.00	Liang, an	Relative within the second degree of kinship	None
Liang, an	1,433,000	0.53	0	0.00	0	0.00	Liang, xuan-li	Relative within the second degree of kinship	None
Huang, yu-wen	1,243,000	0.46	0	0.00	0	0.00	-	-	None

X. Number of Shares and Total Equity Stake Held in the Same Reinvested Companies by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Directly or Indirectly by the Company

December 31, 2021; Unit: shares, %

Re-invested Business	Investment by the Company		Investment by Directors, Managerial Officers and by the companies directly or indirectly controlled by the Company		Comprehensive Investment	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Eutrend Technology Inc.	2,702,522	93.57	54	0.00	2,702,576	93.57
Kinglord Corp.	25,458	100.00	0	0.00	25,458	100.00
Plusway Corp.	10,485	100.00	0	0.00	10,485	100.00
Kingwell Investment Corp.	13,183,000	100.00	0	0.00	13,183,000	100.00
Kingcharm Investment Corp.	18,000,000	100.00	0	0.00	18,000,000	100.00
Intercosmos Group Ltd.	5,292	100.00	0	0.00	5,292	100.00
Creative Ally Limited	3,720	100.00	0	0.00	3,720	100.00
eEver Technology Limited	14,250,001	50.42	6,230,978	22.05	20,480,979	72.47
eYs3D Microelectronics, Inc.	40,050,984	58.66	6,858,484	10.04	46,909,468	68.70
eCapture Ltd. Co.	11,666,667	100.00	0	0.00	11,666,667	100.00
Insignis Technologies, Inc.	24,500,000	100.00	0	0.00	24,500,000	100.00
DeCloak Intelligences Co.	1,862,209	77.75	260,000	10.86	2,122,209	88.61

Chapter 4 Capital Overview

I. Capital and Shares

(I) Source of Capital

1. Formation of capital stock

April 10, 2022

Year	Month	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Note		
			Number of Shares (thousand shares)	Amount (NT\$ thousand)	Number of Shares (thousand shares)	Amount (NT\$ thousand)	Source of Capital	Payment for Shares by Assets Other than Cash	Others
2021	12	25.5	650,000	6,500,000	269,869.3	2,698,693	NT\$21,620 thousand covered from employee share subscription warrants	None	Note 1
2022	4	25.5	650,000	6,500,000	269,929.3	2,699,293	NT\$600 thousand covered from employee share subscription warrants	None	Note 2

Note 1: Zhu Shang Zi No.1100035338 dated December 1, 2021

Note 2: Zhu Shang Zi No.1110010241 dated April 6, 2022

2. Type of Shares

April 10, 2022

Type of Shares	Authorized Capital			Note
	Issued Shares	Unissued Shares	Total	
Registered Ordinary Shares	269,929 thousand shares	380,071 thousand shares	650,000 thousand shares	1. 65,000 thousand shares were reserved as employee share subscription warrants for employees to exercise their employee stock options. 2. The Company's ordinary shares are listed in TPEX.

Note: There are still 428 thousand ordinary shares converted from employee share subscription warrants that have not been registered for change.

3. Shelf Registration-related information: The Company has not handled Shelf Registration.

(II) Structure of Shareholders

April 10, 2022; Unit: share

Structure of Shareholders Number	Government Agencies	Financial Institutions	Other Corporate Shareholders	Foreign Institutions and Natural Persons	Individual	Total
Number of Shareholders	2	3	233	127	77,876	78,241
Shares Held	51	607,257	6,379,531	16,578,082	246,792,426	270,357,347
Shareholding %	0.00	0.22	2.36	6.13	91.29	100.00

(III) Distribution of Shares

April 10, 2022; Unit: share

Range of Shares	Number of Shareholders	Shares Held	Shareholding %
1-999	32,368	4,035,426	1.49%
1,000-5,000	39,141	72,061,034	26.66%
5,001-10,000	3,766	28,982,716	10.72%
10,001-15,000	1,018	12,866,240	4.76%
15,001-20,000	643	11,792,668	4.36%
20,001-30,000	492	12,671,683	4.69%
30,001-40,000	217	7,771,719	2.87%
40,001-50,000	139	6,403,079	2.37%
50,001-100,000	241	16,949,543	6.27%
100,001-200,000	123	17,093,010	6.32%
200,001-400,000	57	15,560,483	5.76%
400,001-600,000	13	6,444,471	2.38%
600,001-800,000	3	2,209,031	0.82%
800,001-1,000,000	7	6,361,737	2.35%
1,000,001 shares and above	13	49,154,507	18.18%
Total	78,241	270,357,347	100.00%

(IV) List of major shareholders

April 10, 2022; Unit: shares, %

Name of Major Shareholder	Number of Shares	Shareholding Ratio
Nicky Lu	14,613,757	5.41
Shu-Chuan, Liao	11,380,694	4.21
Mei-Ling, Liao	3,687,885	1.36
JPMorgan Chase Bank N.A. Taipei Branch - Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	3,444,960	1.27
JPMorgan Chase Bank N.A. Taipei Branch - Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,059,651	1.13
Ming-Yu, Tsai	3,034,053	1.12
Min-Chuan, Liao	2,164,185	0.80
Liang, Xuan-Li	1,433,000	0.53
Liang, An	1,433,000	0.53
Huang, Yu-Wen	1,243,000	0.46

(V) Market price per share, net worth, earnings, dividends, and related information in the most recent two years

Unit: NT\$; thousand shares

Item		Year	2020	2021	Current Year as of March 31, 2022
Market Price per Share	Highest		27.70	104.00	93.00
	Lowest		4.14	19.70	69.20
	Average		16.27	55.31	81.54
Net Worth per Share	Before Distribution		10.76	15.34	Note 2
	After Distribution		10.76	Note 1	Note 2
Earnings per Share	Weighted Average Shares		223,463	268,602	Note 2
	Original Earnings per Share		(1.14)	3.91	Note 2
	Adjusted Earnings per Share		(1.14)	3.91	Note 2
Dividends per Share	Cash Dividends		—	Note 1	Note 1
	Stock Dividends	Stock Dividends Appropriated from Earnings	—	Note 1	Note 1
		Stock Dividends Appropriated from Capital Surplus	—	Note 1	Note 1
	Accumulated Unpaid Dividends		—	Note 1	Note 1
Return on Investment	Price/Earnings Ratio		—	Note 1	Note 1
	Price/Dividend Ratio		—	Note 1	Note 1
	Cash Dividends Yield		—	Note 1	Note 1

Note 1: Subject to the resolution of the shareholders' meeting.

Note 2: As at the date of printing of the annual report, no information has been reviewed by the CPAs.

(VI) The Company's dividends policy and Implementation status

1. Dividend policy in the Articles of Incorporation

If the Company has earnings in its final account for the year, it shall first use the earnings to pay taxes and recover losses, and then set aside 10% as statutory surplus reserve and set aside or write off special surplus reserve according to the resolutions made by the Shareholders' Meeting or competent authority's order. Thereafter, the Board of Directors shall draft a distribution proposal for any remaining balance in retained earnings and previously accumulated undistributed earnings, and shall make request to the Shareholders' Meeting for its resolution to distribute the same. The Company's dividends policy is formulated by its Board of Directors, based on the Company's mid- and long-term operating plans, investment plans, capital budgeting and changes in internal and external circumstances, and by considering the interests of shareholders. In addition to the distribution of earnings according to the provisions of the preceding paragraph, the cash dividends paid to shareholders in the current year shall not be less than 5%.

2. Distribution of dividends proposed at this Shareholders' Meeting: The Company proposes to distribute cash dividends of NT\$0.8 per share, totaling NT\$215,943 thousand, and stock dividends of NT\$0.5 per share, totaling NT\$134,965 thousand.

(VII) Effect on the Company's operating performance and earnings per share of distribution of stock dividends proposed at the Shareholders' Meeting: According to the "Regulations Governing the Publication of Financial Forecasts of Public Companies," the Company does not need to disclose financial forecast information.

(VIII) Compensations paid to employees, Directors, and Supervisors

1. Percentage or range of the compensations paid to employees and Directors as set forth in the Articles of Incorporation

The Company shall distribute no less than 12% of the current year's earnings as the compensation to employees, and no more than 2% of the current year's earnings as the compensation to Directors. If there are accumulated losses, the Company shall recover them. The employees to whom compensation shall be paid in shares or cash and the objects to whom shares or cash shall be distributed may include the employees of the Company's subordinated companies that meet certain criteria. The current year's earnings referred to in paragraph one shall mean the pre-tax earnings of the current year before deduction of the compensation to employees and Directors. Distribution of compensations to employees and Directors shall be implemented as approved by more than half of the Directors present at the Board of Directors' meeting attended by over two-thirds of the Directors, and shall be reported to the Shareholders' Meeting.

2. The basis for estimating the amount of employee and Director compensations, and for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

The compensations to employees and Directors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be estimated reliably. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in accounting estimates. In addition, the Company calculates the number of bonus shares by using the fair value per share on the date before the resolution date of the Shareholders' Meeting in the following year of the publication date of the Financial Report and after considering the impact of ex-dividends amount.

3. Information on any approval by the Board of Directors of distribution of compensation

- (1) The amount of employee compensation and Director compensation paid in cash or shares: On March 18, 2022, the Company's Board of Directors resolved to distribute

employees' compensation of NT\$119,001 thousand and Directors' compensation of NT\$19,833 thousand in cash, which is not different from the annual estimated amount of the recognized expenses.

- (2) Proportion of employee compensation paid by shares in the after-tax net profits specified in the Individual Financial Report of current period, and in the total employee compensation: N/A

4. Actual distribution of employee and Director compensations for the previous year: None.

(IX) The Company's shares repurchased by the Company: None

II. Issuance of Corporate Bonds

On March 18, 111, the Company's Board of Directors resolved to apply for the third domestic convertible bond. As of April 10, 111, the printing date of the annual report, the application was pending submission to the FSC.

III. Issuance of Preferred Shares: None.

IV. Issuance of Global Depository Receipts (GDRs): None.

V. Issuance of Employee Share Subscription Warrants

(I) Information on the subscription warrants not due

April 10, 2022

Type of Employee Subscription Warrants	The 1st Stock Options in 2015	The 2nd Stock Options in 2015	The 3rd Stock Options in 2015	2021
Effectiveness Date of Declaration	1/12/2016			7/29/2021
Issuance Date	3/23/2016	8/10/2016	11/10/2016	8/9/2021
Number of Issued Units	7,300 units	300 units	400 units	8,000 units
Ratio of Issued Subscriptions in the Total Number of Shares Issued	1.67%	0.07%	0.09%	2.99%
Stock Option Survival Period	8 years			6 years
Method of Performance	Issuance of New Shares			Issuance of New Shares
Restricted Subscriptions Period and Ratio	For a period of two years: 40%; for a period of three years: 70%; for a period of four years: 100%			For a period of two years: 50%; for a period of three years: 75%; for a period of four years: 100%
Shares Received	2,572 thousand shares	0 thousand shares	0 thousand shares	0 thousand shares
Amount of Subscription Executed	NT\$65,586 thousand	NT\$ 0 thousand	NT\$ 0 thousand	NT\$ 0 thousand
Unexecuted Subscription Quantity	2,528 thousand shares	0 share (all have expired)	0 share (all have expired)	7,596 thousand shares
Subscription Price per Share for Individuals with Share Options	NT\$25.5	N/A	N/A	NT\$46.75
Proportion of Unexecuted Shares in Total Issued Shares	0.94%	0%	0%	2.81%
Impact on Shareholder's Interests	Small Proportion in Total Issued Shares, with little impact			

Note: The total number of issued shares is 269,929,347 shares. The expired subscriptions have been deducted from the unexecuted subscriptions.

(II) The names, acquisition, and subscription status of the Managerial Officers who accumulatively obtained employee share subscription warrants and the top ten employees who obtained the subscriptions

April 10, 2022; Unit: thousand shares; NT\$ thousand; %

Position	Name	Stock Subscriptions Obtained	Proportion of the Stock Subscriptions Obtained in the Total Number of Shares Issued	Executed				Unexecuted				
				Subscription Quantity	Subscription Price (NT\$)	Subscription Amount	Proportion of Subscription Quantity in the Total Number of Shares Issued	Subscription Quantity	Subscription Price (NT\$)	Subscription Amount	Proportion of Subscription Quantity in the Total Number of Shares Issued	
Managerial Officer	CEO	Nicky Lu	5,724	2.12	970	25.5	24,735	0.36	4,754	25.5 46.75	172,737	1.76
	President	Elvis Deng										
	Special Assistant	David Leu										
	Senior Vice President and R&D Supervisor	Bor-Doou Rong										
	Vice President	Wan-Ta, Kan (Note 2)										
	Vice President and R&D Supervisor	Chun Shiah										
	Vice President	Kuo, Ming-Hong										
	Vice President	Mei-li, Lin										
	Assistant Vice President	Wen-Chi, Wang										
	Assistant Vice President	Hung, Fu-Yung										
	Assistant Vice President	Chung, Jung-Kun										
	Assistant Vice President	Yao, Tzu-Chin										
	Accounting Supervisor and Corporate Governance Supervisor	Cheng, Yu-Chia										
	Finance Supervisor	Hsieh, Jui-Ling										
Corporate Governance Supervisor	Warren Chen (Note 2)											

Position	Name	Stock Subscriptions Obtained	Proportion of the Stock Subscriptions Obtained in the Total Number of Shares Issued	Executed				Unexecuted			
				Subscription Quantity	Subscription Price (NT\$)	Subscription Amount	Proportion of Subscription Quantity in the Total Number of Shares Issued	Subscription Quantity	Subscription Price (NT\$)	Subscription Amount	Proportion of Subscription Quantity in the Total Number of Shares Issued
Employee	Head of Division	Kuo-Pin, Wang	3,020	1.12	1,380	35,190	0.51	1,640	65,620	0.61	
	Head of Division	Ming-Sung, Lin									
	Head of Division	Tun-Chih, Chan									
	Head of Division	Chun-I, Liu									
	Head of Division	Liang-Neng, Chang									
	Head of Division	Hsiu-Ling, Kuo									
	Head of Division	Liang-Yun, Shih									
	Head of Division	Ting-Ting, Tsai									
	Head of Division	Zeng, Wei-Long									
	Head of Division	Que, Zhuang-Ying									

Note 1: The total number of issued shares is 269,929,347 shares.
Note 2: Vice President Wan-Ta, Kan retired on January 15, 2021, and Corporate Governance Supervisor Warren Chen was relieved on November 18, 2021
Note 3: The 2nd and the 3rd employee share subscription warrants in 2015 are all expired, and their information is not included in this table.

VI. Issuance of New Restricted Employee Shares: None

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None

VIII. Implementation of Capital Allocation Programs

The Company made cash capital increase as approved by the Jin Guan Zheng Fa Zi No.1090358063 Official Letter issued by the FSC dated October 6, 2020. The program was completed in the third quarter of 2021 on schedule, which indicates that various financial data have been improved to show the benefits of fund-raising.

(I) Contents of program

Unit: NT\$ thousand

Program	Estimated Completion Date	Total Funds Required	Estimated Fund Using Schedule			
			2020	2021		
			Q4	Q1	Q2	Q3
Repayment of Bank Loan	Q3 of 2021	800,000	180,000	216,500	24,000	379,500
Source of Funds	NT\$730,000 thousand was raised in the fourth quarter of 2020 through this fundraising program, and the remaining amount, NT\$70,000 thousand, was provided by its self-owned funds. The total NT\$800,000 thousand was used in full for repayment of bank loan					

Note: The Company did not change the program.

(II) Implementation Status

Unit: NT\$ thousand; %

Implementation Status of Program	Estimated Implementation		Actual Implementation	
	Amount	Progress	Amount	Progress
Q4 of 2020	180,000	22.50	180,000	22.50
Q1 of 2021	216,500	27.06	216,500	27.06
Q2 of 2021	24,000	3.00	24,000	3.00
Q3 of 2021	379,500	47.44	379,500	47.44
Accumulated	800,000	100.00	800,000	100.00

Unit: NT\$ thousand; %

Item	Before Fundraising		After Fundraising	2019 vs. 2020		2019 vs. 2021	
	December 31, 2019	December 31, 2020	December 31, 2021	Balance	Percentage of Change	Balance	Percentage of Change
Current Assets	3,308,972	3,537,225	4,171,320	228,253	6.90	862,348	26.06
Current Liabilities	1,788,260	1,634,675	2,213,578	(153,585)	(8.59)	425,318	23.78
Total Liabilities	3,798,808	3,176,995	2,893,715	(621,813)	(16.37)	(905,093)	(23.83)
Interest Expenses	66,767	51,318	36,688	(15,449)	(23.14)	(30,079)	(45.05)
Retrospective Net Income (Loss) per Share (NT\$)	(2.29)	(1.14)	3.91	1.15	50.22	6.20	2,070.74
Liability Ratio	62.29	52.44	41.14	(9.85)	(15.81)	(21.15)	(33.95)
Current Ratio	185.04	216.39	188.44	31.35	16.94	3.4	1.84
Quick Ratio	86.38	116.53	108.32	30.15	34.90	21.94	25.40

Note: Compared with the information specified in the Individual Financial Report audited and certified by CPAs.

Chapter 5 Operational Highlights

I. Business Contents

(I) Scope of Business

1. Major lines of business

- (1) Research, development, manufacturing (outsourcing), testing, and sales of semiconductor devices, including various types of integrated circuits and components thereof;
- (2) Management advisory, consulting service, and technology transfer regarding the products in the preceding paragraph;
- (3) Concurrently operating of the import and export tradings and businesses relating to the Company's businesses.

2. Proportion of main products

Unit: NT\$ thousand; %

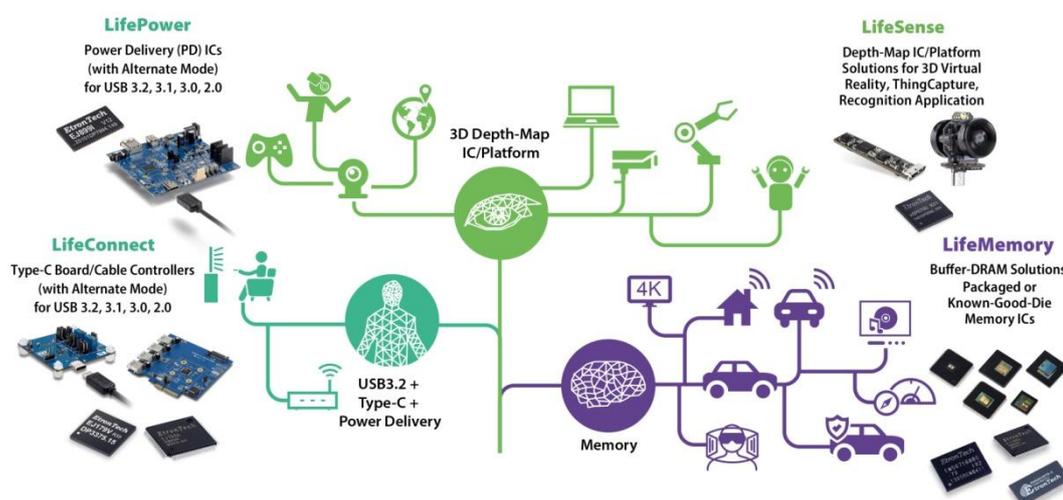
Type of Product	Year	2020		2021	
		Amount	%	Amount	%
Memory and analog logic ICs		3,545,232	99.85	6,135,671	99.83
Others		5,312	0.15	10,735	0.17
Total		3,550,544	100.00	6,146,406	100.00

3. Current products and services:

The Company is an IC Fabless company, whose main business is the design, development, sales and technical services of Application-Driven Buffer Memory and System Chip products. The Company's memory products include dynamic random-access memory (DRAM) and SPI NAND, while its system chip products include 3D binocular depth-map vision processing chip, 3D binocular image capture control chip, spherical 360° image capture chip, USB Type-C Switch and Power Delivery chip. The products are mainly applied to various products in broadband communications, wireless networks, virtual reality, digital audio and video, consumer electronics, smart homes, and security surveillance. With the strong growth in demand driven by 5G, AI end points, and automotive electronics, the Company has gradually introduced a series of products required for relevant applications.

4. New products planned to be developed

The Company has scheduled to develop more critical chips required for DRAM, System chips, multiple baseline 3D ThingCapture & imaging controller, 360 degree 3D sensing chips and modules, Type-C switch, Power Delivery, and other relevant new products.

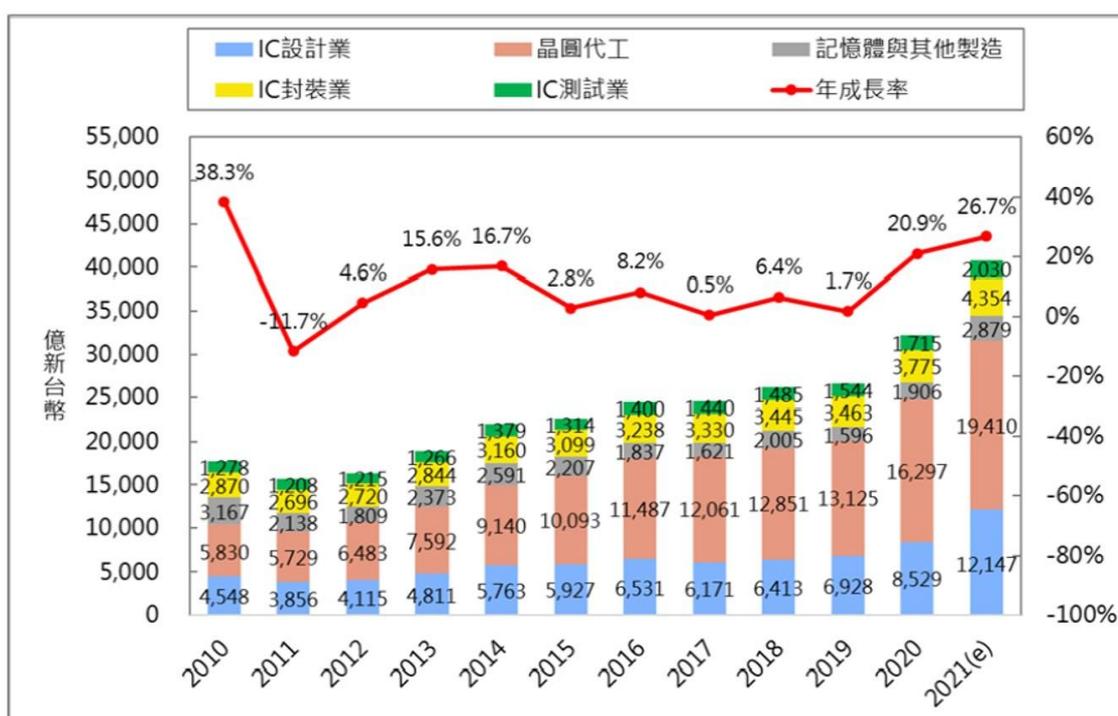


(II) Industry Overview

1. Industry Status and Development

In 2021, the overall market demand rebounded, coupled with the multiplication effect of epidemic, natural disasters, geopolitics and many other factors, resulting in the semiconductor market in short supply throughout the year. At present, it is generally believed that the shortage of chips may be difficult to solve in a short time.

As a major semiconductor hub, Taiwan's semiconductor industry also performed well in 2021. The annual output value exceeded NT\$4 trillion, an increase of 27% over last year, and the growth strength exceeded the world. The output values of IC design, IC manufacturing, and IC packaging and testing in the upstream, midstream, and downstream sections of the industry were NT\$1,214.7 billion (annual growth of 42%), NT\$2,228.9 billion (annual growth of 22%), and 435.4 billion (annual growth of 15%). The output values of foundry in IC manufacturing were NT\$1,941 billion (annual growth of 19%), and memory and other manufacturing categories were NT\$287.9 billion (annual growth of 51%). Looking ahead to 2022, applications such as AI, 5G, Internet of Things, electric vehicles, and low orbit satellites are expected to drive the overall market to continue to grow by 18%, and Taiwan's semiconductor output is expected to approach NT\$4.8 trillion. However, Russia-Ukraine war, China's epidemic lock-down and global inflation are creating a potential pressure to curb industry organic demand. As for the supply chain conditions, unable to ship due to waiting for out-of-stock parts, geopolitics and epidemic changes will all be the focuses of continuous observation.



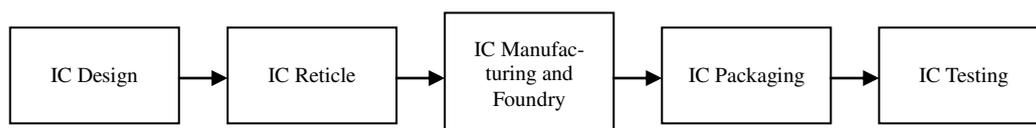
Source: IEK (February 2021)

2. The relationship of the upstream, midstream, and downstream sections of the industry

The semiconductor industry can be divided into sub-industries, including sensor, discrete, optoelectronics, and IC. Among them, the IC sub-industry can be subdivided into four categories: Analog IC, Memory, Microprocessor, and Logic IC depending per the product type. Meanwhile, the IC sub-industry can be divided into IC design, IC wafer manufacturing, IC packaging, and IC testing as per the vertical division of labor among the upstream, mid-

stream, and downstream. Even within the same technology category or industry, the capital and technology intensities vary.

The foundry that Taiwan's semiconductor industry has pioneered and the IC design models have developed rapidly. In addition, under the structure of a complete supply chain as required by the PC industry, many IC companies have emerged. With the complete vertical division of labor in the supply chain, the effect of "industrial cluster" has shown, and businesses can engage in division of labor with domestic and overseas businesses in any section of the supply chain, and then concentrate resources on a single field in the industry. This model has witnessed a positive effect. As per the industrial characteristics of the vertical division of labor in the IC industry, the upstream, midstream, and downstream sections can be subdivided into:



(1) IC Design

An IC design company is an integrated circuit product design company, and its main business is to design products on its own or accept design projects entrusted by clients. A professional IC design company will understand a client's needs for IC functions first, and then leverage its expertise to design the most efficient layout with the simplest circuits so as to produce a wafer that represents an integration of multiple chips.

(2) IC Manufacturing and Foundry

The operation of IC manufacturing is to print basic circuit patterns on wafers made by fabs with masks; then, fabricate circuits and their components on the wafers through oxidation, diffusion, CVD, etching, ion implantation and other methods. As the circuit design on the IC is a layered structure, it is necessary to go through the procedure of masks, pattern production, and formation of circuits and components repetitively before a complete integrated circuit can be made.

(3) IC Packaging and Testing

The packaging and testing industry is the back-end process of IC, which is often referred to as the packaging and testing industry. IC packaging mainly provides IC protection, heat dissipation, and circuit conduction. The processed wafers and the diced dies are coated with plastic, ceramic, and metal to protect the dies from external pollution and make it easier to be assembled and applied. IC testing is to detect whether the IC function is normal. As in the IC design industry, the Company is in the upstream section of the overall IC industry value chain. IC design does not require too much investment in hardware equipment for mass production, but requires high-quality human resources. Taiwan's IC design industry has gradually played a leading role in the market against the background of the growing consumer electronics and communications industries.

3. Various development trends and competition of products

(1) Product development trends

DRAM is an indispensable critical components in electronic products. Mobile phones, servers, and personal computers are the top three applications in the current market in terms of the demand, and the integration and development of AI, 5G network, and the Internet of Things (IoT) have driven more innovative applications. Driven by the de-

mand for these end products, the development of DRAM in recent years has shown the trends below:

A. Low power consumption

In recent years, energy efficiency is a major requirement for the increasingly common wearable electronic products and relevant IoT applications, and therefore there are stricter requirements for the power consumption of DRAM.

B. High speed

With the stricter requirements for the speed of end products, the transmission specifications of DRAM are also evolving. The current specification in the market has been pushed from DDR4 to DDR5.

C. Miniaturisation

To continuously enhance the competitiveness and cost effectiveness of products, the size of DRAM chips is bound to become smaller; as such, the output of chips from a single wafer will increase.

D. Diverse applications

With the emergence of more emerging applications, the application of DRAM will be more extensive. Either artificial intelligence of things (AIoT) or automotive or 5G applications, DRAM plays an crucial role.

(2) Competition

After many changes in the industry, the DRAM industry has entered an oligopolistic state. The top three players are Samsung, SK Hynix and Micron, collectively accounting for more than 90% of the market. In order to be differentiated from these three major players, the Company mainly produces and sells IC products and solutions, including specialty DRAM and known-good-die (KGD) memory, and serves as product service providers while stepping into the specialty and application-driven buffer memory required for IoT-related products, such as cloud computing, automotive electronics, wireless communications, and wearable devices.

(III) Technology and R&D Status

1. Technology level and research and development of the business operated

Within the Etron Group, the companies engaged in R&D are Etron Technology, Eever Technology, and eYs3D Microelectronics, Co. The technologies and R&D status are described as follows:

(1) Etron Technology, Inc.

The Company is a leading manufacturer of Specialty Buffer Memory with consumer electronic products as the main market for a long time. We are committed to developing high-performance, low-power consumption specialty buffer memory products. The current full range of products include SDR, DDR, DDR2, DDR3, DDR3L, DDR4, and LP DDR2, with 4 to 64 bits of input and output, as well as a capacity covering 16Mb to 8Gb, among which 2x nano advanced manufacturing process is adopted for the mass production of the high-capacity products DDR2, DDR3, DDR3L, and DDR4. As for products, the Company not only can provide the commercial specifications for consumer market, the industrial specifications for strict use environments, or the automotive specifications with the highest quality and reliability depending on customer's demands, but also can provide high-quality customized KGD (Known Good Die) solutions. The full series products were not only widely used by and in Netcom, set-top boxes, digital TVs, surveillance equipment, and other applications, but also used in the mass production and shipment of emerging applications such as 5G broadband communications, AI end points, and cloud storage, etc. in the supply chains of

large-sized manufacturers.

For the demand of a large number of micro terminal devices in the era of artificial intelligence (AI), Etron Technology has the RPC[®] DRAM having the world's smallest Form Factor and supporting high bandwidth, the world's first DRAM product using the WLCSP micro-packaging technology with both cost and power advantages. Its application fields include micro AI cameras on various wearable devices, mobile devices or the like. Observing the needs of customers in the use of products, Etron Technology also opens a new business model and provides a complete solution of Controller+DRAM.

In addition to meeting the needs of terminal devices, Etron Technology is also acceleratively innovating towards high bandwidth (DWB: Direct Wide Bus) and low latency (RAL: Reduced Access and Latency) memory, and is developing deeper for future products, using a different approach than HBM to challenge the bandwidth needs of GDDR5 class from 10GB/s up to 400GB/s, with a complete solution of Controller+DRAM to meet the increasing computing and data throughput needs of AI + SoC.

While actively investing in the memory development in the above emerging fields, Etron Technology also continues to deeply cultivate niche memory products. Recently, it has developed KOOLDRAM[™] products through DRAM circuit design, which can significantly extend the Retention Time of DRAM data in compliance with JEDEC standards; it is particularly useful for high-temperature applications such as automotive and KGD applications, where the overall performance can be significantly improved.

(2) Eever Technology, Inc.

The company is mainly engaged in USB Type-C high-speed interface chip products, and its products cover integrated USB high-speed transmission interface, power supply, Type-C, audio-visual capture, and other technologies. It also introduced new underlying protocol for the latest USB 4 specifications, which supports existing USB3.2, DP1.4, Thunderbolt 3 and other compatibility to achieve the best interoperability of connected devices. The customers who formerly used Eever Technology, Inc.'s USB PD3.0 can expand their products to a variety of different applications, such as AC Adaptor, Power Bank, Car Charger, Video Dongle, in addition to allowing them to continue to launch products on/for PC, NB, Tablet, Docking and other applications, and thus improve their competitiveness. In addition, the company successfully developed new product lines for the IC products for USB audio and video capture for the live games on e-sports platforms recently, which can perform audio and video capture by taking advantage of USB control technologies, and which are adopted by important customers.

(3) eYs3D Microelectronics, Co.

The company is mainly engaged in 3D imaging chip products and adopts ultra-wide vision imaging technology and depth-of-field point cloud depth algorithm to integrate and develop Machine Vision Sensing Modules as well as monocular, binocular, and multi-eye 3D ThingCapture Vision cameras, and combined exclusive SDK development kit for making Machine Learning models to be applied in image recognition, 3D gesture recognition, and 3D hologram. With improved image pixels, update rate, large viewing angles, and refined depth map processing algorithms of the Depthmap Processing Units, the company's derived product lines have ranked among the world's leading technology groups, and it has become a designated partner of international companies in AR /VR HMD, ThingCapture, Robot, etc., and Logistic. All of the above can become the tools for AI Edge End Point computing as well as depth learning and

development.

2. Costs of R&D in the last year and up to the publication date of the annual report

Unit: NT\$ thousand; %

Item	2020	2021
R&D Expense	482,179	599,127
Proportion to revenue	14	10

3. Technologies or products successfully developed during the last year

Company	R&D Results
Etron Technology, Inc.	Development of Long Retention Time (KoolDRAM™) technology Develop 25nm 4Gb DDR3
Eever Technology Inc.	Development of EPR USB4/Thunderbolt4 Emarker IC
eYs3D Microelectronics, Co.	The World's leading developer of small binocular visual depth module and microsystem products.

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

1. Short-term business development plan

- (1) Accelerate global business expansion and continue to increase the business growth from strategic clients and regional clients.
- (2) Introduce new specialty memory, increase the sales of KGD and industrial and automotive application memory, thereby expanding the market and strengthening the stability of the long-term market layout and profitability.
- (3) Develop a global layout together with clients and grasp new business opportunities arising from the reorganization of global supply chains.
- (4) Keep abreast of the USB Type-C interface standard trends and accelerate the expansion of the Type-C product line and the revenue and client base of audio and video capture systems.
- (5) Committed to occupying the emerging 3D depth image application market by means of the outstanding R&D achievements in 3D depth imaging technology.

2. Long-term development plan

- (1) Continue to take advanced process technology as the core of development, and provide global clients with specialty, stacked, customized, and application-driven memory products and services through the most competitive advantages in the market.
- (2) Break through and innovate the business model of non-standard memory products to accelerate the market penetration.
- (3) Undertake multi-faceted product integration to expand services to international, strategically important clients.
- (4) R&D new memory technologies required for the advent of the AI generation, and innovate the business models for the cooperative application of IP achievements.

II. Analysis of the market and production and marketing

(I) Market analysis

1. Sales regions of main products

Unit: NT\$ thousand; %

Region		Year	2020		2021	
			Amount	%	Amount	%
Domestic Sales			1,538,896	43.34	2,502,130	40.71
Foreign Sales	Asia		1,797,370	50.62	2,897,837	47.15
	Others		214,278	6.04	746,439	12.14
Total			3,550,544	100.00	6,146,406	100.00

2. Market Share

According to the statistics of a research institution, the scale of the overall global DRAM market in 2021 was approximately US\$94.9 billion. As per the Company's revenue in 2021, the share of the global market is around 0.2%.

3. The future supply and demand and growth of the market

In 2021, the global DRAM market recovered, and the annual revenue increased by 42%. Looking ahead to 2022, the DRAM market is expected to grow steadily, with an overall bit supply growth rate of 18.7%, up slightly from 18.1% in 2021, but we still need to pay attention to the possible impact of the short and long supply chain. On the demand side, servers, mobile phones and personal computers are still the top three applications in the market. The demand for servers is still strong this year and will be the main source of growth in the market. Mobile phones are expected to see a rebound in relevant demand driven by Samsung's launching new mobile phone models in the second quarter, and the demand for personal computers is expected to slow down this year.

4. Competitive niche, favorable and unfavorable factors of development prospects, and countermeasures

(1) Competitive niche

- A. The Company has become a major supplier of specialty and application-driven memory in the markets of consumer electronics and computer peripheral products and applications in the world, and has established an image as a world-class high-quality memory supplier.
- B. The Company has become a world-class professional supplier of Known-Good-Die as well as customized and other specialty and application-driven memory.
- C. The Company has formed various design alliances with world-class clients.
- D. The alliance relationship with various foundries has become more stable, and the partnership with upstream and downstream partners is excellent.
- E. The Company's R&D and design teams have developed world-class design capabilities and an excellent image as professional leading teams.
- F. The Company has a strong team and completely independent management and R&D and design teams.
- G. The Company has complete R&D and testing equipment.

(2) Favorable factors

- A. With the popularization of mobile devices, smart applications derived from the integration of AI and IoT, and the rise of 5G, end applications of DRAM will become more extensive, and the Company aims to address the needs from emerging AI applications through product innovation.
- B. The product development of the logic business department has been recognized by clients, and it has gradually established a stable partnership with them. In particular, Eever Technology, which is mainly engaged in USB Type-C IC, turned a profit in 2020.
- C. The largest mainstream manufacturers gradually exited from the supply of

DDR3/DDR2 memory, making room for the development of specialty niche memory by IC design companies.

- D. With the rise of AIoT applications, the demand for innovative inventions of AI Memory creates new and emerging opportunities for specialty niche memory IC design companies.
- E. In the new normal of the post-pandemic era, consumer electronic products are expected to further become the devices for multi-functional interactive applications, and to integrate AI-related technologies, which will continue to drive the demand for relevant memory products.

(3) Unfavorable factors

- A. The DRAM market is extremely sensitive to changes in the supply and demand structure, and the foundry market is in tight supply, which may further lead to price fluctuations in the supply chain, thereby increasing pressure on operations and undermining the growth.
- B. When entering the high-capacity and high-end memory product market, to compete with mainstream companies, the cost pressure will increase as compared with the old 3x and 2x nano process technologies.
- C. The increase in semiconductor miniaturization costs has led to an increase in the costs of foundries, masks, Probe Cards, testing machines, wafers, and packaging. It has also led to an increase in design companies' R&D investment costs and the time to cover the costs.
- D. As the global geopolitical risks have risen in recent years, once the industry is affected, it may have a considerable impact on the overall industry.

(4) Countermeasures

- A. Implement global business development strategies, strengthen the regionalization and localization of business manpower, and provide instant services.
- B. Continue to increase the number of strategic clients groups through a certain share of the memory market for most consumer and communications electronic products.
- C. Introduce advanced 2x nanometer manufacturing process, and develop high value-added special memory product lines through innovative inventions.
- D. Prioritize profit for both memory and SOC products, and then seek to accelerate business expansion.
- E. Pay close attention to the international situation and the trends in the industry, adjust response strategies flexibly, and implement comprehensive risk control.

(II) Important functions and production process of main products

Company	Category	Major products	Functions of products
Etron Technology, Inc.	Memory ICs	DRAM-DDRx	It is mainly used for key components necessary for high-tech and high-value system products, such as mid-end and high-end computer peripherals, communications systems, consumer electronics, and automotive electronics while used in the memory of systems to store the commands needed to execute operations and data access. It also serves as the main buffer memory for multimedia images and sounds of system products. The scope of application is as follows: <ol style="list-style-type: none"> 1. Computers and peripherals: Digital subscriber loop (xDSL), passive optical network (xPON), and cable modem 2. Wireless communications/network: Network base stations and routers (WiFi AP/Router), Power Line Communication network, femto-cell base stations. 3. TV and multimedia: TV, Set Top Box, Over The Top, and IP-Camera. 4. Mobile IoT: Tablets, Mobile Internet Devices, and Personal Data Terminals 5. Smart Cities and Smart Homes: Smart home appliances, smart doorbell, smart speakers, and floor sweeping robots. 6. Automotive Electronics: In-vehicle infotainment systems, automotive panels, car recorders, car navigation systems, advanced driver assistance systems, and digital dashboards.
		DRAM-SDR	It is mainly used in common computer peripherals, communications systems, and consumer electronics, as low-speed small buffer memory or as the system working memory concurrently. The scope of application is as follows:

Company	Category	Major products	Functions of products
			1. Computers and peripherals: Adapters, dongles, optical disc drives, hard drives, displays, printers, and other electronic products. 2. Consumer electronics: Digital cameras, digital TVs, DVD players, set-top boxes, MP3/4 players, game consoles, tablet computers, and other electronic products. 3. Communications system: Mobile communication devices, monitoring systems, WiFi communication, modems, Wireless Access Points, and optical communications systems. 4. Automotive Electronics: Acoustic systems, automotive multimedia systems, GPS, dashboard cameras, and automotive security systems.
	Analog logic System IC	FlashController	Mainly high-capacity, low-pin count SLC SPI NAND for various applications such as networking, STB, IPCAM, IOT, etc.
Ever Technology Inc.	Analog logic ICs	USB Power Delivery +DP Alt Mode MUX/USB Capture Controller	It is mainly used for USB power transmission, controlling the switch of signal between the USB data and the DP video, electronic products that transmit power, USB data and video on the Type-C interface, and IC for capturing 1080p 60fps USB images.
eYs3D Microelectronics, Co.	Analog logic ICs	3D Stereo Vision Processor	3D depth sensing chip solution, through the dual-lens image acquisition and physical parallax algorithm can be completed through the ambient light source to capture 3D digital data, for AR/VR/MR, AIoT, robotics and automation applications are important key technologies.
		3D Stereo Vision Sub-System	Designed a 3D binocular sensing hardware module kit with our own 3D depth sensing chip. Applications include service robots, industrial robots, unmanned stores, and motion sensing.
		USB Image Controller	Mainly for image processing and transmission, it is used in general external PC-Cam, built-in NB Cam, Smart TV, Dash Cam, IP Cam, Digital Signage and Game Console.

3. Production and manufacturing process

The IC production and manufacturing process is mainly divided into four stages:

(1) Circuit design stage

Circuit design starts with the definition of product functions, followed by the design of relevant logic and analog circuits, then simulation, verification, and graphical layout, and finally the circuit layout pattern is converted into electronic data for making masks and stored on tapes or optical discs.

(2) Wafer manufacturing stage

The wafer manufacturing process is based on the repetitive processes of photolithography, etching, oxidation, and diffusion to produce the designed circuit pattern (i.e. the circuit pattern on the mask) on a silicon wafer layer by layer.

(3) Wafer testing stage

There are hundreds to thousands of dies on a manufactured wafer, which must be tested one by one to select the integrated circuit dies which functions well. As die products do not need to undergo the packaging and testing stage, additional testing procedures are required to ensure product quality.

(4) Packaging and testing stage

In response to customers' demand for packaging of products, tiny dies must go through the assembly processes of cutting, bonding, soldering, and packaging. Final testing is required to ensure quality so as to conclude the entire production process.

(III) Supply of the major raw materials

The Company's major raw material is silicon wafer. The Company continues to maintain long-term collaboration with at least three foundries, so there should be no concern about the sources of wafer supply.

(IV) The names of individual customers/suppliers who have accounted for at least 10% of the total purchases (sales) in any of the last two years, their purchase (sale) amounts and proportions, and the reasons for the changes

1. Information on major suppliers in the last two years

Unit: NT\$ thousand

Item	2020				2021			
	Name	Amount	Proportion to net purchase for the year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchase for the year (%)	Relationship with the issuer
1	The First Company	1,644,601	60.64	None	The First Company	2,541,224	63.34	None
2	The Second Company	396,385	14.62	None	The Second Company	409,020	10.20	None
3	Others	670,890	24.74	-	Others	1,061,479	26.46	-
-	Net purchase	2,711,876	100.00	-	Net purchase	4,011,723	100.00	-

Reasons for the increase or decrease: The changes in customer demand have led to a change in customers' proportions and the increase or decrease.

2. Information on major sales customers in the last two years

Unit: NT\$ thousand

Item	2020				2021			
	Name	Amount	Proportion to net sales for the year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales for the year (%)	Relationship with the issuer
1	-	-	-	-	Company A	630,058	10.25	None
2	Others	3,550,544	100.00	-	Others	5,516,348	89.75	-
-	Net sales	3,550,544	100.00	-	Net sales	6,146,406	100.00	-

Note: Reasons for the increase or decrease: The changes in the demand for terminal products have led to a change in the customers' product mixes and the increase or decrease.

(V) Production volume and value in the last two years

Unit: Thousand units; NT\$ thousand

Pr	Ye	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
M							
Memory and analog logic ICs		-	319,069	2,805,118	-	401,887	3,950,822

(VI) Sales volume and value in the last two years

Unit: Thousand units; NT\$ thousand

Sa	Ye	2020				2021			
		Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Memory and analog logic ICs		194,868	1,536,780	122,772	2,008,452	235,137	2,496,930	171,197	3,638,741
Others		-	2,116	-	3,196	-	5,200	-	5,535
Total		194,868	1,538,896	122,772	2,011,648	235,137	2,502,130	171,197	3,644,276

III. Number of employees, average length of service, average age, and education distribution

Unit: Person

Year		2020	2021	As of March 31, 2022
Number of employees	R&D personnel	241	251	247
	Management and marketing personnel	154	161	162
	Technicians	12	12	12
	Total	407	424	421
Average age		42.68	42.56	42.95
Average years of service		8.43	8.73	8.88
Distribution of education	Doctoral degree	1.97%	1.65%	1.43%
	Master's degree	46.19%	47.41%	46.79%
	University and college	46.68%	45.75%	46.79%
	Senior high school	4.91%	4.72%	4.51%

	Below senior high school	0.25%	0.47%	0.48%
--	--------------------------	-------	-------	-------

IV. Environmental Protection Expenditure

- (I) Information on losses incurred due to environmental pollution in 2021 and as of the publication date of the annual report: None.
- (II) The estimated amount that may be incurred at present and in the future and counter-measures: The Company is a professional IC design company and did not cause material environmental pollution. In the future, we may adopt relevant operational control or filing operations in response to changes in laws and regulations. The current potential environmental protection expenditures include pollution prevention facility improvement expenses and disposal costs for environmental protection, and the annual amount is estimated to be less than NT\$600,000.

V. Labor-management Relations

- (I) Employee benefit plans, continuing education, training, and pension systems and the status of the implementation, and the status of labor-management agreements and measures for safeguarding employees' rights and interests

1. Employee benefits

- (1) The Company's employee benefits are handled as per the Labor Standards Act and relevant laws, and also include an employee stock ownership trust system and group insurance policy, so that employees can devote themselves to work more fully.
- (2) The Company has set up an Employee Welfare Committee to provide various allowances or subsidies for marriage, funerals, national holidays, childbirth, and emergencies, as well as various employee travel activities, birthday parties, and club activities to enhance employees' physical and psychological health and strengthen the interaction and relations among them. The employees have been satisfied with the benefits above since the implementation.
- (3) To alleviate the burden on employees, the Company has set up after-school club, providing free childcare measures, such as after-school children pick-up service and after-school tutoring, and childcare facilities, such as children's playrooms, libraries, toilets, and showers; as such, employees can work without worries.
- (4) To take care of employees' health and diet balance, we hire a group of professional chefs to provide services lunch, dinner, noodle dishes, vegetarian meals, and children's meals.
- (5) The Company was awarded the National "Friendly Workplace" by the Council of Labor Affairs (currently known as the Ministry of Labor) in 2008, and selected as an enterprise for offering an excellent "Employee Assistance Program (EAP)" by the Council of Labor Affairs (currently known as the Ministry of Labor) in 2011. We were also awarded the Family LOHAS Award and the Health LOHAS Award of the 1st Work-Life Balance Award launched by the Ministry of Labor, which were the highest national honor for the Company's promotion of work-life balance.

2. Pension system

Etron has formulated the "Employee Pension Measures of Etron Technology Inc." and established a Supervisory Committee of Labor Retirement Reserve as per the Labor Standards Act and the Labor Pension Act.

- (1) For employees to whom the retirement criteria of the Labor Standards Act apply, the pension is calculated based on the years of service and average monthly salary in the month in which the retirement is approved. Employees will be given two base points for every full year of service in the first 15 years (inclusive), and will be given one

base point for every full year of service thereafter, but the cumulative number of base points is limited to a maximum of 45. The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Supervisory Committee of Labor Retirement Reserve at the Bank of Taiwan, and the committee is responsible for supervision, custody, and utilization of the funds.

- (2) For employees to whom the retirement criteria of the Labor Pension Act apply, the Company will contribute 6% of the monthly salary as per the monthly contribution range table approved by the Executive Yuan to the individual pension account of the Bureau of Labor Insurance according to an employee's salary while cooperating with employees' voluntary contribution.
3. Employee education and training

Etron adheres to the concept of lifelong learning, encourages employees to learn actively and spontaneously, and focuses on the internalization of knowledge and the display of work performance. As such, we have formulated "Education and Training Regulations", "Employee On-the-job Training Regulations", and other relevant training regulations, and provide diverse training models. The training cost in 2021 was around NT\$120,000. The average number of training sessions per person was 0.25, and the average training hours per person was 7.3.

Since 2005, we have been granted with separate course subsidies under the Enterprise Human Resources Improvement Program launched by Workforce Development Agency, Ministry of Labor. In 2018, we were awarded the Bronze Award by the Talent Quality-management System (TTQS) in the Taoyuan, Hsinchu and Miaoli region.

The Company's training methods are divided into three models: internal training, industry learning, and self-development, which are described as follows:

- (1) "Internal training" focuses on departmental independent training and inter-departmental integrated training to leverage the effects of internal knowledge dissemination and teaching while learning.
- (2) "Industry learning" refers to external courses and international seminars, which are arranged to strengthen the connectivity between knowledge, technology, and industry, and the information absorbed and integrated will be shared internally.
- (3) As for "Self-development", self-growth space is provided to enhance individuals' learning willingness through resources, such as internal learning platforms, IEEE Database, and libraries.

The Company's training system is divided into the components below:

- A. In "management competency training" professional management training is provided to managers at all levels; lectures for managers are organized regularly, and outstanding leaders are trained actively.
- B. As for "Departmental professional competency courses", professional knowledge, skills, and attitude that employees should possess in different job positions are drawn up as per the annual training plan.
- C. The "School of Life and Knowledge" is planned to provide knowledge related to humanities, social sciences, and natural sciences to promote personal self-growth, expand the horizon exploration, and diversify the knowledge.
- D. "Corporate culture" aims to cultivate the necessary skills that should be possessed by Etron's employees, such as new employee training to help new employees quickly understand the Company's philosophy, spirit, system, and culture.
- E. "Language training" trains employees to possess the language skills needed for in-

ternationalization and to enhance individual competitiveness.

- F. As for "annual certifications" that need to be passed by specific professionals, such as quality inspectors, environmental safety and health personnel, and chefs, we arrange regular annual training sessions, and have formulated "specific personnel qualification certification implementation regulations" for personnel who are critical to product quality to ensure employees' skills are qualified for their jobs.
4. Agreements between labor and management and various measures to protect employees' rights and interests

The Company's appointment policy complies with internationally recognized international conventions (including the "Universal Declaration of Human Rights", "International Covenant on Economic, Social and Cultural Rights", "International Covenant on Civil and Political Rights", and "Declaration of Fundamental Principles and Rights of the International Labor Organization", as well as other laws and regulations. The Company does not treat people in different ways due to their race, socioeconomic class, language, ideology, religion, party, birthplace, gender, marriage, appearance, physical obstacles or previous union memberships. The Company has established appropriate internal management methods and procedures, and regularly accepts the audit conducted by its internal units, certification units and customers, so as to ensure the implementation thereof. The Company holds four labor-management meetings every year to communicate various issues of concern with employees; At ordinary times, communication can also be achieved through the Company's internal mailboxes and bulletin boards for smooth communication.

- (II) In 2021 and up to the publication date of the annual report, the situation of labor disputes and the estimated amount that may be incurred in the future and countermeasures : The Company did not suffer loss due to labor disputes, and the Company's labor-management relationship is harmonious. It is estimated that the possibility of losses incurred due to labor disputes in the future is extremely low.

VI. Cyber Security Mangement

- (I) Cyber Security Risk Management Structure, Cyber Security Policies, Specific Management Schemes and Resources Invested in Cyber Security Management

1. Cyber Security Risk Management Structure

An inter-departmental information security management team is convened by the President of the Company, with the Legal Department, Information Department and Administration Department taking the lead and planning, and all business-related units cooperating in the implementation to ensure the effectiveness of the Company's cyber security management operations. The Information Security Management Team has the following responsibilities:

- (1) To formulate cyber security management policies and regularly review and revise them.
- (2) To regularly hold meetings to review the implementation, and regularly report the implementation and review to President every year.

2. Cyber Security Policies

- (1) To ensure the continuous operation of the Company's business and the stable use of the information services provided by the Company.
- (2) To ensure the confidentiality, integrity and availability of information assets in the Company's custody and to protect the privacy of personnel information.
- (3) To establish an information business sustainability program and implement information business activities that meet the requirements of relevant laws and regulations.

3. Specific Management Schemes and Resources Invested in Cyber Security Management

The Company provides a one-hour course of "Cyber Security Orientation and Education Training" every year for new recruits, and conducts information bulletins and updates related system programs to address important external cyber security issues and vulnerabilities. Specific management schemes are as follows:

- (1) The Company establishes a regular inventory of information assets, conducts risk management based on cyber security risk assessment, and implements various control measures.
 - (2) The Company regularly carries out cyber security advocacy and conducts cyber security education and training every year.
 - (3) Each new recruit is required to sign an information confidentiality agreement and accept a cyber security training course.
 - (4) All employees of the Company, outsourcing manufacturers and their collaborators are required sign a confidentiality statement to ensure that those who use the Company's information to provide information services or perform relevant information business have the responsibility and obligation to protect the information assets obtained or used by them, so as to prevent unauthorized access, unauthorized modification, destruction or improper disclosure.
 - (5) Critical information systems or equipment shall have appropriate backup or monitoring mechanisms in place and be rehearsed regularly to maintain their availability.
 - (6) Anti-virus software shall be installed on personal computers and virus codes shall be checked regularly for updates.
 - (7) Specification for the use of computer network and e-mails — To respect intellectual property rights, prohibit the installation of unauthorized computer software, and do not open the unknown connection/suspicious attachment in the e-mail at will.
 - (8) Implementation of information management procedures — To prevent the intrusion of various malware and computer viruses.
 - (9) Management of personal information — All employees are responsible for properly safekeeping, carefully using and replacing regularly their own accounts, passwords and privileges.
 - (10) A standard procedure for responding for response and notification of cyber security incidents is formulated to deal with cyber security incidents immediately and appropriately, and thus prevent from enlarging the harm caused.
 - (11) All personnel shall comply with legal regulations and cyber security policy requirements, and all supervisors shall supervise the implementation of the cyber security compliance system and strengthen employees' awareness of cyber security and legal concepts.
- (II) For the most recent year and as of the printing date of the annual report, the losses, possible impacts and responses to major cyber security incidents, if not reasonably estimable, shall state the facts that they are not reasonably estimable: None.

VII. Important Agreements

Type of Contract	Party	Contract Duration	Main Content	Restrictive Clauses
Syndicated Loan	A group of banks led by Land Bank of Taiwan	2014.11.28~2023.2.16	Repayment of existing debts and replenishment of working capital	Note
Insurance	Insurance Company of North America, Taiwan Branch	2021.9.16~2022.9.16	Liability insurance for directors, supervisors, and important employees	None
Production capacity reservation agreement	Powerchip Semiconductor Manufacturing Corp.	2021.10.1~2023.12.31	Ensurance of a stable supply of wafers required by the Ccompany's business	Confidentiality clause

Note: For this syndicated loan project, the Company promises to the group of banks that it shall maintain the financial ratios below based on the annual consolidated financial statements:

- (1) The ratio of current assets divided by current liabilities shall be 100% or higher.
- (2) The ratio of total liabilities divided by shareholders' equity shall be less than 120% (inclusive).
- (3) Interest coverage ratio [(Pre-tax profit or loss + Depreciation + Amortization + Interest expenses)/Interest expenses] shall be 3 times (inclusive) or more.

Where there is a violation of any of the financial ratios and the improvement is not made within the specified period as agreed, the syndicated loan arranger will require the Company to pay interest accrued based on the agreed interest rate plus an annual interest rate of 0.125% until the date improvement is made.

Chapter 6 Financial Information

I Condensed Financial Statements for the Most Recent Five Years

(I) Condensed Consolidated Balance Sheets

Unit: NT\$ thousand

Year		2017	2018	2019	2020	2021
Item						
Current Assets		4,563,601	4,092,687	3,582,080	3,951,619	4,643,172
Property, Plant and Equipment, Net		1,047,146	1,099,409	810,414	689,421	624,685
Intangible Assets, Net		178,877	148,935	31,277	27,056	56,507
Other Assets		1,753,974	1,616,250	1,788,907	1,511,141	1,880,018
Total Assets		7,543,598	6,957,281	6,212,678	6,179,237	7,204,382
Current Liabilities	Before Distribution	2,200,133	1,949,612	1,859,229	1,750,292	2,277,866
	After Distribution	2,200,133	1,949,612	1,859,229	1,750,292	To be distributed
Non-current Liabilities		1,776,477	2,173,649	2,021,217	1,511,821	682,919
Total Liabilities	Before Distribution	3,976,610	4,123,261	3,880,446	3,262,113	2,960,785
	After Distribution	3,976,610	4,123,261	3,880,446	3,262,113	To be distributed
Equity Attributable to Owners of the Parent		3,447,251	2,734,926	2,300,215	2,881,220	4,139,643
Share Capital		4,369,398	4,369,398	4,352,398	2,677,073	2,698,693
Capital collected in advance		0	0	0	0	1,530
Capital Surplus		98,081	100,474	190,706	496,457	568,222
Retained Earnings	Before Distribution	(1,017,640)	(1,654,762)	(2,175,325)	(260,481)	784,069
	After Distribution	(1,017,640)	(1,654,762)	(2,175,325)	(260,481)	To be distributed
Other Equity		21,382	(56,214)	(64,024)	(31,829)	87,129
Treasury Stock		(23,970)	(23,970)	(3,540)	0	0
Non-controlling Interests		119,737	99,094	32,017	35,904	103,954
Total Equity	Before Distribution	3,566,988	2,834,020	2,332,232	2,917,124	4,243,597
	After Distribution	3,566,988	2,834,020	2,332,232	2,917,124	To be distributed

(II) Condensed Parent Company Only Balance Sheets

Unit: NT\$ thousand

Year		2017	2018	2019	2020	2021
Item						
Current Assets		3,991,394	3,791,631	3,308,972	3,537,225	4,171,320
Investments Accounted for Using Equity Method		1,803,194	1,401,540	1,332,290	1,231,908	1,383,210
Property, Plant and Equipment, Net		927,715	944,978	791,245	676,503	611,154
Intangible Assets, Net		48,941	31,877	25,310	19,817	16,927
Other Assets		488,513	469,793	641,206	592,762	850,747
Total Assets		7,259,757	6,639,819	6,099,023	6,058,215	7,033,358
Current Liabilities	Before Distribution	2,043,242	1,756,950	1,788,260	1,634,675	2,213,578
	After Distribution	2,043,242	1,756,950	1,788,260	1,634,675	To be distributed
Non-current Liabilities		1,769,264	2,147,943	2,010,548	1,542,320	680,137
Total Liabilities	Before Distribution	3,812,506	3,904,893	3,798,808	3,176,995	2,893,715
	After Distribution	3,812,506	3,904,893	3,798,808	3,176,995	To be distributed
Share Capital		4,369,398	4,369,398	4,352,398	2,677,073	2,698,693
Capital collected in advance		0	0	0	0	1,530
Capital Surplus		98,081	100,474	190,706	496,457	568,222
Retained Earnings	Before Distribution	(1,017,640)	(1,654,762)	(2,175,325)	(260,481)	784,069
	After Distribution	(1,017,640)	(1,654,762)	(2,175,325)	(260,481)	To be distributed
Other Equity		21,382	(56,214)	(64,024)	(31,829)	87,129
Treasury Stock		(23,970)	(23,970)	(3,540)	0	0
Total Equity	Before Distribution	3,447,251	2,734,926	2,300,215	2,881,220	4,139,643
	After Distribution	3,447,251	2,734,926	2,300,215	2,881,220	To be distributed

(III) Condensed Consolidated Statements of Comprehensive Income

Unit: NT\$ thousand

Item \ Year	2017	2018	2019	2020	2021
Operating Revenue	6,167,146	4,840,161	3,681,468	3,550,544	6,146,406
Operating Gross Profit	759,194	687,278	470,706	565,473	2,121,669
Operating Income	(478,298)	(649,338)	(523,084)	(222,561)	1,128,929
Non-operating Income and Expenses	(75,437)	(25,004)	1,038	(34,014)	(45,159)
Income before Tax	(553,735)	(674,342)	(522,046)	(256,575)	1,083,770
Net Income (Loss) for the Current Period from Continuing Operations	(586,881)	(689,137)	(533,914)	(268,444)	1,015,035
Loss from Discontinued Operations	-	-	-	-	-
Net Income (Loss) for the Current Period	(586,881)	(689,137)	(533,914)	(268,444)	1,015,035
Other Comprehensive Income after Tax	(48,186)	(69,013)	(24,429)	24,698	111,714
Total Comprehensive Income	(635,067)	(758,150)	(558,343)	(243,746)	1,126,749
Net Income (Loss) Attributable to Owners of the Parent Company	(546,855)	(650,587)	(498,906)	(254,393)	1,051,071
Net Income (Loss) Attributable to Non-controlling Interests	(40,026)	(38,550)	(35,008)	(14,051)	(36,036)
Comprehensive Income Attributable to Owners of the Parent	(589,287)	(714,987)	(521,754)	(229,078)	1,163,508
Comprehensive Income Attributable to Non-controlling Interests	(45,780)	(43,163)	(36,589)	(14,668)	(36,759)
Earnings (Loss) per Share	(2.51)	(2.99)	(2.29)	(1.14)	3.91

(IV) Condensed Parent Company Only Composite Income Sheet

Unit: NT\$ thousand

Item \ Year	2017	2018	2019	2020	2021
Operating Revenue	5,853,144	4,418,591	3,359,337	3,267,841	5,847,407
Operating Gross Profit	586,047	507,229	326,773	393,352	1,933,136
Operating Income	(192,485)	(393,957)	(317,129)	(128,590)	1,218,026
Non-operating Income and Expenses	(341,350)	(241,768)	(169,909)	(113,934)	(98,245)
Income before Tax	(533,835)	(635,725)	(487,038)	(242,524)	1,119,781
Net Income (Loss) for the Current Period from Continuing Operations	(546,855)	(650,587)	(498,906)	(254,393)	1,051,071
Loss from Discontinued Operations	0	0	0	0	0
Net Income (Loss) for Current Period	(546,855)	(650,587)	(498,906)	(254,393)	1,051,071
Other Comprehensive Income after Tax	(42,432)	(64,400)	(22,848)	25,315	112,437
Total Comprehensive Income	(589,287)	(714,987)	(521,754)	(229,078)	1,163,508
Earnings (Loss) per Share	(2.51)	(2.99)	(2.29)	(1.14)	3.91

(V) Names and Opinions of the CPAs for the Most Recent Five Years

Year of Certification	Name of CPA Firm	Name of CPA	Audit Opinion
2017	PricewaterhouseCoopers, Taiwan	Fang-Yu, Wen and Tsai-Yen, Chiang	Unqualified pinion
2018	PricewaterhouseCoopers, Taiwan	Fang-Yu, Wen and Tsai-Yen, Chiang	Unqualified pinion
2019	PricewaterhouseCoopers, Taiwan	Fang-Yu, Wen and Tsai-Yen, Chiang	Unqualified pinion
2020	PricewaterhouseCoopers, Taiwan	Tsai-Yen, Chiang and Fang-Yu, Wen	Unqualified pinion
2021	PricewaterhouseCoopers, Taiwan	Tsai-Yen, Chiang and Fang-Yu, Wen	Unqualified pinion

II Financial Analyses for the Most Recent Five Years

(I) Consolidated Financial Analyses

Analysis Item		Year				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	52.72	59.27	62.46	52.79	41.10
	Ratio of Long-term Capital to Property, Plant and Equipment	510.29	455.49	537.19	642.42	788.64
Solvency (%)	Current Ratio	207.42	209.92	192.66	225.77	203.84
	Quick Ratio	123.65	95.32	95.99	129.23	122.19
	Interest Coverage Ratio	-	-	-	-	2,814.11
Operating Ability	Accounts Receivable Turnover Rate (Times)	3.52	3.15	3.16	3.58	4.99
	Average Days for Cash Receipts	104	116	116	102	74
	Inventory Turnover Rate (Times)	2.42	1.73	1.31	1.36	1.80
	Accounts Payable Turnover Rate (Times)	6.76	6.57	5.61	5.03	5.10
	Average Days for Sale of Goods	151	211	279	269	203
	Property, Plant and Equipment Turnover Rate (Times)	5.97	4.51	3.86	4.73	9.35
	Total Assets Turnover Rate (Times)	0.79	0.67	0.56	0.57	0.92
Profitability	Return on Assets (%)	(6.88)	(8.75)	(7.18)	(3.57)	15.65
	Return on Equity (%)	(15.26)	(21.53)	(20.67)	(10.23)	28.35
	Ratio of Income before Tax to Paid-in Capital (%)	(12.67)	(15.43)	(11.99)	(9.58)	40.16
	Net Profit Margin (%)	(9.52)	(14.24)	(14.50)	(7.56)	16.51
	Earnings (losses) per share (N)	(2.51)	(2.99)	(2.29)	(1.14)	3.91
Cash Flows	Cash Flow Ratio (%)	-	-	29.10	6.48	44.45
	Cash Flow Adequacy Ratio (%)	24.81	2.41	23.90	42.41	98.59
	Cash Reinvestment Ratio (%)	-	-	6.97	1.42	12.15
Leverage	Operating Leverage	-	-	-	-	2.03
	Financial Leverage	-	-	-	-	1.04
Note	Reason for the changes in the financial ratio in the most recent two years: 1. Decrease in debt ratio: Mainly due to the growth of operating revenue in 2021 against that in 2020, leading to the increase of receivables, inventories and other non-current assets. 2. Increase in ratio of long-term capital to property, and plant and equipment: Mainly due to the increase in unappropriated earnings in 2021. 3. Increase in interest coverage ratio: Mainly due to the increase in profit in 2021. 4. Increase in accounts receivable turnover rate and decrease in average days for cash receipts: Mainly due to the increase in net sales in 2021. 5. Increase in inventory turnover rate and decrease in average days for sale of goods: Mainly due to the increase in cost of sales in 2021. 6. Increase in property, plant and equipment turnover rate and total assets turnover rate : Mainly due to the increase of net sales in 2021. 7. Increase in return on assets, return on equity and ratio of income before tax to paid-in capital: Mainly due to the substantial increase in profits in 2021. 8. Increase in net profit margin and earnings per share: Mainly due to the substantial increase in profits in 2021. 9. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the substantial increase in cash inflow from operating activities in 2021 against that in previous years. 10. Operating leverage and financial leverage are mainly due to the significant increase in profits in 2021.					

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

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + Non-current liabilities)/Net property, plant, and equipment.
2. Debt service ability
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities
 - (3) Interest earned ratio = Earnings before interest and taxes/Interest expenses

3. Operating Ability
 - (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = $\text{Net sales} / \text{Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities)}$.
 - (2) Average days for cash receipts = $365 / \text{Accounts receivable turnover}$.
 - (3) Inventory turnover rate = $\text{Cost of sales} / \text{Average inventory}$.
 - (4) Payables turnover rate (including accounts payable and bills payable from business activities) = $\text{Cost of sales} / \text{Balance of average accounts payable in each period (including accounts payable and bills payable from business activities)}$.
 - (5) Average days for sale of goods = $365 / \text{Inventory turnover}$.
 - (6) Turnover rate for property, plant and equipment = $\text{Net sales} / \text{Average net property, plant, and equipment}$.
 - (7) Total asset turnover rate = $\text{Net sales} / \text{Average total assets}$.
4. Profitability
 - (1) Asset return ratio = $[\text{Profit or loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
 - (2) Equity return ratio = $\text{Profit or loss after tax} / \text{Average total equity}$.
 - (3) Net profit ratio = $\text{Profit or loss after tax} / \text{Net sales}$.
 - (4) Earnings per share = $(\text{Income attributable to owners of parent company} - \text{Preferred shares dividends}) / \text{Weighted average number of shares issued}$.
5. Cash Flows
 - (1) Cash flow ratio = $\text{Net cash flows from operating activities} / \text{Current liabilities}$.
 - (2) Cash flow sufficiency ratio = $\text{Net cash flow from operating activities for the most recent five years} / (\text{Capital expenditures} + \text{Inventory increment} + \text{Cash dividends})$ for the most recent five years.
 - (3) Cash reinvestment ratio = $(\text{Net cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross property, plant, and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$.
6. Leverage
 - (1) Operating leverage = $(\text{Net operating revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$
 - (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

(II) Parent Company Only Financial Analyses

Analysis Item		Year				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	52.52	58.81	62.29	52.44	41.14
	Ratio of Long-term Capital to Property, Plant and Equipment	562.30	516.72	544.81	653.88	788.64
Solvency (%)	Current Ratio	195.35	215.81	185.04	216.39	188.44
	Quick Ratio	110.30	93.77	86.38	116.53	108.29
	Interest Coverage Ratio	-	-	-	-	2,866.00
Operating Ability	Accounts Receivable Turnover Rate (Times)	3.45	3.01	2.98	3.36	4.87
	Average Days for Cash Receipts	106	121	122	109	75
	Inventory Turnover Rate (Times)	2.45	1.7	1.28	1.34	1.80
	Accounts Payable Turnover Rate (Times)	6.79	6.39	5.43	4.93	5.07
	Average Days for Sale of Goods	149	214	286	273	203
	Property, Plant and Equipment Turnover Rate (Times)	6.42	4.72	3.87	4.45	9.08
	Total Assets Turnover Rate (Times)	0.78	0.64	0.53	0.54	0.89
Profitability	Return on Assets (%)	(6.69)	(8.62)	(6.94)	(3.46)	16.54
	Return on Equity (%)	(14.69)	(21.05)	(19.82)	(9.82)	29.94
	Ratio of Income before Tax to Paid-in Capital (%)	(12.22)	(14.55)	(11.19)	(9.06)	41.49
	Net Profit Margin (%)	(9.34)	(14.72)	(14.85)	(7.78)	17.97
	Earnings (losses) per share (N)	(2.51)	(2.99)	(2.29)	(1.14)	3.91
Cash Flows	Cash Flow Ratio (%)	-	-	37.82	7.19	51.48
	Cash Flow Adequacy Ratio (%)	29.76	8.30	29.59	46.28	97.21
	Cash Reinvestment Ratio (%)	-	-	9.07	1.52	14.01
Leverage	Operating Leverage	-	-	-	-	1.69
	Financial Leverage	-	-	-	-	1.03
Reason for the changes in the financial ratio in the most recent two years:						
1. Decrease in debt ratio: Mainly due to the decrease in long-term borrowings in 2021 against that in 2020, as well as the increase in accounts receivable resulting from the growth in revenue in 2021 against that in 2020.						
2. Increase in ratio of long-term capital to property, and plant and equipment: Mainly due to the increase in unappropriated earnings in 2021.						
3. Increase in interest coverage ratio: Mainly due to the increase in profit in 2021.						
4. Increase in accounts receivable turnover rate and decrease in average days for cash receipts: Mainly due to the increase in net sales in 2021.						
5. Increase in inventory turnover rate and decrease in average days for sale of goods: Mainly due to the increase in cost of sales in 2021.						
6. Increase in property, plant and equipment turnover rate and total assets turnover rate : Mainly due to the increase of net sales in 2021.						
7. Increase in return on assets, return on equity and ratio of income before tax to paid-in capital: Mainly due to the substantial increase in profits in 2021.						
8. Increase in net profit margin and earnings per share: Mainly due to the substantial increase in profits in 2021.						
9. Increase in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the substantial increase in cash inflow from operating activities in 2021 against that in previous years.						
10. Operating leverage and financial leverage are mainly due to the significant increase in profits in 2021.						

Note: The calculation formula for financial analysis is the same as that under (I) Consolidated Financial Analyses.

III Audit Committee's Report for the Most Recent Year's Financial Statements

Audit Committee's Review Report

The Board of Directors has submitted the Company's 2021 Financial Statements, 2021 Earnings Distribution Table, and 2021 Business Report, among which the Financial Statements have been audited, and Audit Report has been issued, by PwC Taiwan. The said Financial Statements, Earnings Distribution Table, and Business Report have been reviewed by us, the Audit Committee. We have not found any inconsistencies. Therefore, we, the Audit Committee, issue this Report in compliance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, for your review.

Sincerely,
2022 Annual Shareholders' Meeting of Etron Technology, Inc.

Convener of Audit Committee's Meeting: Ai-Chen, Wang

March 18, 2022

IV Financial Statements for the Most Recent Year: Refer to pages 93 to 193 of the Annual Report.

V Parent Company Only Financial Statements for the Most Recent Year: Refer to pages 194 to 290 of the Annual Report.

VI In the Most Recent Year and As of the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Status: None.

Chapter 7 Review and Analysis on Financial Status and Financial Performance and Risk Matters

I Financial Status

Unit: NT\$ thousand

Item	Year	December 31, 2020	December 31, 2021	Difference	
				Amount	Percentage of Change (%)
Current Assets		3,951,619	4,643,172	691,553	17.50
Financial Assets at Fair Value through Other Comprehensive Income - Non-current and Investments Accounted for Using Equity Method		954,107	1,064,951	110,844	11.62
Property, Plant and Equipment, Net		689,421	624,685	(64,736)	(9.39)
Other Assets		584,090	871,574	287,484	49.22
Total Assets		6,179,237	7,204,382	1,025,145	16.59
Current Liabilities		1,750,292	2,277,866	527,574	30.14
Long-term Borrowings		1,292,184	504,432	(787,752)	(60.96)
Other Liabilities		219,637	178,487	(41,150)	(18.74)
Total Liabilities		3,262,113	2,960,785	(301,328)	(9.24)
Share Capital		2,677,073	2,698,693	21,620	0.81
Capital collected in advance		0	1,530	1,530	100.00
Capital Surplus		496,457	568,222	71,765	14.46
Retained Earnings		(260,481)	784,069	1,044,550	401.01
Other Equity		(31,829)	87,129	118,958	373.74
Treasury Stock		-	-	-	-
Non-controlling Interests		35,904	103,954	68,050	189.53
Total Equity		2,917,124	4,243,597	1,326,473	45.47
Explanation of the proportion of the changes (%):					
1. Other Assets: Mainly due to the increase in security deposits in 2021.					
2. Current Liabilities: Mainly due to the increase in accounts payable and other payables in 2021.					
3. Long-term borrowings: Mainly due to the repayment of long-term borrowings in 2021.					
4. Capital collected in advance: Mainly due to the advance payment received from the employees, whose registration of change for exercising their stock options in 2021 has not been completed.					
5. Retained earnings: Mainly due to the substantial increase in profits in 2021.					
6. Other equity: Mainly due to the increase in unrealised gains on the valuation of equity instruments at fair value through other comprehensive income in 2021.					
7. Non-controlling Interests: Mainly due to the increase in non-controlling interests after the cash capital increase invested in non-controlling interests in 2021 and the convertible corporate bonds issued by subsidiaries are converted into shares of the Company.					

II Financial Performance

(I) Analysis of Financial Performance

Unit: NT\$ thousand

Item	Year	2020	2021	Amount of Change	Percentage of Change (%)
Operating Costs	(2,985,071)	(4,024,737)	(1,039,666)	(34.83)	
Operating Gross Profit	565,473	2,121,669	1,556,196	275.20	
Operating Expenses	(846,006)	(1,050,387)	(204,381)	(24.16)	
Other Income and Expenses	57,972	57,647	(325)	(0.56)	
Operating Income (Loss)	(222,561)	1,128,929	1,351,490	607.24	
Non-operating Income and Expenses	(34,014)	(45,159)	(11,145)	(32.77)	
Income (Loss) from Continuing Operations before Tax	(256,575)	1,083,770	1,340,345	522.40	
Income Tax (Expenses)	(11,869)	(68,735)	(56,866)	(479.11)	
Net Income (Loss) for Current Period	(268,444)	1,015,035	1,283,479	478.12	
Net Income (Loss) Attributable to Owners of the Parent	(254,393)	1,051,071	1,305,464	513.17	
Description of the percentage of change:					
1. Operating revenue, operating costs and operating gross profit: Mainly due to the Company's persistent optimization in its DRAM product portfolio and its strategy of focusing on high margin products as the main sales force worked, resulting in a simultaneous increase in operating revenue, operating costs and operating gross profit in 2021 against those three items in 2020.					
2. Operating expenses: Mainly due to the increase in operating revenue in 2021.					
3. Non-operating income and expenses: Mainly due to the increase in impairment loss determined in accordance with IFRS 9.					
4. Income tax expenses: Mainly due to the increase in income tax arising from the current period.					
5. Operating income and net income for the period: Mainly due to the substantial increase in profits in 2021.					

(II) Expected Sales Volume in the Coming Year and Its Basis

The Company is an IC design house specializing in specialty DRAM and logic ICs such as USB chips and 3D image chips. These products have various applications in consumer electronics and artificial intelligence. The expected sales volume and operations in the future are based on the changes in demand for consumer electronics, according to which various response plans and strategies for financial business are formulated.

III Cash Flows

(I) Analysis of the Changes in Cash Flows for the Most Recent Year

Unit: %

Item \ Year	2020	2021	Percentage of Change
Cash Flow Ratio	6.48	44.45	585.96
Cash Flow Adequacy Ratio	42.41	98.59	132.47
Cash Reinvestment Ratio	1.42	12.15	755.63

Description of the percentage of change:
1. Cash flow ratio: Mainly due to the increase in cash inflow from operating activities in 2021 against that in 2020.
2. Cash flow adequacy ratio: Mainly due to the substantial increase in cash inflow from operating activities in 2021 against that in previous years.
3. Cash reinvestment ratio: Mainly due to the increase in cash inflow from operating activities in 2021 against that in 2020.

(II) Remedial plans for liquidity shortfalls: Not applicable as the Company's cash flow from operating activities in 2021 was a net inflow and there was no liquidity shortfall.

(III) Analysis of Liquidity for the Coming Year: Liquidity for the coming year is expected to be better than that in the previous year.

IV Effect on Financial Operations of Any Major Capital Expenditures during the Most Recent Year

Unit: NT\$ thousand

Program	Capital Expenditures		
	2019	2020	2021
Purchase of Equipment	79,170	45,520	97,207
Impact on financial operations	Such capital expenditures are expected to bring positive benefits to the production and sales of products		

V Reinvestment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated Thereby, Improvement Plan, and Investment Plans for Coming Year

(I) Reinvestment Policy for the Most Recent Year

For long-term strategic purposes, the Company's reinvestment policy targets companies in the relevant sectors of the industry. Getting a hold of integrated trends in the relevant sectors of the industry, the Company expects to develop new products, new customers, and new markets, so as to maximize the profits with augmented market share.

(II) Main Reasons for Profits/Losses Generated Thereby and Improvement Plan

Some subsidiaries of the Company are yet to make a profit despite their continuing investments in new technologies and new products; yet, the business results of most of the subsidiaries have started to roll in as investee companies accounted for using the equity method continue to grow, resulting in a significant decrease in investment losses in 2021 from the previous year. In the future, the Company will continue assisting the investee companies in improving their competitiveness and business results, so as to increase the Company's profitability as a whole.

(III) Investment Plans for Coming Year

The Company will continue to prudently evaluate its investment plans for long-term strategic purposes.

VI Risk Assessment and Management

- (I) Effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

Unit: NT\$ thousand; %

Item	2020	2021
Net operating revenue	3,550,544	6,146,406
Net Income before tax	(256,575)	1,083,770
Net interest revenue (expense)	(59,285)	(39,931)
Ratio of interest revenue (expense) to net operating revenue	(1.67)	(0.65)
Ratio of interest revenue (expense) to net Income before Tax	(23.11)	(3.68)
Net foreign currency exchange gains (losses)	(33,903)	(22,731)
Ratio of net foreign currency exchange gains (losses) to net operating revenue	(0.95)	(0.37)
Ratio of net foreign currency exchange gains (losses) to net Income before tax	(13.21)	(2.10)

1. Effect of interest rate fluctuations and response measures to be taken in the future

The interest expenses in 2020 and 2021 were NT\$59,285 thousand and NT\$39,931 thousand respectively, accounting for 1.67% and 0.65% of the consolidated net operating revenue respectively. The Company will always pay attention to the trend of interest rates in the financial market, regularly evaluate bank interest rates, and closely liaise with banks to strive for more favorable interest rate terms.

2. Effect of exchange rate fluctuations and response measures to be taken in the future

The Company's operating revenue was mainly denominated in USD. Net of certain payables on purchases denominated in foreign currencies, USD-denominated assets constituted most of the net position. Therefore, exchange rate fluctuations between the New Taiwan Dollar and the U.S. dollar could have an impact on the Company's profit or loss. In addition to natural hedging, the Company entered into forward contracts to mitigate the impact of exchange rate fluctuations on its profit and loss. To keep abreast of trends and changes in exchange rates, the Company's finance department constantly monitors changes in international financial markets, maintains close contact with banks, collects information on exchange rate fluctuations and financial markets; it also adjusts the USD position in a timely manner to reduce the exchange rate risk.

3. Effect of changes in the inflation rate and response measures to be taken in the future

In the most recent year, inflation had an insignificant impact on the business operations and profit or loss of the Company and its subsidiaries. In the future, the Company and its subsidiaries will closely monitor the changes in the international prices of raw materials

and products, maintain good relationships with customers and suppliers, and adjust the selling prices of products and inventories in a timely manner in order to reduce the effect of changes in the inflation rate.

- (II) Policies on High Risk or Highly Leveraged Investments, Loans to Others, Endorsements and Guarantees, as Well as Derivatives Trading, Main Reasons for Profits or Losses, and Response Measures to Be Taken in the Future: The Company and all its subsidiaries did not engage in any high risk or highly leveraged investments. To ensure sound financial management and to reduce the operational risks, the Company has formulated the "Operating Procedures for Loans to Others" and "Operating Procedures for Endorsements and Guarantees" according to law and required that the Company and all its subsidiaries should comply when providing loans or endorsements/guarantees to others. The Company engages in derivatives trading primarily for hedging purposes, using forward foreign exchange and swap contracts to reduce the adverse effects of fluctuations in foreign exchange rates on the Company's operating results.
- (III) Future R&D Plan and Projected R&D Expenses: In response to the industry trend of heterogeneous integration and incorporating the sustainable concept of green design, the Company and its subsidiaries continue to develop application-driven memory and logic chip products with high speed, high bandwidth, low voltage, low power consumption, suitable capacity and low cost, and strive to provide a higher-end product portfolio to create added value. The R&D expenses in 2021 amounted to approximately NT\$599,127 thousand, accounting for 10% of the Company's operating revenue. The equivalent percentage is expected in terms of the R&D expenses in 2022.
- (IV) (IV) Effect of Changes in Major Domestic and International Policies and Laws on the Company's Finances and Business Operations and Response Measures to Be Taken in the Future: The changes in major domestic and international policies and laws this year did not have any major impact on the finances and business operations of the Company and its subsidiaries. In the future, the Company will keep itself timely updated on relevant information and develop timely and necessary responses to meet the Company's operational needs.
- (V) Effect of Changes in Technology and the Industry on the Company's Finances and Business Operations and Response Measures to Be Taken in the Future: The Company strengthened the R&D capabilities and followed technological developments and market trends at home and abroad to respond to changes in technology and the industry; in terms of financial management, the Company focused on cash flow management to keep the operations sound and robust. In addition, regarding the Company's responses to cyber security, please refer to Chapter 5 Operational Highlights, Section V Cyber Security Management of this annual report.
- (VI) Effect of Changes in Corporate Image on Corporate Risk Management and Measures Taken in Response: The Company is a world-class fabless IC design house for cutting-edge CEDRAM and KGDM. With "honor, courage, innovation, teamwork" as the core, the Company continues to develop advanced technologies and enhance customer service, forging long-term and stable partnerships with many leading customers around the world. In terms of corporate image, the Company presents its core values, business strategies, visions, market trends, and other product or financial information through disclosures and channels of communication such as company website, DMs, press release, awards and credentials, participation in industry events; it also engages with the media and investors to increase the public's understanding and recognition of its business goals and to create a positive corporate image.
- (VII) Expected Benefits and Possible Risks Associated with Mergers and Acquisition and Measures Taken in Response: None

- (VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion and Measures Taken in Response: None
- (IX) Risks Associated with Excessively Centralized Purchases or Sales and Measures Taken in Response: In terms of purchases, having been deeply involved in the field of semiconductor IC products for a long time, the Company has formed a stable and close partnership with suppliers and has considered more than two suppliers for the management of purchases, so that the Company can flexibly allocate production capacity to ensure stable supply and quality. As for sales, the Company sells to customers worldwide for a variety of consumer electronics products, and the sales are still actively expanding, with no centralized sales.
- (X) Effect upon and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10 Percent Stake in the Company Has Been Transferred or Has Otherwise Changed Hands, and Measures Taken in Response: The equity changes of the above-mentioned personnel of the Company were mainly due to their personal financial management activities, which were minimal and did not pose any risk to the Company's operations.
- (XI) Effect of Changes in Management on the Company, Related Risks, and Measures Taken in Response: None
- (XII) Litigation or Non-litigation Events: In January 2016, former Chairman Wu of TM Technology, Inc. ("TM Technology"), the former subsidiary of the Company, was accused of violating the Securities and Exchange Act. After the Taiwan New Taipei District Court brought in an acquittal on November 22, 2019, the prosecution appealed the case to the Taiwan High Court. The case is currently being heard by the Taiwan High Court. In February 2017, on behalf of the investors of TM Technology, the Securities and Futures Investors Protection Center (the "SFIPC") filed two civil actions against the Company and TM Technology and its former Chairman Wu in the Taiwan Hsinchu District Court and the Taiwan New Taipei District Court, respectively, for former Chairman Wu's being charged with violating the Securities and Exchange Act in January 2016. The said two district courts dismissed the actions requesting joint and several liability on November 13, 2018 and March 18, 2019, respectively. The SFIPC objected to the ruling and appealed to the Taiwan High Court in April 2019. On February 26, 2021, the Taiwan High Court dismissed the appeal filed by the SFIPC. On March 24, 2021, the SFIPC filed an appeal against the ruling by the Taiwan High Court. The case did not cause significant impact on the shareholders' equity or securities of the Company.
- (XIII) Other Major Risks and Countermeasures: None

VII Other Important Issues: None

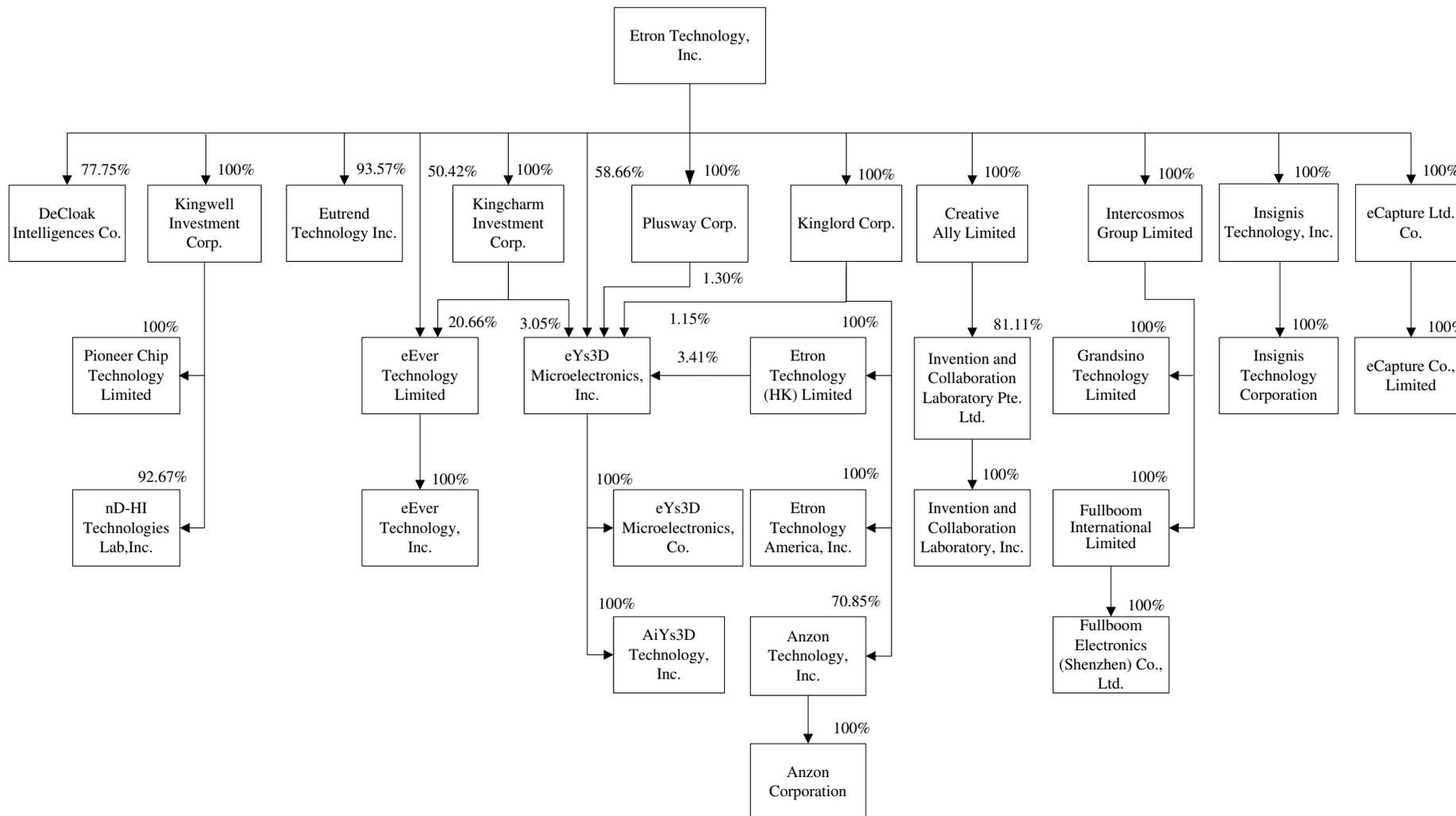
Chapter 8 Special Records

I Relevant Information on Affiliates

(I) Consolidated Business Reports of Affiliates

1. Organizational chart of affiliates

December 31, 2021



2. Information on affiliates

December 31, 2021; Unit: NTS thousand

Name of Affiliate	Date of Incorporation	Company Address	Currency	Paid-in Capital	Scope of Business
Kingwell Investment Corp.	10/17/1995	10F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$131,830.00	Investment in production and service businesses
Kinglord Corp.	8/13/1996	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD	\$27,107.62	General investment
Plusway Corp.	11/24/1997	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD	\$10,485.00	General investment
Etron Technology America, Inc.	3/28/2000	3375 Scott BLVD, Suite 128, Santa Clara, CA95054, U.S.A.	USD	\$5,620.00	Sale and purchase of integrated circuits
Eutrend Technology, Inc.	4/1/1997	1F, No. 6, Keji 5th Road, Hsinchu Science Park	TWD	\$28,883.69	Testing of high frequency or high power RF, analog, and digital mixed components
Kingcharm Investment Corp.	5/10/2000	10F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$180,000.00	General investment
Anzon Technology, Inc.	1/21/2003	P.O Box 3152, Road Town, Tortola, Birtish Virgin Islands	USD	\$584.50	General investment
Anzon Corporation	1/16/2004	3-4-1, Kami-osaki, Shinagawa-ku, Tokyo	JPY	\$9,250.00	Sales agency
Etron Technology (HK) Limited	3/16/2005	Unit 613, Lakeside 2, East Wing, No. 10 Science Park West Avenue, HK Science Park Phase II, Shatin, N.T., Hong Kong	HKD	\$37,440.00	Sale and purchase of integrated circuits
Intercosmos Group Limited	7/6/2005	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD	\$6,010.00	General investment
Grandsino Technology Limited	7/6/2005	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD	\$5,282.00	General investment
Fullboom International Limited	1/8/2007	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD	\$1,050.00	General investment
Fullboom Electronics (Shenzhen) Co., Ltd.	11/1/2007	No .A2503A, 25F, Building A, Galaxy WORLD, No. 1, Yabao Road, Longgang District, Shenzhen City, China	USD	\$1,000.00	Wholesale and international trade of electronic components
Creative Ally Limited	7/13/2011	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	USD	\$3,720.00	General investment
Invention and Collaboration Laboratory, Inc.	6/20/2012	10F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$1,340.00	Manufacturing of electronic components
Pioneer Chip Technology Limited	10/26/2012	5F, No. 158, Section 1, Jiafeng 2nd Street, Zhubei City, Hsinchu County	TWD	\$2,000.00	Manufacturing of electronic components
eEver Technology, Inc.	7/30/2015	2F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$277,000.00	Manufacturing of electronic components
eYs3D Microelectronics, Co.	7/30/2015	2F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$715,813.55	Manufacturing of electronic components
eCapture Ltd. Co.	5/19/2015	P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	USD	\$1,001.67	General investment
eCapture Co., Limited	9/12/2016	Room 613, 6/F., Lakeside 2, East Wing, No. 10 Science Park West Avenue, HK Science Park Phase II, Shatin, N.T., Hong Kong	USD	\$950.00	Development, marketing and sale of electronic products
Insignis Technology, Inc.	11/3/2016	P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205	USD	\$1,955.00	General investment
Insignis Technology Corporation	11/28/2016	160 Greentree Drive, Suite 101, Dover, DE 19904	USD	\$1,915.00	Sale and purchase of electronic components
eEver Technology Limited	7/4/2017	Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands	USD	\$6,756.97	General investment
eYs3D Microelectronics, Inc.	7/4/2017	Suite 102, Cannon Place, North Sound Road, George Town, Grand Cayman, KY1-9006, Cayman Islands	USD	\$21,249.43	General investment
nD-HI Technologies Lab, Inc.	10/12/2015	2F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$1,402.86	Manufacturing of electronic components
DeCloak Intelligences Co.	1/21/2020	10F, No. 22, Lane 35, Jihu Road, Xihu Village, Neihu District, Taipei City	TWD	\$23,950.00	Manufacturing of electronic components
AiYs3D Technology, Inc.	1/23/2020	3375 Scott Blvd., Suite 128, Santa Clara, CA 95054	USD	\$10.00	Marketing and customer service
Invention and Collaboration Laboratory Pte. Ltd.	5/5/2020	160 Robinson Rd., #23-02, Singapore 068914	USD	\$600.43	Development, consulting, and design of semiconductor technology

Note: nD-HI Technologies Lab, Inc. completed the change registration on September 23, 2021, whose Chinese name is changed from "邁恆磁電子(股)公司" to "銓心半導體異質整合(股)公司".

3. Shareholders of the companies presumed to have a control and affiliation relation: None
4. The industries overall covered by the businesses of affiliates: The scope of business of the Company and its affiliates mainly covers the research and development, production, and sale of integrated circuits and peripherals, as well as related consulting service and general investment.

5. Information on directors, supervisors, and presidents of affiliates

December 31, 2021; Unit: Share, %

Name of Affiliate	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
Kingwell Investment Corp.	Chairman	Etron Technology, Inc. (Representative: Yao, Tzu-Chin)	13,183,000	100.00
	Directors	Etron Technology, Inc. (Representative: Chung, Chia-Pao)	13,183,000	100.00
	Directors	Etron Technology, Inc. (Representative: Hsieh, Jui-Ling)	13,183,000	100.00
	Supervisor	Etron Technology, Inc. (Representative: Shih, Pei-Shan)	13,183,000	100.00
Kinglord Corp.	Chairman	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
	Directors	Hsieh, Jui-Ling	0	0.00
Plusway Corp.	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
	Directors	Hsieh, Jui-Ling	0	0.00
Etron Technology America, Inc.	Directors	Elvis Deng	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
Eutrend Technology, Inc.	Chairman	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
	Directors	Chung, Jung-Kun	0	0.00
	Supervisor	Shih, Pei-Shan	0	0.00
Kingcharm Investment Corp.	Chairman	Etron Technology, Inc. (Representative: Yao, Tzu-Chin)	18,000,000	100.00
	Directors	Etron Technology, Inc. (Representative: Hsieh, Jui-Ling)	18,000,000	100.00
	Directors	Etron Technology, Inc. (Representative: Chung, Chia-Pao)	18,000,000	100.00
	Supervisor	Etron Technology, Inc. (Representative: Shih, Pei-Shan)	18,000,000	100.00
Anzon Technology, Inc.	Directors	Hsiu-Ling, Kuo	0	0.00
	Directors	Elvis Deng	0	0.00
	Directors	Chikagami, Yasushi	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Shinya Zhoujin	0	0.00
Anzon Corporation	Representative Director	Shinya Zhoujin	0	0.00
	Director	Yao, Tzu-Chin	0	0.00
	Supervisor	Hsiu-Ling, Kuo	0	0.00
Etron Technology(HK) Limited	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
Intercosmos Group Limited	Directors	Chung, Chia-Pao	0	0.00
	Directors	Hsieh, Jui-Ling	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
Grandsino Technology Limited	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
	Directors	Hsieh, Jui-Ling	0	0.00
Fullboom International Limited	Directors	Intercosmos Group Limited (Representative: Yao, Tzu-Chin)	1,050,000	100.00
Fullboom Electronics(Shenzhen)Co., Ltd.	Executive Director	Fullboom International Ltd. (Representative: Yao, Tzu-Chin)	0	100.00
	Supervisor	Fullboom International Ltd. (Representative: Chung, Chia-Pao)	0	100.00
CreativeAlly Limited	Directors	Hsieh, Jui-Ling	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Chung, Chia-Pao	0	0.00
Invention and Collaboration Laboratory, Inc.	Chairman	Invention and Collaboration Laboratory Pte.Ltd.(Representative: Yao, Tzu-Chin)	134,000	100.00
	Directors	Invention and Collaboration Laboratory Pte.Ltd.(Representative: Hsieh, Jui-Ling)	134,000	100.00
	Directors	Invention and Collaboration Laboratory Pte.Ltd.(Representative: Chung, Chia-Pao)	134,000	100.00
	Supervisor	Invention and Collaboration Laboratory Pte.Ltd.(Representative: Shih, Pei-Shan)	134,000	100.00
Pioneer Chip Technology Limited	Chairman	Kingwell Investment Corp. (Representative: Yao, Tzu-Chin)	200,000	100.00
	Directors	Kingwell Investment Corp. (Representative: Hsieh, Jui-Ling)	200,000	100.00
	Directors	Kingwell Investment Corp. (Representative: David Leu)	200,000	100.00
	Supervisor	Kingwell Investment Corp. (Representative: Chung, Chia-Pao)	200,000	100.00
eCapture Ltd. Co.	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Elvis Deng	0	0.00
eCapture Co., Limited	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Elvis Deng	0	0.00
Insignis Technology, Inc.	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Elvis Deng	0	0.00
	Directors	William Lauer	0	0.00
Insignis Technology Corporation	Directors	Elvis Deng	0	0.00

Name of Affiliate	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
	Directors	Yao, Tzu-Chin	0	0.00
	Directors	William Lauer	0	0.00
	Directors	William Lauer	0	0.00
eEver Technology, Inc.	Chairman	eEver Technology Limited (Representative: Elvis Deng)	27,700,000	100.00
	Directors	eEver Technology Limited (Representative: Nicky Lu)	27,700,000	100.00
	Directors	eEver Technology Limited (Representative: Hsu, Shih-Min)	27,700,000	100.00
	Directors	eEver Technology Limited (Representative: Yang, Pang-Yen)	27,700,000	100.00
	Supervisor	eEver Technology Limited (Representative: Hsu, Mei-Ling)	27,700,000	100.00
	Supervisor	eEver Technology Limited (Representative: Yao, Tzu-Chin)	27,700,000	100.00
eYs3D Microelectronics, Co.	Chairman	eYs3D Microelectronics, Inc. (Representative: Elvis Deng)	71,581,355	100.00
	Directors	eYs3D Microelectronics, Inc. (Representative: Nicky Lu)	71,581,355	100.00
	Directors	eYs3D Microelectronics, Inc. (Representative: Chen, Lawrence Li)	71,581,355	100.00
	Supervisor	eYs3D Microelectronics, Inc. (Representative: Hsu, Mei-Ling)	71,581,355	100.00
	Supervisor	eYs3D Microelectronics, Inc. (Representative: Yao, Tzu-Chin)	71,581,355	100.00
eEver Technology Limited	Directors	Nicky Lu	123,001	0.44
	Directors	Elvis Deng	252,296	0.89
	Directors	Hsu, Shih-Min	17,001	0.06
	Directors	Yang, Pang-Yen	0	0.00
	Directors	Hsu, Mei-Ling	0	0.00
eYs3D Microelectronics, Inc.	Directors	Nicky Lu	524,913	0.77
	Directors	Elvis Deng	216,918	0.32
	Directors	Hsu, Mei-Ling	0	0.00
	Directors	CHEN, LAWRENCE LI	0	0.00
	Directors	Cai, Qing-Xiang	0	0.00
	Directors	Chen, Yan-Rui	0	0.00
	Directors	Max Wu	0	0.00
nD-HI Technologies Lab, Inc.	Chairman	Kingwell Investment Corp. (Representative: Yao, Tzu-Chin)	1,300,000	92.67
	Directors	Kingwell Investment Corp. (Representative: Hsieh, Jui-Ling)	1,300,000	92.67
	Directors	Kingwell Investment Corp. (Representative: Chung, Chia-Pao)	1,300,000	92.67
	Supervisor	Kingwell Investment Corp. (Representative: Shih, Pei-Shan)	1,300,000	92.67
DeCloak Intelligences Co.	Chairman	Etron Technology, Inc. (Representative: Yao, Tzu-Chin)	1,862,209	77.75
	Directors	Nicky Lu	260,000	10.86
	Directors	Tsou, Yao-Tung	35,000	1.46
	Supervisor	Elvis Deng	0	0.00
	Supervisor	Wang, Ching-Jung	0	0.00
AiYs3D Technology, Inc.	Directors	Elvis Deng	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
Invention and Collaboration Laboratory Pte. Ltd.	Directors	Elvis Deng	0	0.00
	Directors	Yao, Tzu-Chin	0	0.00
	Directors	Chen, Yu-Fen	0	0.00
	Directors	TAN SZE LIAN CELINE	0	0.00

6. Operational overview of affiliates

December 31, 2021; Unit: NT\$ thousand

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income (after Tax)	Earnings per Share (NT\$) (after Tax)
Kingwell Investment Corp.	131,830	366,662	216	366,446	12,202	10,415	10,415	0.79
Kinglord Corp.	740,651	409,311	131	409,180	13,516	13,303	13,303	522.55
Plusway Corp.	290,225	168,944	113	168,831	697	456	456	47.41
Etron Technology America, Inc.	155,562	31,442	4,950	26,492	39,965	5,586	9,649	0.20
Eutrend Technology, Inc.	28,884	240	10	230	0	(108)	(70)	(0.02)
Kingcharm Investment Corp.	180,000	41,377	107	41,270	728	295	295	0.02
Anzon Technology, Inc.	14,292	3,614	0	3,614	0	(707)	(650)	(0.27)
Anzon Corporation.	2,225	3,644	93	3,551	3,691	(914)	(621)	(3,358.84)
Etron Technology (HK) Limited	132,864	464,819	114,382	350,437	191,674	(1,874)	5,021	0.13
Intercosmos Group Limited	138,648	212,136	0	212,136	11,071	11,022	10,988	1,658.10
Grandsino Technology Limited	118,496	197,099	0	197,099	7,725	7,677	7,676	1,315.31
Fullboom International Limited	32,336	13,692	0	13,692	3,459	3,419	3,401	3.24
Fullboom Electronics (Shenzhen) Co., Ltd.	27,680	16,153	3,338	12,815	30,506	3,651	3,459	0.00

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income (after Tax)	Earnings per Share (NT\$) (after Tax)
Creative Ally Limited	102,970	12,470	0	12,470	(9,809)	(9,916)	(9,916)	(2,665.57)
Invention and Collaboration Laboratory, Inc.	1,340	1,236	0	1,236	0	(103)	(102)	(0.88)
Pioneer Chip Technology Limited	2,000	103	2	101	0	(33)	(33)	(0.17)
eEver Technology, Inc.	277,000	165,005	36,552	128,453	220,272	25,834	24,743	0.92
eYs3D Microelectronics, Co.	715,814	190,734	51,057	139,677	56,147	(112,358)	(113,132)	(1.98)
eCapture Ltd. Co.	27,726	2,370	0	2,370	103	(95)	(95)	(0.01)
eCapture Co. Limited	26,296	2,793	926	1,867	0	101	103	0.11
Insignis Technology, Inc.	54,114	11,503	0	11,503	11,705	11,491	11,491	0.47
Insignis Technology Corporation	53,007	43,253	31,865	11,388	88,739	11,438	11,438	5.97
eEver Technology Limited	187,033	147,593	70	147,523	24,877	21,802	21,802	0.77
eYs3D Microelectronics, Inc.	588,184	142,875	80	142,795	5	(115,554)	(115,554)	(2.21)
nD-HI Technologies Lab, Inc.	1,403	11,356	906	10,450	0	(1,740)	(1,739)	(4.46)
DeCloak Intelligences Co.	23,950	12,849	2,198	10,651	2,443	(9,215)	(9,114)	(7.07)
AiYs3D Technology, Inc.	277	1,985	1,096	889	6,724	276	276	27.58
Invention and Collaboration Laboratory Pte. Ltd.	16,620	15,046	796	14,250	0	(2,311)	(2,396)	(0.37)

(II) Consolidated Financial Statements of Affiliates

Etron Technology Inc. and Subsidiaries Statement on the Consolidated Financial Statements of Affiliates	
<p>In 2021 (from January 1, 2021 to December 31, 2021), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company hereby produces this statement to the effect that no preparation for the separate consolidated financial statements of affiliates is required.</p>	
Sincerely,	
Company: Etron Technology Inc.	
Responsible person: Nicky Lu	
March 18, 2022	

(III) Affiliation Reports: Not applicable

II Issuance of Private Placement Securities in the Most Recent Year and As of the Date of Publication of the Annual Report: None.

III Holding or Disposal of Shares in the Company by Subsidiaries during the Most Recent Year and Up to the Date of Publication of the Annual Report.

IV Other Necessary and Supplemental Description: None.

V Conditions that Materially Affect Shareholders' Interests or Price of Securities: None.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Etron Technology, Inc.

Opinion

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

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' 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. Based on our audits and the report of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters - Valuation of accounts receivable

Description

Please refer to Note 4(10) for accounting policies on valuation of accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of accounts receivable, and Note 6(5) for details of accounts receivable. As of December 31, 2021, the total amount of accounts receivable and allowance for uncollectible accounts were NT\$1,507,429 thousand and NT\$82,244 thousand, respectively.

The Group assesses the allowance for uncollectible receivables by each individual counterparty when there are significant past due accounts receivable arising from each individual counterparty. The valuation of allowance for uncollectible accounts receivable for the remaining counterparties is based on the default risk and expected loss rate. The amount of accounts receivable is material to the consolidated financial statements and the valuation involves subjective judgment made by management. Thus, we consider the valuation of accounts receivable a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter, these procedures included: obtained an understanding and evaluated the design and operating effectiveness of internal controls related to revenue and receivable business process, obtained the aging report of accounts receivable and validated the accuracy, obtained and validated the assessment made by management in identifying significant expected credit loss for each individual counterparty and respective supporting documents, obtained and validated the expected credit loss ratios calculated by management based on the Company's historical data of similar credit risk and forward-looking information, and tested subsequent collection in order to assess the reasonableness of allowance for

uncollectable accounts.

Key audit matters - Valuation of inventories

Description

Refer to Note 4(14) for accounting policies on valuation of inventories, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of inventories, and Note 6(6) for details of inventories. As of December 31, 2021, the total amount of inventories and allowance for inventory valuation loss were NT\$2,253,491 thousand and NT\$451,010 thousand, respectively.

The Group is primarily engaged in the design, manufacture and sale of niche memory chips. Due to rapidly technology changes and fluctuation in market demands, there is a higher risk of decline in market values of inventories or obsolescence. The Group's inventories are measured at the lower of cost and net realizable value. The estimation of net realizable value for inventories aged over a certain period of time and individually identified as obsolete involves management's subjective judgment and the amount of inventories is material to the consolidated financial statements. Thus, we consider the valuation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter, these procedures included: assessed the reasonableness of policies regarding valuation of inventories and provision of allowance for inventory valuation loss, validated the consistency of quantities and amounts of inventories between inventory aging report at year end and inventory sub-ledger, sample tested the accuracy of categorization of inventory aging report, sample tested individually identified inventory items and the reasonableness of the estimation of net realisable values in order to ensure the sufficiency of allowance of inventory valuation loss.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for under the equity method recognized by the Group's investee accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$313,775 thousand, constituting 4.36% of the consolidated total assets as at December 31, 2021, and the comprehensive income recognized from investments accounted for under the equity method amounted to NT\$34,364 thousand, constituting 3.05% of the consolidated total comprehensive income for the year then ended.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter section on the parent company only financial statements of Etron Technology, Inc. as at end for the years ended December 31, 2021 and 2020, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

Chiang, Tsai-yen

Wen, Fang-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 1,277,391	18	\$ 1,395,380	23
Financial assets at fair value through profit or loss - current	6(2)	5,253	-	2,965	-
Financial assets at amortised cost-current	6(4) and 8	18,971	-	15,684	-
Notes receivable, net	6(5)	10,000	-	-	-
Accounts receivable, net	6(5)	1,425,185	20	825,574	13
Other receivables	7	46,620	-	22,275	-
Current income tax assets		14	-	179	-
Inventories, net	6(6) and 8	1,802,481	25	1,659,633	27
Prepayments		55,989	1	28,227	1
Other current assets		1,268	-	1,702	-
Total current assets		4,643,172	64	3,951,619	64
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	6(3)	751,176	11	637,937	10
Financial assets at amortised cost-non-current	6(4) and 8	5,941	-	68,941	1
Investments accounted for using equity method	6(7)	313,775	4	316,170	5
Property, plant and equipment	6(8)(13) and 8	624,685	9	689,421	11
Right-of-use assets	6(9) and 7	142,422	2	166,355	3
Intangible assets	6(11)	56,507	1	27,056	1
Deferred income tax assets	6(32)	241,501	3	309,374	5
Other non-current assets	6(12)	425,203	6	12,364	-
Total non-current assets		2,561,210	36	2,227,618	36
Total assets		\$ 7,204,382	100	\$ 6,179,237	100

(Continued)

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(14)	\$ 140,720	2	\$ 143,635	2
Financial liabilities at fair value through profit or loss - current	6(16)	-	-	42,722	1
Contract liabilities-current	6(24)	4,276	-	8,527	-
Notes payable		1,534	-	1,987	-
Accounts payable		943,330	13	596,157	10
Other payables	6(15)	366,877	5	178,877	3
Current income tax liabilities		324	-	-	-
Current lease liabilities	7	22,833	-	22,906	-
Long-term liabilities, current portion	6(17)	766,818	11	673,097	11
Other current liabilities, others	6(10) and 7	31,154	1	82,384	1
Total current liabilities		<u>2,277,866</u>	<u>32</u>	<u>1,750,292</u>	<u>28</u>
Non-current liabilities					
Long-term borrowings	6(17)	504,432	7	1,292,184	21
Deferred income tax liabilities	6(32)	483	-	-	-
Non-current lease liabilities	7	123,237	1	146,306	3
Other non-current liabilities	6(10)(18) and 7	54,767	1	73,331	1
Total non-current liabilities		<u>682,919</u>	<u>9</u>	<u>1,511,821</u>	<u>25</u>
Total Liabilities		<u>2,960,785</u>	<u>41</u>	<u>3,262,113</u>	<u>53</u>
Equity attributable to owners of parent					
Share capital	6(19)				
Common stock		2,698,693	37	2,677,073	43
Capital collected in advance		1,530	-	-	-
Capital surplus	6(20)				
Capital surplus		568,222	8	496,457	8
Retained earnings	6(21)				
Unappropriated retained earnings (Accumulated deficit)		784,069	11	(260,481)	(4)
Other equity interest	6(22)	87,129	2	(31,829)	-
Equity attributable to owners of parent		<u>4,139,643</u>	<u>58</u>	<u>2,881,220</u>	<u>47</u>
Non-controlling interests	4(3)	<u>103,954</u>	<u>1</u>	<u>35,904</u>	<u>-</u>
Total equity		<u>4,243,597</u>	<u>59</u>	<u>2,917,124</u>	<u>47</u>
Significant contingent liabilities and unrecognized contractual commitments	9				
Significant events after the balance sheet date	11				
Total liabilities and equity		<u>\$ 7,204,382</u>	<u>100</u>	<u>\$ 6,179,237</u>	<u>100</u>

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

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(24) and 7	\$ 6,146,406	100	\$ 3,550,544	100
Operating costs	6(6)(29)(30)	(4,024,737)	(65)	(2,985,071)	(84)
Gross profit from operations		<u>2,121,669</u>	<u>35</u>	<u>565,473</u>	<u>16</u>
Operating expenses	6(29)(30)				
Selling expenses		(185,851)	(3)	(145,456)	(4)
General and administrative expenses		(305,437)	(5)	(228,589)	(6)
Research and development expenses		(599,127)	(10)	(482,179)	(14)
Expected credit impairment gain	12(2)	<u>40,028</u>	<u>1</u>	<u>10,218</u>	<u>-</u>
Total operating expenses		(<u>1,050,387</u>)	(<u>17</u>)	(<u>846,006</u>)	(<u>24</u>)
Other operating income and expenses-net	6(25) and 7	<u>57,647</u>	<u>1</u>	<u>57,972</u>	<u>2</u>
Operating profit (loss)		<u>1,128,929</u>	<u>19</u>	(<u>222,561</u>)	(<u>6</u>)
Non-operating income and expenses					
Interest income	6(26)	3,974	-	1,034	-
Other income	6(27) and 7	30,650	1	29,439	1
Other gains and losses	6(28)	20,029	-	(32,424)	(1)
Finance costs	6(31)	(39,931)	(1)	(59,285)	(2)
Expected credit impairment loss	6(4) and 12(2)	(63,000)	(1)	-	-
Share of profit of associates and joint ventures accounted for using equity method	6(7)	<u>3,119</u>	<u>-</u>	<u>27,222</u>	<u>1</u>
Total non-operating income and expenses		(<u>45,159</u>)	(<u>1</u>)	(<u>34,014</u>)	(<u>1</u>)
Profit (loss) before income tax		<u>1,083,770</u>	<u>18</u>	(<u>256,575</u>)	(<u>7</u>)
Income tax expense	6(32)	(<u>68,735</u>)	(<u>1</u>)	(<u>11,869</u>)	(<u>1</u>)
Net income (loss) for the year		<u>\$ 1,015,035</u>	<u>17</u>	(<u>\$ 268,444</u>)	(<u>8</u>)

(Continued)

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Loss on remeasurements of defined benefit plans	6(18)	(\$ 5,181)	-	(\$ 390)	-
Unrealised gains on investment in equity instruments at fair value through other comprehensive income	6(3)(22)	118,713	2	49,847	2
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(7)(22)	3,474	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss		<u>117,006</u>	<u>2</u>	<u>49,457</u>	<u>2</u>
Items that will be reclassified to profit or loss					
Currency translation differences of foreign operations	6(22)	(24,582)	-	(33,340)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)(22)	19,290	-	8,581	-
Components of other comprehensive loss that will be reclassified to profit or loss		<u>(5,292)</u>	<u>-</u>	<u>(24,759)</u>	<u>(1)</u>
Other comprehensive income for the year		<u>\$ 111,714</u>	<u>2</u>	<u>\$ 24,698</u>	<u>1</u>
Total comprehensive income (loss) for the year		<u>\$ 1,126,749</u>	<u>19</u>	<u>(\$ 243,746)</u>	<u>(7)</u>
Profit (loss) attributable to:					
Owners of the parent company		\$ 1,051,071	17	(\$ 254,393)	(7)
Non-controlling interest		<u>(36,036)</u>	<u>-</u>	<u>(14,051)</u>	<u>(1)</u>
		<u>\$ 1,015,035</u>	<u>17</u>	<u>(\$ 268,444)</u>	<u>(8)</u>
Total comprehensive income (loss) attributable to:					
Owners of the parent company		\$ 1,163,508	20	(\$ 229,078)	(7)
Non-controlling interest		<u>(36,759)</u>	<u>(1)</u>	<u>(14,668)</u>	<u>-</u>
		<u>\$ 1,126,749</u>	<u>19</u>	<u>(\$ 243,746)</u>	<u>(7)</u>
Basic earnings (loss) per share	6(33)	<u>\$</u>	<u>3.91</u>	<u>(\$</u>	<u>1.14)</u>
Diluted earnings (loss) per share	6(33)	<u>\$</u>	<u>3.88</u>	<u>(\$</u>	<u>1.14)</u>

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

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent									
	Capital			Unappropriated retained earnings (Accumulated deficit)	Other equity interest	Treasury stocks	Total	Non-controlling interest	Total equity	
	Notes	Common stock	Capital collected in advance							Capital surplus
2020										
Balance at January 1, 2020		\$ 4,352,398	\$ -	\$ 190,706	(\$ 2,175,325)	(\$ 64,024)	(\$ 3,540)	\$ 2,300,215	\$ 32,017	\$ 2,332,232
Net loss for the year		-	-	-	(254,393)	-	-	(254,393)	(14,051)	(268,444)
Other comprehensive income (loss) for the year	6(7)(18)(2)	-	-	-	(390)	25,705	-	25,315	(617)	24,698
Total comprehensive income (loss) for the year		-	-	-	(254,783)	25,705	-	(229,078)	(14,668)	(243,746)
Capital reduction to cover accumulated deficits	6(19)	(2,175,325)	-	-	2,175,325	-	-	-	-	-
Issuance of common stock		500,000	-	227,041	-	-	-	727,041	-	727,041
Share based compensation cost for issuance of common stock reserved for employee preemption	6(20)(23)	-	-	6,420	-	-	-	6,420	-	6,420
Conversion of subsidiaries' convertible bonds	6(20)(35)	-	-	51,924	-	-	-	51,924	12,359	64,283
Disposal of parent company's share by subsidiaries recognised as treasury share transactions	6(20)	-	-	372	-	-	3,540	3,912	-	3,912
Net change in equity of associates	6(20)	-	-	20,948	792	-	-	21,740	-	21,740
Share based compensation	6(20)(23)	-	-	375	-	-	-	375	1,872	2,247
Capital contribution from non-controlling interests	6(20)(35)	-	-	1,167	-	-	-	1,167	4,337	5,504
Disposal of investments accounted for using the equity method	6(7)(20)	-	-	(2,032)	-	-	-	(2,032)	-	(2,032)
Disposal of investments in equity instruments designated at fair value through other comprehensive income or loss	6(3)(22)	-	-	-	(6,490)	6,490	-	-	-	-
Liquidation of subsidiaries	6(20)	-	-	(464)	-	-	-	(464)	(13)	(477)
Balance at December 31, 2020		\$ 2,677,073	\$ -	\$ 496,457	(\$ 260,481)	(\$ 31,829)	\$ -	\$ 2,881,220	\$ 35,904	\$ 2,917,124
2021										
Balance at January 1, 2021		\$ 2,677,073	\$ -	\$ 496,457	(\$ 260,481)	(\$ 31,829)	\$ -	\$ 2,881,220	\$ 35,904	\$ 2,917,124
Net profit (loss) for the year		-	-	-	1,051,071	-	-	1,051,071	(36,036)	1,015,035
Other comprehensive income (loss) for the year	6(7)(18)(2)	-	-	-	(5,181)	117,618	-	112,437	(723)	111,714
Total comprehensive income (loss) for the year		-	-	-	1,045,890	117,618	-	1,163,508	(36,759)	1,126,749
Exercise of employee share options	6(19)(20)(23)	21,620	1,530	33,511	-	-	-	56,661	-	56,661
Conversion of subsidiaries' convertible bonds	6(20)(35)	-	-	30,845	-	-	-	30,845	11,958	42,803
Net change in equity of associates	6(20)	-	-	(20,354)	-	-	-	(20,354)	-	(20,354)
Share based compensation	6(20)(23)	-	-	16,652	-	-	-	16,652	2,872	19,524
Capital contribution from non-controlling interests	6(20)(35)	-	-	48,488	-	-	-	48,488	52,602	101,090
Changes in ownership interests in subsidiaries	6(20)(35)	-	-	(37,377)	-	-	-	(37,377)	37,377	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income or loss	6(3)(22)	-	-	-	(1,340)	1,340	-	-	-	-
Balance at December 31, 2021		\$ 2,698,693	\$ 1,530	\$ 568,222	\$ 784,069	\$ 87,129	\$ -	\$ 4,139,643	\$ 103,954	\$ 4,243,597

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

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

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 1,083,770	(\$ 256,575)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	6(4) and 12(2)	22,972	(10,218)
Depreciation	6(8)(9)(29)	175,261	208,669
Amortization	6(11)(29)	52,737	47,887
Gain on financial assets at fair value through profit or loss	6(2)(16)(28)	(8,409)	(2,005)
Share based compensation	6(23)	19,524	8,667
Interest expense	6(31)	36,727	55,575
Interest expense from lease liabilities	6(9)(31)	3,204	3,710
Interest income	6(26)	(3,974)	(1,034)
Dividend income	6(27)	(19,480)	(22,801)
Share of profit of associates accounted for using equity method	6(7)	(3,119)	(27,222)
Loss on disposal of associates accounted for using equity method	6(7)(28)	-	2,307
Gain on liquidation of subsidiaries	6(28)	-	(412)
(Gain) loss on disposal of property, plant and equipment	6(28)	(34,444)	36
Gains arising from lease modifications	6(28)	(5)	(1,405)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		2,627	3,378
Notes receivable		(10,000)	-
Accounts receivable, net		(559,584)	74,392
Other receivables		(24,330)	14,478
Inventories, net		(142,848)	115,696
Prepayments		(27,762)	(8,365)
Other current assets		434	69
Changes in operating liabilities			
Contract liabilities		(4,251)	7,135
Notes payable		(453)	(303)
Accounts payable		347,173	11,130
Accounts payable - related parties		-	(1,205)
Other payables		198,961	(14,566)
Other current liabilities		(51,230)	(54,370)
Net defined benefit liability		(1,167)	(1,469)
Other non-current liabilities		(22,782)	-
Cash inflow generated from operations		1,029,552	151,179
Interest received		3,961	1,250
Dividends received		19,480	22,801
Interest paid		(40,540)	(62,067)
Income tax refunded		112	321
Net cash flows from operating activities		<u>1,012,565</u>	<u>113,484</u>

(Continued)

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

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 42,000)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss		45,446	-
Acquisition of financial assets at fair value through other comprehensive income	6(3)	(40,268)	(36,281)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	30,580	14,803
Proceeds from liquidation of financial assets at fair value through other comprehensive income	6(3)	504	-
Recovery of investment cost from financial assets at fair value through other comprehensive income	6(3)	5,578	-
Increase on financial assets on amortised cost	6(4)	(3,287)	(7,085)
Acquisition of property, plant and equipment	6(34)	(97,207)	(45,520)
Proceeds from disposal of property, plant and equipment		34,501	-
Acquisition of intangible assets	6(34)	(82,316)	(43,666)
Increase in refundable deposits		(410,762)	(4,313)
Proceeds from disposal of associates accounted for using equity method	6(7)	-	668
Refund from associates accounted for using equity method to buy back capital	6(7) and 7	-	333,023
Increase in other non-current assets		(2,077)	(2,702)
Net cash flows (used in) from investing activities		(561,308)	208,927
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(36)	1,067,454	517,047
Decrease in short-term loans	6(36)	(1,070,369)	(855,866)
Increase in long-term loans	6(36)	-	112,614
Decrease in long-term loans	6(36)	(694,031)	(305,525)
Proceeds from issuance of subsidiaries' bonds	6(36)	-	43,650
Increase in guarantee deposits	6(36)	205	1,444
Payment of lease principal	6(36)	(22,826)	(22,606)
Capital contribution from non-controlling interests	6(35)	101,090	5,504
Issuance of common stock	6(19)	-	727,041
Proceeds from disposal of treasury shares	6(19)	-	3,912
Exercise of employee share options	6(19)	56,661	-
Net cash flows (used in) from financing activities		(561,816)	227,215
Effect of change in exchange rate		(7,430)	4,640
Net (decrease) increase in cash and cash equivalents		(117,989)	554,266
Cash and cash equivalents at beginning of year		1,395,380	841,114
Cash and cash equivalents at end of year		\$ 1,277,391	\$ 1,395,380

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

ETRON TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organization

Etron Technology, Inc. (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.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacturing and design of various integrated circuits.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in The Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing

control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized 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 recognized in profit or loss. All amounts previously recognized 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 recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B . Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Etron Technology, Inc.	Kingwell Investment Corp.	Investment holdings	100	100	
Etron Technology, Inc.	Kingcharm Investment Corp.	Investment holdings	100	100	
Etron Technology, Inc.	Eutrend Technology, Inc.	Testing service for high-frequency or high-power radio frequency, analog, digital, and mixed-signal components	93.57	93.57	
Etron Technology, Inc.	Kinglord Corp.	Investment holdings	100	100	
Etron Technology, Inc.	Intercosmos Group Limited	Investment holdings	100	100	
Etron Technology, Inc.	Plusway Corp.	Investment holdings	100	100	
Etron Technology, Inc.	Creative Ally Limited	Investment holdings	100	100	
Etron Technology, Inc.	Invention and Collaboration Laboratory, Inc.	Electronic components manufacturing, design, research, development, sales and marketing	-	100	Note 1
Etron Technology, Inc.	eEver Technology Limited	Investment holdings	50.42	50.42	Note 2
Etron Technology, Inc.	eYs3D Microelectronics, Inc.	Investment holdings	58.66	61.22	Note 3
Etron Technology, Inc.	eCapture Ltd. Co.	Investment holdings	100	100	
Etron Technology, Inc.	Insignis Technolgy, Inc.	Investment holdings	100	100	
Etron Technology, Inc.	DeCloak Intelligences Co.	Electronic components manufacturing, design, research, development, sales and marketing	77.75	62.94	
eEver Technology Limited	eEver Technology, Inc.	Electronic components manufacturing, design, research, development, sales and marketing	100	100	
eYs3D Microelectronics, Inc.	eYs3D Microelectronics, Co.	Electronic components manufacturing, design, research, development, sales and marketing	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
eYs3D Microelectronics, Inc.	AiYs3D Technology, Inc.	Marketing and customer services	100	100	
Kingwell Investment Corp.	Pinoeer Chip Technology Limited	Electronic components manufacturing, design, research, development, sales and marketing	100	100	
Kingwell Investment Corp.	nD-HI Technologies Lab, Inc.	Electronic components manufacturing, design, research, development, sales and marketing	92.67	100	Note 4
Kingcharm Investment Corp.	eEver Technology Limited	Investment holdings	20.66	20.66	Note 2
Kingcharm Investment Corp.	eYs3D Microelectronics, Inc.	Investment holdings	3.05	4.95	Note 3
Kinglord Corp.	Etron Technology America, Inc.	Sales agent of electronic components	100	100	
Kinglord Corp.	Anzon Technology, Inc.	Investment holdings	70.85	70.85	
Kinglord Corp.	Etron Technology (HK) Limited	Sales of electronic components	100	100	
Kinglord Corp.	eYs3D Microelectronics, Inc.	Investment holdings	1.15	1.87	Note 3
Anzon Technology, Inc.	Anzon Corporation	Sales agent of electronic components	100	100	
Etron Technology (HK) Limited	eYs3D Microelectronics, Inc.	Investment holdings	3.41	5.54	Note 3
Plusway Corp.	eYs3D Microelectronics, Inc.	Investment holdings	1.30	2.11	Note 3
Intercosmos Group Limited	Grandsino Technology Limited	Investment holdings	100	100	
Intercosmos Group Limited	Fullboom International Limited	Investment holdings	100	100	
Fullboom International Limited	Fullboom Electronics (Shenzhen) Co., Ltd.	Sales agent of electronic components and technical service	100	100	
Creative Ally Limited	Invention and Collaboration Laboratory Pte. Ltd.	Research and development, consulting and design services of semiconductor technology	81.11	81.11	
eCapture Ltd. Co.	eCapture Co., Limited	Marketing, sales and development of electronic products	100	100	
Insignis Technology, Inc.	Insignis Technology Corporation	Sales of electronic components	100	100	
Invention and Collaboration Laboratory Pte. Ltd.	Invention and Collaboration Laboratory, Inc.	Electronic components manufacturing, design, research, development, sales and marketing	100	-	Note 1

Note1: In the first quarter of 2021, the Group adjusted its organizational structure. Invention and Collaboration Laboratory, Inc. previously held by the Company was adjusted to be held by Invention and Collaboration Laboratory Pte. Ltd.

Note 2:As of December 31, 2021 and 2020, the comprehensive shareholding ratio held by the Group in eEver Technology Limited were both 71.08%.

Note 3:As of December 31, 2021 and 2020, the comprehensive shareholding ratios held by the Group in eYs3D Microelectronics, Inc. were 67.57% and 75.69%, respectively.

Note 4:On September 6, 2021, the Board of Directors of the subsidiary, Silicon Spintronics Inc., resolved to raise additional cash, which decreased The Group's share interest. However, the Group still obtained all the seats on the Board and control over the investee. Thus, it was included in the consolidated financial statements. At the same Board meeting, the Board of Directors of the subsidiary resolved to change its name to nD-HI Technologies Lab, Inc. and the registration of name change was completed on September 23, 2021.

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

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

F. Significant restrictions: None.

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

As of December 31, 2021 and 2020, the non-controlling interest amounted to \$103,954 and \$35,904, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2021		December 31, 2020	
		Amount	Ownership (%)	Amount	Ownership (%)
eEver Technology Limited	Cayman Islands	\$ 48,788	28.92%	\$ 40,061	28.92%
eYS3D Microelectronics, Inc.	Cayman Islands	48,260	32.43%	(9,957)	24.31%

Summarized financial information of the subsidiaries:

Balance sheets

	eEver Technology Limited	
	December 31, 2021	December 31, 2020
Current assets	\$ 19,139	\$ 40,281
Non-current assets	128,453	83,710
Current liabilities	(69)	(134)
Non-current liabilities	-	-
Total net assets	<u>\$ 147,523</u>	<u>\$ 123,857</u>

	eYs3D Microelectronics, Inc.	
	December 31, 2021	December 31, 2020
Current assets	\$ 2,309	\$ 3,878
Non-current assets	140,565	607
Current liabilities	(79)	(42,865)
Non-current liabilities	-	(10,523)
Total net assets	<u>\$ 142,795</u>	<u>(\$ 48,903)</u>

Statements of comprehensive income

	eEver Technology Limited	
	Year ended December 31	
	2021	2020
Revenue	\$ 24,877	\$ 15,431
Expense	(3,075)	(1,742)
Profit before income tax	21,802	13,689
Income tax expense	-	-
Profit for the year	21,802	13,689
Other comprehensive income, net of tax	2,822	3,684
Total comprehensive income	<u>\$ 24,624</u>	<u>\$ 17,373</u>

	eYs3D Microelectronics, Inc.	
	Year ended December 31	
	2021	2020
Revenue	\$ 5	\$ 43
Expense	(115,559)	(111,555)
Loss before income tax	(115,554)	(111,512)
Income tax expense	-	-
Loss for the year	(115,554)	(111,512)
Other comprehensive loss, net of tax	(3)	(561)
Total comprehensive loss	<u>(\$ 115,557)</u>	<u>(\$ 112,073)</u>

Statements of cash flows

		eEver Technology Limited	
		Year ended December 31	
		2021	2020
Net cash flows (used in) from operating activities	(\$	326)	\$ 54
Net cash flows used in investing activities	(	20,011)	-
Net cash flows from financing activities		-	-
Effect of exchange rates on cash and cash equivalents	(	878)	(2,100)
Decrease in cash and cash equivalents	(	21,215)	(2,046)
Cash and cash equivalents at beginning of year		39,902	41,948
Cash and cash equivalents at end of year	\$	18,687	\$ 39,902

		eYs3D Microelectronics, Inc.	
		Year ended December 31	
		2021	2020
Net cash flows used in operating activities	(\$	2,307)	(\$ 249)
Net cash flows used in investing activities	(	264,932)	(79,932)
Net cash flows from financing activities		266,142	65,025
Effect of exchange rates on cash and cash equivalents	(	80)	(393)
Decrease in cash and cash equivalents	(	1,177)	(15,549)
Cash and cash equivalents at beginning of year		3,359	18,908
Cash and cash equivalents at end of year	\$	2,182	\$ 3,359

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange

rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all

interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets 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 held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 from trading activities;
 - (c) Liabilities that are to be pay off 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.

(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 amortized 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 recognized and derecognized 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.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt

instruments which meet all of the following criteria:

- (a) The objective of The Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortized cost

- A. Financial assets at amortized 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 amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. A gain or loss is recognized in profit or loss when the asset is derecognized 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.

(10) 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.

(11) Impairment of financial assets

- A. For financial assets at amortized cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.
- B. For accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) 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.

(13) Leasing arrangements (lessor) – operating leases

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

(14) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(15) Investments accounted for using the 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 recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.
- 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 recognizes change in 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. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in The Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in The Group's ownership percentage of the associate, in addition to the above adjustment, the amounts

previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized 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 recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(16) 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 recognized 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.
- C. Land is not depreciated other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- 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 the main property, plant and equipment are as follows:

Buildings and structures	3 ~ 50 years
Machinery and equipment	2 ~ 10 years
Other equipment	2 ~ 10 years

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

- A. Leases are recognized 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 recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortized cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized 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. Cost recognized is the amount of the initial measurement of lease liability. 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 recognized as an adjustment to the right-of-use asset.

(18) Intangible assets

A. Patents and special technology

Separately acquired patents and special technology are stated at historical cost. Patents and special technology have a finite useful life and are amortized on a straight-line basis over their economic benefits.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its contract period.

(19) 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(20) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction

costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Accounts and notes payable

Accounts and notes payable are liabilities for purchases of goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

Mandatory convertible bonds

- A. Mandatory convertible bonds issued by the Group are initially recognized at fair value. The bonds will be settled by exchanging a fixed amount for an unfixed number of shares, which does not meet the definition of an equity component, and therefore are classified as liabilities. The bonds are subsequently remeasured at the present value of the redemption amount over the period of circulation.
- B. The mandatory convertible bonds are transferred from liabilities to equity when the bonds are converted at maturity.

(23) Derecognition of financial liabilities

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

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid 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 recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized 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 recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of

high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead and conducts an actuarial valuation at the end of the year.

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized 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.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(26) Income tax

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

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

(27) Share capital

- A. 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.
- B. Where the Group repurchases The Group's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to The Group's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to The Group's equity holders.

(28) Dividends

Dividends are recorded in The Group's financial statements in the period in which they are resolved by The Group'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

Sales of goods

- A. The Group designs, manufactures and sells integrated circuits. Sales are recognized when control of the products has been transferred, 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. As the time interval between the transfer of committed goods 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.
- B. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(30) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Valuation of accounts receivable

The Group values the allowance for uncollectible accounts receivable by individual counterparties when there are significant past due accounts receivable arising from those individual counterparties. The valuation of allowance for uncollectible accounts receivable for the remaining counterparties is based on the default risk and expected loss rate. The Group considers the historical experience in determining the assumptions adopted and the inputs used when calculating the impairment. Such valuation of accounts receivable is estimated based on the reasonable expectation about expected credit losses on the basis of conditions existing at the balance sheet date. The estimation may differ from the actual result. Therefore, there might be material changes to the valuation.

As of December 31, 2021, the carrying amount of accounts receivable was \$1,425,185.

B. Valuation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such valuation of inventories is valued based on the current market conditions and historical sales experience. Any changes in the market conditions may have material impact on the results of valuation. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$1,802,481.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 2,232	\$ 2,353
Checking accounts and demand deposits	1,229,433	1,209,758
Time deposits	42,680	183,269
Deposits in transit	3,046	-
	<u>\$ 1,277,391</u>	<u>\$ 1,395,380</u>

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's cash and cash equivalents shown on the balance sheet were not pledged to others as collateral. Details of The Group's cash and cash equivalents (shown as current and non-current financial assets at amortized cost) which pledged to others as collateral are provided in Note 8.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Listed stocks	\$ 791	\$ 2,997
Valuation adjustment		
Forward exchange contracts	558	411
Foreign exchange swap contracts	3,838	-
Equity instruments	66	(443)
	<u>\$ 5,253</u>	<u>\$ 2,965</u>

A. The Group recognized net profit amounting to \$8,407 and \$2,007 on financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, respectively.

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
<u>Financial instruments</u>	<u>Contract amount</u> <u>(notional principal)</u>	<u>Contract</u> <u>period</u>	<u>Contract amount</u> <u>(notional principal)</u>	<u>Contract</u> <u>period</u>
Assets - current items:				
Forward exchange contracts	4,000 USD <u>(thousands)</u>	2021.9.28~ 2022.3.16	\$ 1,000 USD <u>(thousands)</u>	2020.12.1~ 2021.1.5
Foreign exchange swap contracts	18,000 USD <u>(thousands)</u>	2021.9.17~ 2022.3.28	-	-

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

D. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

(3) Financial assets at fair value through the comprehensive income

Items	December 31, 2021	December 31, 2020
Non-current items:		
Listed stocks	\$ 85,928	\$ 85,921
Unlisted stocks	487,416	490,704
Valuation adjustment	177,832	61,312
	\$ 751,176	\$ 637,937

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$751,176 and \$637,937 as at December 31, 2021 and 2020, respectively.

B. Amounts recognized in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 118,713	\$ 49,847
Cumulative gains reclassified to retained earnings due to derecognition	\$ 1,340	\$ 6,490
Dividend income recognised in profit or loss		
Held at end of year	\$ 19,275	\$ 22,721

C. For the year ended December 31, 2021, the Group disposed the investee, UNRE AI Ltd. for proceeds of \$30,580, and transferred cumulative valuation loss of \$920 to retained earnings.

D. For the year ended December 31, 2021, the Group received proceeds of \$504 from liquidation of the investee, Qunyang Venture Co., Ltd., and transferred cumulative valuation loss of \$420 to retained earnings.

E. For the year ended December 31, 2021, the Group recovered investment cost of \$5,578 from the investee, China Walden Venture Investments II, L.P.

F. For the year ended December 31, 2020, the Group disposed the investee, Raytek Semiconductor, Inc., for proceeds of \$14,803.

G. The Group's investee conducted a share swap for the year ended December 31, 2020. The Group assesses that the risk and return have been transferred to the new investee from the old one, and

therefore the Group derecognized the original investee. The derecognition was considered as disposal and the cumulative losses from original investee recognized in other comprehensive income were reclassified to retained earnings in the amount of \$10,157.

H. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortized cost

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current items</u>		
Restricted time deposits and performance guarantee	\$ 18,971	\$ 15,684
<u>Non-current items</u>		
Preference share	\$ 63,000	\$ 63,000
Restricted time deposits	5,941	5,941
	68,941	68,941
Less: Accumulated impairment	(63,000)	-
	<u>\$ 5,941</u>	<u>\$ 68,941</u>

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

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 20	\$ 32
Impairment loss	\$ 63,000	\$ -

B. The preference shares are invested for a period of 7 years from May 6, 2017 to May 5, 2024 and cannot be converted into ordinary shares. The issue company may redeem the shares at the actual issue price at the maturity. The investors have no right to ask for early redemption of preference shares. The dividends are cumulative at the rate of 5% per annum. If the dividends are undistributed or are not distributed in full, it will be accumulated for deferred payment in the subsequent years when there are earnings.

C. Since the credit risk of the investee of preference shares increased as its financial position was impacted by the COVID-19 pandemic and industry competition, the Group recognized impairment loss amounting to \$63,000 for the year ended December 31, 2021.

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

(5) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 10,000	\$ -
Accounts receivable	1,507,429	947,846
Less: Allowance for uncollectible accounts	(82,244)	(122,272)
	<u>\$ 1,435,185</u>	<u>\$ 825,574</u>

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

	December 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,506,017	\$ 10,000	\$ 740,760	\$ -
Up to 30 days	1,412	-	44,625	-
31 to 90 days	-	-	115,291	-
Over 181 days	-	-	47,170	-
	<u>\$ 1,507,429</u>	<u>\$ 10,000</u>	<u>\$ 947,846</u>	<u>\$ -</u>

The above aging analysis for was based on past due payment date.

B. As of December 31, 2021 and 2020, and January 1, 2020, the balances of receivables from contracts with customers amounted to \$1,517,429, \$947,846, and \$1,036,447, respectively.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents The Group's accounts and notes receivable were \$1,435,185 and \$825,574, respectively.

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

(6) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 189,785	(\$ 26,487)	\$ 163,298
Work in progress	1,246,728	(234,341)	1,012,387
Finished goods	816,978	(190,182)	626,796
	<u>\$ 2,253,491</u>	<u>(\$ 451,010)</u>	<u>\$ 1,802,481</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 197,891	(\$ 50,492)	\$ 147,399
Work in progress	1,133,096	(203,454)	929,642
Finished goods	794,246	(211,654)	582,592
	<u>\$ 2,125,233</u>	<u>(\$ 465,600)</u>	<u>\$ 1,659,633</u>

The cost of inventories recognized as expense for the year:

	Year ended December 31	
	2021	2020
Cost of goods sold (including cost of services)	\$ 3,934,704	\$ 2,965,561
Loss on decline in market value	90,033	19,510
Transferred to expenses	15,170	12,374
	<u>\$ 4,039,907</u>	<u>\$ 2,997,445</u>

Information about the inventories that were pledged to others as collateral is provided in Note 8.

(7) Investments accounted for using the equity method

A. Details of changes in investments accounted for using the equity method are as follows:

<u>Investees</u>	December 31, 2021		December 31, 2020	
	Carrying amount	Shareholding ratio	Carrying amount	Shareholding ratio
Investments accounted for using the equity method				
Great Team Backend Foundry, Inc.	\$ 313,775	41.39%	\$ 307,486	40.25%
NetVinci, Inc.	-	57.75%	8,684	56.51%
	<u>\$ 313,775</u>		<u>\$ 316,170</u>	

B. The summarised financial information of the associates that are material to the Group is as follows:

	December 31, 2021	December 31, 2020
Assets	\$ 744,367	\$ 3,372,893
Liabilities	\$ 92,686	\$ 1,520,950

	Year ended December 31	
	2021	2020
Revenue	\$ -	\$ 2,240,478
Profit for the year	\$ 12,882	\$ 73,087

C. For the years ended December 31, 2021 and 2020, the investment profit (loss) and other comprehensive income (loss) of investments accounted for using the equity method amounted to \$3,119 and \$27,222, \$22,764 and \$8,581, respectively.

D. As of December 31, 2021 and 2020, the comprehensive shareholding ratios held by the Group in NetVinci, Inc. were 57.75% and 56.51%, respectively. The investee's total assets is 0.01% and 0.25% of the consolidated assets as of December 31, 2021 and 2020, respectively, and the Group could not obtain more than half seats on the Board, which indicated that the Group has no right to direct the operating decisions. Thus, the investee was accounted for using the equity method.

E. For the year ended December 31, 2020, the investee accounted for using the equity method,

Great Team Backend Foundry, Inc. reduced its capital and repurchased its shares from the Group in the number of 21,369 thousand totaling \$333,023.

- F. The Group is the largest shareholder of Great Team Backend Foundry, Inc. with a 41.39% equity interest. However, in accordance with rule for director election stated in the Articles of Incorporation of the investee, the Group could not obtain more than half of the seats on the Board, which indicated that the Group has no right to direct the operating decisions. Thus, the investee was accounted for using the equity method.
- G. In the second quarter of 2020, The Company's subsidiary sold all its shares in Energyplus Technology, Inc., an investment accounted for using the equity method, for proceeds of \$658, which resulted in losses on disposal of \$2,214.

(8) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Others	Total
At January 1, 2021				
Cost	\$ 544,148	\$ 845,620	\$ 2,863,287	\$ 4,253,055
Accumulated depreciation and impairment	(231,825)	(791,984)	(2,539,825)	(3,563,634)
	<u>\$ 312,323</u>	<u>\$ 53,636</u>	<u>\$ 323,462</u>	<u>\$ 689,421</u>
<u>2021</u>				
Opening net book amount as at January 1	\$ 312,323	\$ 53,636	\$ 323,462	\$ 689,421
Additions	-	2,313	84,671	86,984
Disposals	-	-	(57)	(57)
Depreciation charge for the year	(11,768)	(20,579)	(119,292)	(151,639)
Net exchange differences	-	-	(24)	(24)
Closing net book amount as at December 31	<u>\$ 300,555</u>	<u>\$ 35,370</u>	<u>\$ 288,760</u>	<u>\$ 624,685</u>
December 31, 2021				
Cost	\$ 536,498	\$ 573,812	\$ 2,918,312	\$ 4,028,622
Accumulated depreciation and impairment	(235,943)	(538,442)	(2,629,552)	(3,403,937)
	<u>\$ 300,555</u>	<u>\$ 35,370</u>	<u>\$ 288,760</u>	<u>\$ 624,685</u>

	Buildings and structures	Machinery and equipment	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 544,148	\$ 866,258	\$ 2,806,903	\$ 4,217,309
Accumulated depreciation and impairment	(219,917)	(786,355)	(2,400,623)	(3,406,895)
	<u>\$ 324,231</u>	<u>\$ 79,903</u>	<u>\$ 406,280</u>	<u>\$ 810,414</u>
<u>2020</u>				
Opening net book amount as at January 1	\$ 324,231	\$ 79,903	\$ 406,280	\$ 810,414
Additions	-	822	62,608	63,430
Disposals	-	-	(36)	(36)
Depreciation charge for the year	(11,908)	(27,089)	(145,358)	(184,355)
Net exchange differences	-	-	(32)	(32)
Closing net book amount as at December 31	<u>\$ 312,323</u>	<u>\$ 53,636</u>	<u>\$ 323,462</u>	<u>\$ 689,421</u>
<u>December 31, 2020</u>				
Cost	\$ 544,148	\$ 845,620	\$ 2,863,287	\$ 4,253,055
Accumulated depreciation and impairment	(231,825)	(791,984)	(2,539,825)	(3,563,634)
	<u>\$ 312,323</u>	<u>\$ 53,636</u>	<u>\$ 323,462</u>	<u>\$ 689,421</u>

A. Impairment information about the property, plant and equipment is provided in Note 6(13).

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

(9) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 30 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.
- B. Short-term leases with a lease term of 12 months or less comprise parking spaces and business vehicles. Low-value assets comprise photocopiers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Land	\$ 122,751	\$ 127,135
Buildings	17,399	34,307
Transportation equipment (Business vehicles)	2,272	4,913
	<u>\$ 142,422</u>	<u>\$ 166,355</u>

	Depreciation charge	
	Year ended December 31	
	2021	2020
Land	\$ 4,384	\$ 4,384
Buildings	16,843	17,473
Transportation equipment (Business vehicles)	2,395	2,457
	<u>\$ 23,622</u>	<u>\$ 24,314</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$0 and \$4,229, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 3,204</u>	<u>\$ 3,710</u>
Expense on short-term lease contracts	<u>\$ 7,089</u>	<u>\$ 7,699</u>
Expense on leases of low-value assets	<u>\$ -</u>	<u>\$ 62</u>
Gain on lease modification	<u>\$ 5</u>	<u>\$ 1,405</u>

- F. For the years ended December 31, 2021 and 2020, The Group's total cash outflow for leases were \$33,119 and \$34,077, respectively.

(10) Leasing arrangements – lessor

- A. The Group leases various assets including buildings and machinery and equipment. Rental contracts are typically made for periods of 2 to 6 years.
- B. For the years ended December 31, 2021 and 2020, the Group recognized rent income in the amounts of \$64,009 and \$65,872, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2021	December 31, 2020
2021	\$ -	\$ 59,789
2022	65,329	53,547
2023	65,860	56,278
2024	65,775	56,192
2025	65,775	56,192
2026	64,179	55,163
2027	32,089	27,581
	<u>\$ 359,007</u>	<u>\$ 364,742</u>

The amounts include the received in advance rent of \$22,782 and \$75,044 (shown as ‘other current liabilities, others’ and ‘other non-current liabilities’) as of December 31, 2021 and 2020, respectively. Refer to Note 7 for advance rent made by the related parties.

(11) Intangible assets

	Patent and special technology	Computer software	Other	Total
<u>At January 1, 2021</u>				
Cost	\$ 134,383	\$ 177,210	\$ 223	\$ 311,816
Accumulated amortisation and impairment	(118,825)	(165,712)	(223)	(284,760)
	<u>\$ 15,558</u>	<u>\$ 11,498</u>	<u>\$ -</u>	<u>\$ 27,056</u>
<u>2021</u>				
Opening net book amount as at January 1	\$ 15,558	\$ 11,498	\$ -	\$ 27,056
Additions	41,396	40,792	-	82,188
Amortisation charge for the year	(15,056)	(37,681)	-	(52,737)
Closing net book amount as at December 31	<u>\$ 41,898</u>	<u>\$ 14,609</u>	<u>\$ -</u>	<u>\$ 56,507</u>
<u>At Deember 31, 2021</u>				
Cost	\$ 175,779	\$ 144,637	\$ 223	\$ 320,639
Accumulated amortisation and impairment	(133,881)	(130,028)	(223)	(264,132)
	<u>\$ 41,898</u>	<u>\$ 14,609</u>	<u>\$ -</u>	<u>\$ 56,507</u>

	<u>Patent and special technology</u>	<u>Computer software</u>	<u>Other</u>	<u>Total</u>
<u>At January 1, 2020.</u>				
Cost	\$ 131,872	\$ 243,757	\$ 223	\$ 375,852
Accumulated amortisation and impairment	(115,010)	(229,342)	(223)	(344,575)
	<u>\$ 16,862</u>	<u>\$ 14,415</u>	<u>\$ -</u>	<u>\$ 31,277</u>
<u>2020</u>				
Opening net book amount as at January 1	\$ 16,862	\$ 14,415	\$ -	\$ 31,277
Additions	6,631	37,035	-	43,666
Amortisation charge for the year	(7,935)	(39,952)	-	(47,887)
Closing net book amount as at December 31	<u>\$ 15,558</u>	<u>\$ 11,498</u>	<u>\$ -</u>	<u>\$ 27,056</u>
<u>At December 31, 2020</u>				
Cost	\$ 134,383	\$ 177,210	\$ 223	\$ 311,816
Accumulated amortisation and impairment	(118,825)	(165,712)	(223)	(284,760)
	<u>\$ 15,558</u>	<u>\$ 11,498</u>	<u>\$ -</u>	<u>\$ 27,056</u>

Details of amortisation on intangible assets are as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 243	\$ 199
Operating expenses	52,494	47,688
	<u>\$ 52,737</u>	<u>\$ 47,887</u>

(12) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Guarantee deposits paid	\$ 419,585	\$ 8,823
Prepayments for business facilities	5,618	3,541
	<u>\$ 425,203</u>	<u>\$ 12,364</u>

(13) Impairment of non-financial assets

Idle assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Idle assets (shown as machinery and equipment and other equipment)	\$ 43,144	\$ 158,394
Less: Accumulated depreciation	(43,144)	(158,394)
Net realisable value	<u>\$ -</u>	<u>\$ -</u>

(14) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank borrowings		
Unsecured borrowings	<u>\$ 140,720</u>	<u>\$ 143,635</u>

The interest rate ranges as of December 31, 2021 and 2020 were 0.82%~1.13% and 1.05%~1.98%, respectively.

(15) Other accounts payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 106,685	\$ 74,026
Employees' compensation payable	119,001	-
Directors' remuneration payable	19,833	-
Others	121,358	104,851
	<u>\$ 366,877</u>	<u>\$ 178,877</u>

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Mandatory convertible bonds	\$ -	\$ 42,720
Valuation adjustment		
Forward exchange contracts	-	2
	<u>\$ -</u>	<u>\$ 42,722</u>

A. For the years ended December 31, 2021 and 2020, the Group recognized net gains (losses) on financial liabilities at fair value through profit or loss in the amounts of \$2 and (\$2), respectively.

B. The Group's subsidiary - eYs3D Microelectronics, Inc. issued mandatory convertible bonds for USD 1,500,000 in total, bearing 0% rate. The period between the contract signing date and the bond conversion date is less than a year. On the issuer's next financing, the bonds will be mandatorily converted into the issuer's stock. All bonds have been converted into the issuer's ordinary stocks in the equivalent amount. The conversion price was stipulated in the contract.

C. The Group subsidiary – eYs3D Microelectronics, Inc. issued mandatory convertible bonds for USD 3,700,000 in total, bearing 10% coupon rate. All bonds have a maturity of 2 years. The

maturity dates ranged from July 1, 2019 to January 29, 2022. The Group's Subsidiaries, Kinglord Corp., Etron Technology(HK) Limited and Kingcharm Investment Corp. purchased the aforementioned bonds in the amount of USD 250,000, USD 750,000 and USD 700,000, respectively. In September 2020, all bonds have been converted into the issuer's ordinary stocks in the amount of principal. The conversion price was stipulated in the contract.

D. The Group designated this convertible bond as a financial liability measured at fair value through profit or loss. The main reason is that the number of convertible shares in the future will change due to change in the conversion price. Therefore, the Group intends to use fair value as measurement of the liability in the future. Change are recognized in the current profit and loss.

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

December 31, 2021: None.

	<u>December 31, 2020</u>	
Financial instruments	<u>Contract amount</u>	<u>Contract period</u>
	<u>(Notional principal)</u>	
Liabilities - current items:		
Forward foreign exchange contracts	USD <u>\$ 1,000 (thousands)</u>	2020.12.30 ~ 2021.3.5

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

(17) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment term</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured syndicated loan - Land Bank of Taiwan and five other banks	Installment before 2023.2.16 (Refer to Note D for details)	\$ 1,238,929	\$ 1,834,929
Secured borrowings - Land Bank of Taiwan	Installment before 2031.2.17	11,609	12,776
Secured borrowings - Sunny Bank	Installment before 2024.9.27	18,370	21,927
No-banking financial institution secured borrowings - SinoPac Leasing	Installment repayments before 2021.12.29	-	20,185
No-banking financial institution secured borrowings - SinoPac Leasing	Installment repayments before 2022.3.25	-	16,455
No-banking financial institution secured borrowings - IBT Leasing Co., Ltd.	Installment repayments before 2021.8.30	-	10,149
No-banking financial institution secured borrowings - Robina Finance & Leasing Corp.	Installment repayments before 2022.6.29	-	46,302
U.S. Small Business Administration (SBA) secured borrowings	Installment repayments before 2050.10.7	2,342	2,558
		<u>1,271,250</u>	<u>1,965,281</u>
Less: Current portion		<u>(766,818)</u>	<u>(673,097)</u>
		<u>\$ 504,432</u>	<u>\$ 1,292,184</u>

- A. Interest rate ranges as of December 31, 2021 and 2020 for the above borrowings were 1.59%~3.75% and 1.59%~6.89%, respectively.
- B. Information about the collateral pledged for the aforementioned secured borrowings is provided in Note 8.
- C. The Company entered into a 2.4 billion five-year syndicated loan agreement with the Land Bank of Taiwan and five other banks. The Company is committed to maintain the following

financial covenants calculated based on the annual consolidated financial statements.

(1) Current ratio is greater than 100%.

(2) Debt ratio is less than 120%.

(3) Interest coverage ratio is greater than 300% ((Profit or loss before tax + interest expense + depreciation and amortization)/interest expense)

In case of any breach of financial covenants and failure to make an improvement within a prescribed deadline as specified in the agreement, the lead bank will demand the Company to pay additional interest rate of 0.125% per annum over the interest rate applicable to the agreement as default penalty until improvement is made. The penalty will be transferred to other creditor banks by the lead bank according to the ratio of their participation in the loan.

D. On August 13, 2020, the Company entered into the second supplemental agreement with the Land Bank of Taiwan and five other banks to extend the borrowing period for another one year. The maturity date was extended from February 16, 2022 to February 16, 2023.

E. The undrawn borrowing facilities for short- and long-term borrowings for the years ended December 31, 2021 and 2020 were \$749,709 and \$303,681, respectively.

(18) 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 Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute 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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 95,745)	(\$ 89,006)
Fair value of plan assets	<u>58,077</u>	<u>55,352</u>
Net defined benefit liability (shown as other non - current liabilities)	<u><u>(\$ 37,668)</u></u>	<u><u>(\$ 33,654)</u></u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	(\$ 89,006)	\$ 55,352	(\$ 33,654)
Current service cost	(462)	-	(462)
Interest (expense) income	(255)	157	(98)
	<u>(89,723)</u>	<u>55,509</u>	<u>(34,214)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	841	841
Change in demographic assumptions	(388)	-	(388)
Change in financial assumptions	3,563	-	3,563
Experience adjustments	(9,197)	-	(9,197)
	<u>(6,022)</u>	<u>841</u>	<u>(5,181)</u>
Pension fund contribution	-	1,727	1,727
At December 31	<u><u>(\$ 95,745)</u></u>	<u><u>\$ 58,077</u></u>	<u><u>(\$ 37,668)</u></u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2020			
At January 1	(\$ 90,123)	\$ 55,000	(\$ 35,123)
Current service cost	(442)	-	(442)
Interest (expense) income	(649)	392	(257)
Settlement profit or loss	4,463	(3,564)	899
	<u>(86,751)</u>	<u>51,828</u>	<u>(34,923)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,865	1,865
Change in demographic assumptions	(33)	-	(33)
Change in financial assumptions	(3,968)	-	(3,968)
Experience adjustments	1,746	-	1,746
	<u>(2,255)</u>	<u>1,865</u>	<u>(390)</u>
Pension fund contribution	-	1,659	1,659
At December 31	<u><u>(\$ 89,006)</u></u>	<u><u>\$ 55,352</u></u>	<u><u>(\$ 33,654)</u></u>

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

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

	Year ended December 31	
	2021	2020
Discount rate	0.70%	0.30%
Future salary increases	2.50%	2.50%

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

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%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 2,166)	\$ 2,238	\$ 2,193	(\$ 2,134)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 2,116)	\$ 2,192	\$ 2,139	(\$ 2,076)

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 analysing 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.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$1,812.

(h) As of December 31, 2021, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 2,069
1-2 year(s)	6,288
2-5 years	12,021
Over 5 years	81,364
	<u>\$ 101,742</u>

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 Company’s mainland China subsidiaries, Fullboom Electronic (Shenzhen), have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) Etron Technology (HK) Limited and eCapture Co., Limited have a defined contribution plan. Annually pension contributions or retirement allowance for the locally hired employees are based on their salaries and wages. Other than the annually contributions, the Group has no further obligations.

(d) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$24,844 and \$21,434, respectively.

(19) Share capital

A. As of December 31, 2021, The Company's authorised capital was \$6,500,000, consisting of 650 million shares of ordinary stock (including 65 million shares reserved for employee stock options), and the paid-in capital was \$2,698,693 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 (excluding treasury shares):

	Expressed in thousands of shares	
	2021	2020
January 1	\$ 267,707	\$ 434,839
Capital reduction to offset accumulated deficits (less treasury shares)	- (	217,332)
Disposal of treasury shares	-	200
Cash capital increase	-	50,000
Employee stock options exercised	2,162	-
December 31	<u>\$ 269,869</u>	<u>\$ 267,707</u>

B. For the year ended December 31, 2021, the employees exercised 2,222 thousand shares of stock options in accordance with the terms of stock options. Proceeds from 2,162 thousand shares have been collected, and the registration of capital increase has been completed. Proceeds from the remaining 60 thousand shares amounting to \$1,530 have been collected as of December 31, 2021 and the effective date of the capital increase for conversion was set on March 18, 2022 as resolved by the Board of Directors on March 18, 2022.

C. Treasury shares

(a) Reason for share reacquisition and movements in the number of The Company's treasury shares are as follows:

Year ended December 31, 2021: None

Reasons for reacquisition	Expressed in thousands of share			December 31
	January 1	Addition	Decrease	
Shares of the Company donated to the subsidiaries by the shareholders	<u>400</u>	<u>- (</u>	<u>400)</u>	<u>-</u>

(b) In June 2020, the Company reduced its capital to offset accumulated deficits, which decreased treasury shares by 200 thousand shares. In the third quarter of 2020, The Company's subsidiaries sold 200 thousand shares that it held in the Company for proceeds of \$3,912, and gain \$372.

(c) The shares of the Company donated to the subsidiaries by the shareholders have no voting rights before transfers.

(d) Pursuant to the Business Mergers and Acquisitions Act, the treasury shares purchased at the request of dissenting shareholders should not be pledged as collateral and are not entitled to the shareholder's rights, such as dividends and voting rights, before such shares are sold.

D. On August 11, 2020, the Board of Directors of the Company resolved to increase its capital by issuing no more than 80 million ordinary shares and authorise the chairman with full rights to adjust the final number of shares. The chairman decided to raise additional cash by issuing 50 million shares with a par value of \$10 (in dollars) per share and an issuance price of \$14.6 (in dollars) per share. The capital increase effective date was set on November 19, 2020. The registration of capital increase was completed on December 4, 2020.

E. On May 13, 2020, the shareholders of the Company resolved to reduce its capital to offset accumulated deficits. The Company decreased capital by \$2,175,325, and the capital reduction ratio was 49.979913%. The capital reduction effective date was set on June 24, 2020. The registration of capital reduction was completed on July 9, 2020

F. Pursuant to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, private placement securities may be carried out by installments within one year of the date of resolution of the shareholders' meeting. On May 12, 2021, it will have been a year since the private placement was approved at the shareholders' meeting on May 13, 2020. Considering the market conditions and the needs of the Company, the Board of Directors resolved on March 24, 2021 to discontinue the private placement, and has reported it at the shareholders' meeting on July 2, 2021.

(20) Capital surplus

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

Items	Share premium	Net change in equity of associates	Changes in ownership interests in subsidiaries	Employee stock options	Treasury share transactions	Others
At January 1, 2021	\$ 247,503	\$ 77,568	\$ 147,391	\$ 20,453	\$ 372	\$ 3,170
Employee stock options exercised	33,511	-	-	-	-	-
Net change in equity of associates	-	(20,354)	-	-	-	-
Share-based payments	-	-	-	16,652	-	-
Conversion of subsidiaries' convertible bonds	-	-	30,845	-	-	-
Capital contribution from non-controlling interests	-	-	48,488	-	-	-
Changes in ownership interests in subsidiaries	-	-	(37,377)	-	-	-
December 31, 2021	<u>\$ 281,014</u>	<u>\$ 57,214</u>	<u>\$ 189,347</u>	<u>\$ 37,105</u>	<u>\$ 372</u>	<u>\$ 3,170</u>

Items	Share premium	Net change in equity of associates	Changes in ownership interests in subsidiaries	Employee stock options	Treasury share transactions	Others
At January 1, 2020	\$ 15,122	\$ 58,652	\$ 94,764	\$ 20,078	\$ -	\$ 2,090
Cash capital increase	227,041	-	-	-	-	-
Share-based on compensation cost for cash capital increase reserved for employee preemption	5,340	-	-	-	-	1,080
Net change in equity of associates	-	20,948	-	-	-	-
Disposal of parent company's share by subsidiaries recognised as treasury share transactions	-	-	-	-	372	-
Share-based payments	-	-	-	375	-	-
Conversion of subsidiaries' convertible bonds	-	-	51,924	-	-	-
Capital contribution from non-controlling interests	-	-	1,167	-	-	-
Disposal of investments accounted for using the equity method	-	(2,032)	-	-	-	-
Liquidation of subsidiaries	-	-	(464)	-	-	-
December 31, 2020	<u>\$ 247,503</u>	<u>\$ 77,568</u>	<u>\$ 147,391</u>	<u>\$ 20,453</u>	<u>\$ 372</u>	<u>\$ 3,170</u>

(21) Retained earnings

- A. Under The Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Also, the Company shall set aside or reverse special reserve as resolved by the stockholders, or by order of the competent authority. The appropriation of remaining earnings along with accumulated unappropriated earnings from prior years shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is set out by the Board of Directors according to The Company's medium- and long-term operational plan, investment plans, capital budget as well as internal and external situations, while considering the interests of stockholders. Except for the aforementioned regulations, cash dividends shall not be less than 5% of total dividends when appropriating the dividends to stockholders.
- 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. Information about the loss make-up proposal as resolved by the stockholders on July 2, 2021 and May 13, 2020 will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. The appropriation of 2021 earnings as proposed by the Board of Directors on March 18, 2022 is as follows:

	Year ended December 31, 2021	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 78,407	
Cash dividends	215,943	\$ 0.8
Stock dividends	134,965	0.5
	<u>\$ 429,315</u>	

(22) Other equity interest

	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1, 2021	(\$ 96,596)	\$ 64,767	(\$ 31,829)
Revaluation - Group	-	118,713	118,713
Revaluation - Associates	-	3,474	3,474
Revaluation transferred to retained earnings – disposal of financial assets	-	1,340	1,340
Currency translation differences:			
-Group	(23,859)	-	(23,859)
-Associates	19,290	-	19,290
At December 31, 2021	<u>(\$ 101,165)</u>	<u>\$ 188,294</u>	<u>\$ 87,129</u>

	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1, 2020	(\$ 72,454)	\$ 8,430	(\$ 64,024)
Revaluation - Group	-	49,847	49,847
Revaluation transferred to retained earnings – disposal of financial assets	-	6,490	6,490
Currency translation differences:			
-Group	(32,771)	-	(32,771)
-Associates	8,581	-	8,581
Revaluation transferred to profit or loss – liquidation of subsidiaries	48	-	48
At December 31, 2020	<u>(\$ 96,596)</u>	<u>\$ 64,767</u>	<u>(\$ 31,829)</u>

(23) Share-based payment

A.(a) For the years ended December 31, 2021 and 2020, The Company's share-based payment arrangements are as follows:

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
The 4 th employee stock options plan	2016.03.23	7,300	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
The 4 th employee stock options plan	2016.08.10	300	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
The 4 th employee stock options plan	2016.11.10	400	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
Cash capital increase reserved for employee preemption	2020.11.12	7,500	-	Vested immediately
Employee stock options plan in 2021	2021.08.09	8000	6 years	50% vested after two years of issuance; 75% after three years; 100% after four years

The share-based payment arrangements above are settled by equity.

(b) For the years ended December 31, 2021 and 2020, details of the share-based payment arrangements are as follows:

Options	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Outstanding at the beginning of the year	5,600	\$ 25.50	5,600	\$ 26.70
Options granted	8,000	46.75	-	-
Options exercised	(2,222)	25.50	-	-
Options forfeited due to resignations	(560)	-	-	-
Outstanding at the end of the year	<u>10,818</u>	41.10	<u>5,600</u>	26.70
Exercisable at the end of the year	<u>2,878</u>	25.50	<u>5,600</u>	26.70

(c) Details of stock options outstanding are as follows:

Date	Weighted-average period remaining contractual life	Range of exercise prices (in dollars)
December 31, 2021	4.71 years	\$25.5 ~ \$46.75
December 31, 2020	3.23 years	\$25.5

(d) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	Grant date March 23, 2016	Grant date August 10, 2016	Grant date November 10, 2016
Dividend yield	0.00%	0.00%	0.00%
Expected price volatility	44.51%~4.71%	43.38%~45.60%	41.80%~44.32%
Risk-free interest rate	0.375%~0.400%	0.375%~0.500%	0.375%~0.625%
Expected option life	8 years	8 years	8 years
Fair value per share	3.73 ~ 4.92 (in dollars)	3.45~4.64 (in dollars)	3.02~4.18 (in dollars)

	Grant date August 9, 2021
Dividend yield	0.00%
Expected price volatility	51.78% ~ 59.71%
Risk-free interest rate	0.125%
Expected option life	6 years
Fair value per share	16.03 ~ 18.77 (in dollars)

B.(a) For the years ended December 31, 2021 and 2020, the eEver Technology, Inc.'s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
The 1st employee stock options plan in 2016 (Note 2)	2016.1.8	2,300	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 2nd employee stock options plan in 2016 (Note 2)	2016.8.10	40	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 3rd employee stock options plan in 2016 (Note 2)	2016.11.10	40	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 1st employee stock options plan in 2019 (Note 1)	2019.8.6	1,080	10 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 1st employee stock options plan in 2020 (Note 1)	2020.5.5	30	10 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 2nd employee stock options plan in 2020 (Note 1)	2020.10.1	3,040	10 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services

The share-based payment arrangements above are settled by equity.

Note 1: It refers to the employee stock options issued by eEver Technology Limited to the employees of its subsidiary, eEver Technology, Inc.

Note 2: Due to the reorganisation, eEver Technology Limited assumed the eEver Technology, Inc.'s liabilities to issue employee stock options.

(b) For the years ended December 31, 2021 and 2020, the quantity and weighted average exercise price of eEver Technology, Inc.'s employee stock options plans were as follows:

Options	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the year	6,250	\$ 10.00	3,220	\$ 10.00
Options granted	-	-	3,070	10.00
Options forfeited due to resignations	-	-	(40)	-
Outstanding at the end of the year	<u>6,250</u>	10.00	<u>6,250</u>	10.00
Exercisable at the end of the year	<u>3,468</u>	10.00	<u>2,460</u>	10.00

(c) Details of eEver Technology, Inc.'s stock options outstanding are as follows:

Date	Weighted-average remaining contractual life	Range of exercise price (in dollars)
December 31, 2021	6.2 years	\$ 10
December 31, 2020	7.2 years	\$ 10

(d) The fair value of stock options granted by eEver Technology, Inc. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	Grant date 2020.10.01	Grant date 2020.05.05	Grant date 2019.8.6
Expected dividend yield	0%	0%	0%
Expected price volatility	39.54%~43.32%	39.54%~43.32%	38.72%~42.04%
Risk-free interest rate	0.50%	0.50%	0.50%
Expected option life	4.5 years	4.5 years	4.5 years
Fair value per share	1.77~2.98(in dollars)	1.77~2.98(in dollars)	1.90~3.13(in dollars)
	Grant date 2016.1.18	Grant date 2016.8.10	Grant date 2016.11.10
Expected dividend yield	0%	0%	0%
Expected price volatility	35.16%~39.47%	35.61%~40.70%	34.9%~40.05%
Risk-free interest rate	0.38%~0.50%	0.38%~0.50%	0.38%~0.62%
Expected option life	4.5 years	4.5 years	4.5 years
Fair value per share	1.93~3.31(in dollars)	1.99~3.08(in dollars)	1.96~2.99(in dollars)

C.(a) For the years ended December 31, 2021 and 2020, the eYs3D Microelectronics, Co.'s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
The 1st employee stock options plan in 2016	2016.1.18	2,580	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 2nd employee stock options plan in 2016	2016.8.10	260	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 3rd employee stock options plan in 2016	2016.11.10	210	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 1st employee stock options plan in 2017	2017.1.13	962	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 2nd employee stock options plan in 2017	2017.2.23	150	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 3rd employee stock options plan in 2017	2017.5.10	330	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 4st employee stock options plan in 2017	2017.8.9	180	8 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services

The share-based payment arrangements above are settled by equity.

Note: Due to the reorganisation, eYs3D Microelectronics, Inc. assumed the eYs3D Microelectronics, Co.'s liabilities to issue employee stock options.

- (b) For the years ended December 31, 2021 and 2020, the quantity and weighted average exercise price of eYs3D Microelectronics, Co.'s employee stock options plans were as follows:

Options	2021		2020	
	No. of options (in thousands)	Weighted-average exercise price (in dollars)	No. of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at the beginning of the year	1,656	\$ 10.00	1,712	\$ 10.00
Options forfeited due to resignations	(136)	-	(56)	-
Outstanding at the end of the year	<u>1,520</u>	10.00	<u>1,656</u>	10.00
Exercisable at the end of the year	<u>1,520</u>	10.00	<u>1,492</u>	10.00

- (c) Details of eYs3D Microelectronics, Co.'s employee stock options outstanding are as follows:

Date	Weighted-average remaining contractual life	Range of exercise price (in dollars)
December 31, 2021	2.58 years	\$ 10
December 31, 2020	3.59 years	\$ 10

- (d). The fair value of stock options granted by eYs3D Microelectronics, Co. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	Grant date	Grant date	Grant date
	2016.1.18	2016.8.10	2016.11.10
Expected dividend yield	0%	0%	0%
Expected price volatility	35.16%~39.47%	35.61%~40.70%	34.89%~40.04%
Risk-free interest rate	0.375%~0.500%	0.375%~0.500%	0.375%~0.625%
Expected option life	4.5 years	4.5 years	4.5 years
Fair value per share	1.9327~3.3143 (in dollars)	1.9908~3.0816 (in dollars)	1.9597~2.9876 (in dollars)
	Grant date	Grant date	Grant date
	2017.1.13	2017.2.23	2017.5.10
Expected dividend yield	0%	0%	0%
Expected price volatility	34.00%~38.16%	33.97%~36.56%	27.45%~35.58%
Risk-free interest rate	0.375%~0.500%	0.175%~0.375%	0.375%~0.750%
Expected option life	4.5 years	4.5 years	4.5 years
Fair value per share	1.8706~2.8977 (in dollars)	1.7948~2.8424 (in dollars)	1.3592~2.9208 (in dollars)

	<u>Grant date</u>
	2017.8.9
Expected dividend yield	0%
Expected price volatility	30.68%~38.68%
Risk-free interest rate	0.375%~0.500%
Expected option life	4.5 years
Fair value per share	1.5142~2.9292(in dollars)

D.(a) For the year ended December 31, 2021, DeCloak Intelligences Co.'s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (share in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
The 1st employee stock options plan in 2021	2021.03.17	207	8 years	50% vested after two years of services 100% vested after four years of services
The 2nd employee stock options plan in 2021	2021.11.05	5	8 years	50% vested after two years of services 100% vested after four years of services

The share-based payment arrangements above are settled by equity.

(b) For the year ended December 31, 2021, the quantity and weighted average exercise price of DeCloak Intelligences Co.'s employee stock options plans were as follows:

<u>Options</u>	<u>2021</u>	
	<u>No. of options (in thousands)</u>	<u>Weighted-average exercise price (in dollars)</u>
Options outstanding at the beginning of the year	-	\$ -
Options granted	212	1.00
Options forfeited due to resignations	(<u>22</u>)	-
Outstanding at the ended of the year	<u>190</u>	1.00
Exercisable at the end of the year	<u>-</u>	-

(c) Details of DeCloak Intelligences Co.'s employee stock options outstanding are as follows:

<u>Date</u>	<u>Weighted-average remaining contractual life</u>	<u>Range of exercise price (in dollars)</u>
December 31, 2021	7.22 years	\$1

(d) The fair value of stock options granted by DeCloak Intelligences Co. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	<u>Grant date March 17, 2021</u>	<u>Grant date November 5, 2021</u>
Expected dividend yield	0%	0%
Expected price volatility	27.45%~32.29%	27.95%~30.42%
Risk-free interest rate	0.125%~0.292%	0.125%~0.292%
Expected option life	4.5 years	4.5 years
Fair value per share	0.2027~0.2341 (in dollars)	0.1913~0.2382 (in dollars)

E.(a) For the year ended December 31, 2021, Invention and Collaboration Laboratory Pte, Ltd.'s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
The 1st employee stock options plan in 2021	2021.08.09	1,055	10 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services
The 2nd employee stock options plan in 2021	2021.10.01	8	10 years	25% vested after one year of services 50% vested after two years of services 75% vested after three years of services 100% vested after four years of services

The share-based payment arrangements above are settled by equity.

(b) For the year ended December 31, 2021, the quantity and weighted average exercise price of Invention and Collaboration Laboratory Pte, Ltd.'s employee stock options plans were as follows:

Options	2021	
	No. of options (in thousands)	Weighted-average exercise price (in US dollars)
Options outstanding at the beginning of the year	-	\$ -
Options granted	1,063	0.14
Outstanding at the end of the year	1,063	0.14
Exercisable at the end of the year	-	-

(c) Details of Invention and Collaboration Laboratory Pte, Ltd.'s employee stock options outstanding are as follows:

<u>Date</u>	<u>Weighted-average remaining contractual life</u>	<u>Range of exercise price (in US dollars)</u>
December 31, 2021	9.61 years	\$0.14

(d) The fair value of stock options granted by Invention and Collaboration Laboratory Pte, Ltd. on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	<u>Grant date August 9, 2021</u>	<u>Grant date October 1, 2021</u>
Expected dividend yield	0%	0%
Expected price volatility	50.23%~62.82%	50.58%~61.06%
Risk-free interest rate	0.125%~0.292%	0.125%~0.292%
Expected option life	4.5 years	4.5 years
Fair value per share (in US dollars)	0.0000~0.0000	0.0000~0.0000

F. For the years ended December 31, 2021 and 2020, expenses incurred on equity-settled share-based payment transactions amounted to \$19,524 and \$2,247, respectively.

G. For the year ended December 31, 2020, the compensation cost for cash capital increase reserved for employee pre-emption amounted to \$6,420.

(24) Operating revenue

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contractors with customers	<u>\$ 6,146,406</u>	<u>\$ 3,550,544</u>

The Group derives revenue from the transfer of goods at a point in time as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Integrated circuits	\$ 6,135,671	\$ 3,545,232
Others	10,735	5,312
	<u>\$ 6,146,406</u>	<u>\$ 3,550,544</u>

B. Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities	<u>\$ 4,276</u>	<u>\$ 8,527</u>	<u>\$ 1,392</u>

	Year ended December 31	
	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the year	\$ 8,527	\$ 1,392
(25) <u>Other income and expenses – net</u>		
	Year ended December 31	
	2021	2020
Rent income, net	\$ 57,647	\$ 57,972
(26) <u>Interest income</u>		
	Year ended December 31	
	2021	2020
Interest income from bank deposits	\$ 3,974	\$ 1,034
(27) <u>Other income</u>		
	Year ended December 31	
	2021	2020
Dividend income	\$ 19,480	\$ 22,801
Other income - others	11,170	6,638
	\$ 30,650	\$ 29,439
(28) <u>Other gains and losses</u>		
	Year ended December 31	
	2021	2020
Gains (losses) on disposal of property, plant and equipment	\$ 34,444	(\$ 36)
Gains arising from lease modifications	5	1,405
Foreign exchange losses	(22,731)	(33,903)
Net gains on financial assets (liabilities) at fair value through profit or loss	8,409	2,005
Losses on disposal investments accounted for using the equity method	-	(2,307)
Gains on liquidation of subsidiaries	-	412
Miscellaneous disbursements	(98)	-
	\$ 20,029	(\$ 32,424)

(29) Expenses by nature

	Year ended December 31	
	2021	2020
Employee benefit expense	\$ 830,327	\$ 612,752
Depreciation charges (Note)	\$ 175,261	\$ 208,669
Amortisation charges on intangible assets	\$ 52,737	\$ 47,887

Note: Including the depreciation charges presented as a deduction item to rent income under other income.

(30) Employee benefit expense

	Year ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 24,844	\$ 21,434
Defined benefit plans	560	(200)
	25,404	21,234
Other personnel expenses	804,923	591,518
	\$ 830,327	\$ 612,752

- 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 not be lower than 12% for employees' compensation and shall not be higher than 2% for directors' remuneration. The employees' compensation can be distributed in the form of shares or cash. Including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned shares or cash.
- B. For the year ended December 31, 2021, employees' compensation was accrued at \$119,001; while directors' remuneration was accrued at \$19,833. The aforementioned amounts were recognised in expenses. The Company incurred accumulated losses for the year ended December 31, 2020 and thus did not accrue employees' compensation and directors' remuneration
- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(31) Finance costs

	Year ended December 31	
	2021	2020
Interest expense on bank loan	\$ 36,727	\$ 55,575
Interest expense on lease liabilities	3,204	3,710
	<u>\$ 39,931</u>	<u>\$ 59,285</u>

(32) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 354	\$ -
Tax on undistributed surplus earnings	25	-
Total current tax	<u>379</u>	<u>-</u>
Deferred tax:		
Origination and reversal of temporary differences	\$ 167,695	\$ 2,715
Change in tax losses	(99,339)	9,154
Total deferred tax	<u>68,356</u>	<u>11,869</u>
Income tax expense	<u>\$ 68,735</u>	<u>\$ 11,869</u>

(b) Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2021	2020
Tax calculated based on income (loss) before tax and statutory tax rate	\$ 208,406	(\$ 65,698)
Effects from items disallowed by tax regulation	9,751	(2,053)
Temporary difference not recognised as deferred tax assets	6,252	7,830
Change in assessment of realisation of deferred tax assets	(173,134)	14,847
Tax on undistributed surplus earnings	25	-
Effect from alternative minimum tax	354	-
Taxable loss not recognised as deferred tax assets	<u>17,081</u>	<u>56,943</u>
Income tax expense	<u>\$ 68,735</u>	<u>\$ 11,869</u>

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

	2021		
	January 1	Recognised in profit or	
		loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised allowance for inventory valuation losses	\$ 93,120	(\$ 2,918)	\$ 90,202
Unrealised investment losses	171,603	(144,130)	27,473
Others	36,332	(20,164)	16,168
Tax losses	8,319	99,339	107,658
	<u>\$ 309,374</u>	<u>(\$ 67,873)</u>	<u>\$ 241,501</u>
– Deferred tax liabilities:			
Unrealised exchange gain	\$ -	(\$ 483)	(\$ 483)
Total	<u>\$ 309,374</u>	<u>(\$ 68,356)</u>	<u>\$ 241,018</u>
	2020		
	January 1	Recognised in profit or	
		loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised allowance for inventory valuation losses	\$ 89,301	\$ 3,819	\$ 93,120
Unrealised investment losses	171,603	-	171,603
Others	42,866	(6,534)	36,332
Tax losses	17,473	(9,154)	8,319
	<u>\$ 321,243</u>	<u>(\$ 11,869)</u>	<u>\$ 309,374</u>

C. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2021				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	\$ 461,037	\$ 380,698	\$ 380,698	2022
2015	70,139	70,139	70,139	2025
2016	252,201	252,201	252,201	2026
2017	398,425	398,425	398,425	2027
2018	495,735	495,735	495,735	2028
2019	727,191	727,191	439,780	2029
2020	360,005	360,005	109,126	2030
	<u>\$ 2,764,733</u>	<u>\$ 2,684,394</u>	<u>\$ 2,146,104</u>	

December 31, 2020

Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2011	\$ 1,068,768	\$ 1,068,768	\$ 1,068,768	2021
2012	461,037	461,037	461,037	2022
2015	72,139	70,139	70,139	2025
2016	252,201	252,201	252,201	2026
2017	398,825	398,825	398,825	2027
2018	574,580	574,580	574,580	2028
2019	775,512	775,512	775,512	2029
2020	214,645	214,645	173,050	2030
	<u>\$ 3,817,707</u>	<u>\$ 3,815,707</u>	<u>\$ 3,774,112</u>	

D. The Company's, Kingcharm Investment Corp.'s, Kingwell Investment Corp.'s, Invention and Collaboration Laboratory, Inc., Pineer Chip Technology Limited, eYs3D Microelectronics, Co., Eutrend Technology, Inc., nD-HI Technologies Lab, Inc. (formerly named Silicon Spintronics Inc.) and eEver Technology, Inc. income tax returns through 2019 have been assessed.

(33) Earning (loss) per share

	Year ended December 31, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earning per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,051,071	268,602	\$ 3.91
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,051,071	268,602	
Assumed conversion of all dilutive potential ordinary shares			
- Employee share options	-	1,089	
- Employees' compensation	-	1,316	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,051,071	271,007	\$ 3.88
	Year ended December 31, 2020		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 254,393)	223,463	(\$ 1.14)
<u>Diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 254,393)	223,463	(\$ 1.14)

- A. On May 13, 2020, the shareholders of the Company at their meeting resolved to reduce its capital to offset accumulated deficits and authorise the chairman to set the capital reduction effective date on June 24, 2020. The capital reduction decreased 217,532 thousand shares, and the capital reduction ratio was 49.979913%. The weighted average number of ordinary shares outstanding for the year ended December 31, 2020 have been adjusted retrospectively.
- B. The weighted average number of treasury shares outstanding had been deducted from the weighted average number of ordinary shares outstanding for the year ended December 31, 2020.
- C. The employee stock options and interests on bonds issued by subsidiaries had anti-dilution effect, and therefore were not included in the calculation for the year ended December 31, 2020.

(34) Supplemental cash flow information

Investing activities with partial cash payments

	Year ended December 31	
	2021	2020
Purchase of property, plant, equipment and intangible assets	\$ 169,172	\$ 107,096
Add: Opening balance of payable on equipment	19,442	1,532
Less: Ending balance of payable on equipment	(9,091)	(19,442)
Cash paid during the year	<u>\$ 179,523</u>	<u>\$ 89,186</u>

(35) Transactions with non-controlling interest

A. The Group's subsidiary, eYs3D Microelectronics, Inc.(eYs3D), increased its capital totaling \$98,309 in 2021. The convertible bonds issued by eYs3D totaling \$42,803 have been converted into its shares in 2020. As a result, the Group decreased its share interest by 8.12% due to the above effects.

B. The Group's subsidiary, DeCloak Intelligences Co., increased its capital in the amount of \$2,678 by issuing new shares in 2021. As a result, the Group increased its share interest by 14.81%.

C. The Group's subsidiary, nD-HI Technologies Lab, Inc. (formerly named Silicon Spintronics Inc.), increased its capital in the amount of \$103 by issuing new shares in 2021. As a result, the Group decreased its share interest by 7.33%.

D. The Group's subsidiary, Invention and Collaboration Laboratory Pte. Ltd., increased its capital by issuing new shares in 2020. As a result, the Group obtained an 81.11% share interest.

The effect of change in interest contributed to the aforementioned transactions on the equity attributable to owners of the parent for the year ended December 31, 2021 is shown below:

	Year ended December 31	
	2021	2020
Cash contributed by non-controlling interests	\$ 101,090	\$ 5,504
Conversion of the subsidiaries' convertible bonds by non-controlling interests	42,803	64,283
Changes in ownership interests in subsidiaries	(101,937)	(16,696)
	<u>\$ 41,956</u>	<u>\$ 53,091</u>
Increase in capital surplus attributable to:		
Owners of the parent	<u>\$ 41,956</u>	<u>\$ 53,091</u>

(36) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings (Note)	Lease liabilities	Guarantee deposits received	Financial liabilities at fair value through profit or loss
At January 1, 2021	\$ 143,635	\$ 1,965,281	\$ 169,212	\$ 16,894	\$ 42,722
Changes in cash flow from financing activities	(2,915)	(694,031)	(22,826)	205	-
Changes in other non-cash items					
Changes in leases	-	-	(251)	-	-
Current financial liabilities at fair value through profit and loss	-	-	-	-	(2)
Conversion of bonds	-	-	-	-	(42,803)
Net exchange differences	-	-	(65)	-	83
December 31, 2021	<u>\$ 140,720</u>	<u>\$ 1,271,250</u>	<u>\$ 146,070</u>	<u>\$ 17,099</u>	<u>\$ -</u>

	Short-term borrowings	Long-term borrowings (Note)	Lease liabilities	Guarantee deposits received	Financial liabilities at fair value through profit or loss
At January 1, 2020	\$ 482,454	\$ 2,158,192	\$ 195,164	\$ 15,450	\$ 59,960
Changes in cash flow from financing activities	(338,819)	(192,911)	(22,606)	1,444	43,650
Changes in other non-cash items					
Changes in leases	-	-	(3,395)	-	-
Conversion of bonds	-	-	-	-	(58,200)
Net exchange differences	-	-	49	-	(2,688)
December 31, 2020	<u>\$ 143,635</u>	<u>\$ 1,965,281</u>	<u>\$ 169,212</u>	<u>\$ 16,894</u>	<u>\$ 42,722</u>

Note: Including current portion.

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Macronix International Co., Ltd.	The general manager of the investee and the chairman of the Company are relatives within the second degree of kinship
Giga Solution Tech. Co., Ltd.	The chairman of the investee and the chairman of the Company are relatives within the second degree of kinship
Great Team Backend Foundry (HK) Limited (Note)	An indirect investee accounted for using the equity method
Kai Chun Investment Corp.	The Company's corporate director
Great Team Backend Foundry, Inc.	An indirect investee accounted for using the equity method
Chao-Chun Lu	The Company's director

Note: Since Great Team Backend Foundry, Inc. disposed some of its ownership in its subsidiary, Great Team Backend Foundry (Dong Guan), Ltd., in the third quarter of 2020, Great Team Backend Foundry (Dong Guan), Ltd. and Great Team Backend Foundry (HK) Limited are no longer The Group's related parties since the disposal date.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Sales of goods:		
Other related parties	\$ -	\$ 91

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

B. Receivables from related parties

	December 31, 2021	December 31, 2020
Other receivables:		
-Other related parties	\$ 4,418	\$ 4,418

Other receivables arose from leasing assets to related parties and are collected within 30 days after the invoices are issued. The receivables are unsecured in nature and bear no interest.

C. Advance receipts

	December 31, 2021	December 31, 2020
Other related parties		
Giga Solution Tech. Co., Ltd.		
-Current	\$ 22,782	\$ 47,927
-Non-current	-	22,782
	\$ 22,782	\$ 70,709

In December 2019, the Company renewed the agreement, modified the lease term from January 1, 2020 to June 30, 2027, broadened the lease range, and agreed to collect the 30 months advance rents amounting to \$90,031 after netting the aforementioned advance rents collected amounting to \$42,777. As of December 31, 2021 and 2020, the advance rents collected from related parties amounted to \$22,782 and \$70,709, respectively.

D. Guarantee deposits received

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other related parties		
Giga Solution Tech. Co., Ltd.	\$ 16,487	\$ 14,234
Others	<u>3</u>	<u>3</u>
	<u>\$ 16,490</u>	<u>\$ 14,237</u>

It refers to lease deposits.

E. Lease transactions – lessee

(a) The Group leases buildings from associates. Rental contracts are typically made for periods from 2020 to 2023. Rents are paid at the end of month. However, the lessor is no longer a related party of the Group since the third quarter of 2020.

(b) Acquisition of right-of-use assets

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates	<u>\$ -</u>	<u>\$ 3,262</u>

(c) Lease liabilities

(i) Outstanding balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates	<u>\$ -</u>	<u>\$ 3,086</u>

(ii) Interest expense

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates	<u>\$ -</u>	<u>\$ 11</u>

F. Other transactions

(a) Other related party transactions are summarised below:

	Year ended December 31	
	2021	2020
Rent income:		
-Other related parties		
Giga Solution Tech. Co., Ltd.	\$ 57,524	\$ 54,850
Others	11	11
Other income:		
-Associates	-	613
-Other related parties	-	11
Other expenses		
-Associates	-	598

(b) For the year ended December 31, 2020, The Group's investee accounted for using the equity method, Great Team Backend Foundry, Inc. reduced its capital and repurchased its shares from the Group in the number of 21,369 thousand totaling \$333,023.

(c) Information on the issuance of subsidiary – Decloak Intelligences Co.'s ordinary shares to related parties for the years ended December 31, 2021 and 2020 is as follows:

Year ended December 31, 2021				
Counterparty	Accounts	No. of shares	Objects	Consideration
Other related parties	Property transactions	60,000	Decloak Intelligences Co.'s ordinary share	\$ 600

Year ended December 31, 2020				
Counterparty	Accounts	No. of shares	Objects	Consideration
Other related parties	Property transactions	200,000	Decloak Intelligences Co.'s ordinary share	\$ 2,000

(d) Information on the issuance of second-tier subsidiary's - Invention and Collaboration Laboratory Pte. Ltd. ordinary and preferred shares to other related parties for the year ended December 31, 2020 is as follows:

Counterparty	Accounts	No. of shares	Objects	Consideration
Other related parties	Property transactions	1,214,000	Invention and Collaboration Laboratory Pte. Ltd.'s ordinary share and preference share	\$ 2,854

(3) Key management compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$ 96,596	\$ 53,249
Post-employment benefits	1,136	1,223
Services expenses	1,196	1,012
Share-based payments	4,032	709
	<u>\$ 102,960</u>	<u>\$ 56,193</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as "Current financial assets at amortised cost")	\$ 18,971	\$ 15,684	Government subsidy projects and tariff guarantees
Time deposits (shown as "Non-current financial assets at amortised cost")	5,941	5,941	Land lease agreement guarantee
Inventories	-	80,009	Long-term borrowings
Buildings and structures	296,095	305,970	Long-term borrowings
Other equipment	-	47,597	Long-term borrowings
	<u>\$ 321,007</u>	<u>\$ 455,201</u>	

9. Contingencies Significant Contingent Liabilities and Unrecognized Contract Commitments

In February 2017, Securities and Futures Investors Protection Center (the "SFIPC") filed a civil lawsuit against the Company, the former subsidiary, TM Technology Inc. and other defendants, claiming that they are jointly liable for compensation, on behalf of the investors of the former subsidiary, TM Technology Inc., as The Company's former director Mr. Wu was sued for violating the Securities and Exchange Act in January 2016. On March 18, 2019, Taiwan HsinChu District Court dismissed the lawsuit. However, the SFIPC filed an appeal with Taiwan High Court, which was dismissed on February 26, 2021. On March 24, 2021, SFIPC disagreed with the ruling rendered by the Taiwan High Court and filed an application for an appeal.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. On March 18, 2022, the Board of Directors of the Company resolved the effective date of capital increase for exercise of employee stock options. Refer to Note 6(19) for details.

B. The information on appropriation of 2021 earnings is provided in Note 6(21).

C. On March 18, 2022, the Board of Directors of the Company resolved to issue the 0% third domestic unsecured convertible bonds at a face value of \$100 per bond. The bonds mature in 5 years and will be issued at 100.5%~101% of face value. The estimated number of bonds to be issued is no higher than 8 thousand bonds. Total face value of issuance is no higher than \$800,000.

12. Others

(1) Capital management

The Group must maintain adequate capital to expand product lines and that sales could achieve economic of scale. The Group's objectives when managing capital are to secure necessary financial resources to meet the needs of operating funds for the next year, capital expenditure, research and development activities expenditures and debt repayment.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets at mandatorily measured at fair value through profit or loss	\$ 5,253	\$ 2,965
Financial assets at fair value through other comprehensive income designation of equity instrument	\$ 751,176	\$ 637,937
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	1,277,391	1,395,380
Financial assets at amortised cost	24,912	84,625
Notes receivable	10,000	-
Accounts receivable	1,425,185	825,574
Other receivables	46,620	22,275
Guarantee deposits paid (shown as other non-current assets)	419,585	8,823
	<u>\$ 3,203,693</u>	<u>\$ 2,336,677</u>

December 31, 2021 December 31, 2020

Financial liabilities

Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	\$ -	\$ 42,722
Financial liabilities at amortised cost		
Short-term borrowings	\$ 140,720	\$ 143,635
Notes payable	1,534	1,987
Accounts payable	943,330	596,157
Other payables	366,877	178,877
Long-term borrowings (including current portion)	1,271,250	1,965,281
Guarantee deposits received (shown as other non-current liabilities)	17,099	16,894
	\$ 2,740,810	\$ 2,902,831
Lease liability	\$ 146,070	\$ 169,212

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. The Group's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on The Group's financial condition and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and reduce financial risks in close co-operation with The Group's operating units. The Group provides written principles for specific areas and matters, such as use of derivative financial instruments.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The consolidated entities exposed to the exchange rate risk arising from operating activities which were denominated in non-functional currency. The Group's functional currency includes New Taiwan dollars, US Dollars, RMB and JPY. Those transactions were mainly denominated in New Taiwan dollars, US Dollars, RMB, HKD and JPY.
- ii. The Group employs foreign currency derivative financial instruments, including forward exchange contracts or foreign exchange swap contracts to hedge exchange rate risk arising from monetary financial assets and liabilities and forecast transactions that are not denominated in NTD. These hedges can minimize the effects of changes in foreign exchange rates on assets and liabilities, but the risk cannot be eliminated entirely.

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

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 61,838	27.680	\$ 1,711,676
<u>Non-monetary items</u>			
USD:NTD	70,004	27.680	1,937,712
JPY:NTD	14,765	0.2405	3,551
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	26,577	27.680	735,651
	December 31, 2020		
(Foreign currency: functional currency)	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 39,437	28.480	\$ 1,123,159
RMB:NTD	285	4.3770	1,247
JPY:NTD	3,882	0.2763	934
<u>Non-monetary items</u>			
USD:NTD	60,483	28.480	1,722,560
JPY:NTD	17,353	0.2763	4,795
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	17,791	28.480	506,694

iv. The unrealised exchange loss arising from the monetary items with significant influence held by the Group for the years ended December 31, 2021 and 2020 amounted to (\$1,149) and (\$12,503), respectively.

before-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$43 and \$128, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$37,559 and \$31,897, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from time deposits, Time deposits maturing over three months and long-term borrowings at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2021 and 2020, The Group's borrowings were denominated in New Taiwan dollars and US Dollars.
- ii. On December 31, 2021 and 2020, if the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have decreased / increased by \$2,538 and \$3,739, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
- iii. On December 31, 2021 and 2020, if the interest rate of New Taiwan dollars time deposits and time deposits maturing over three months had increased/decreased by 0.25% with all other variables held constant, the impact to profit, net of tax for the years ended December 31, 2021 and 2020 would be immaterial. The main factor is that changes in interest income 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 or counterparties of financial instruments on the contract obligations. Policy for credit risk management of The Group's operating units. is as follows:
 - (i) The Group sets the relevant procedures to monitor, manage and reduce the credit risk of accounts receivable; however, it is not guaranteed that the procedures can effectively exclude the credit risk and avoid losses. The exposure of such credit risk will increase in the deteriorating economic environment.
 - (ii) The Group periodically monitors, reviews and adjusts the credit limits based on the market conditions and credit status of counterparties to timely manage the credit risk. The Group only transacts with banks and financial institutions with high credit quality, and therefore does not expect to assume the credit risk.

- (iii) The main credit risks arise from deposits with bank and financial institutions, financial assets at amortised cost and accounts receivable.
- ii. The situation that the Group regards as breach of contract specified in the contract are as follows: when the contract payments may not be recovered and have to be transferred to overdue receivables, the default has occurred.
- iii. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the modified approach using a provision matrix based on the loss rate methodology to estimate the expected credit loss.
- iv. The Group adopts following assumptions 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 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to 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.
- vi. The Group used the historical information and the forecastability of Taiwan Institute of Economic Research boom observation report to assess the default possibility of accounts receivable.
- vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- viii. The Group used the forecastability information to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the loss rate methodology is as follows:

<u>December 31, 2021</u>	<u>Accounts receivable</u>		
	<u>Individual</u>	<u>Group</u>	<u>Total</u>
Expected loss rate	-	5.55%~7.89%	
Total book value	\$ -	\$ 1,507,429	\$ 1,507,429
Loss allowance	\$ -	\$ 82,244	\$ 82,244
<u>December 31, 2020</u>	<u>Accounts receivable</u>		
	<u>Individual</u>	<u>Group</u>	<u>Total</u>
Expected loss rate	100%	2.22%~14.47%	
Total book value	\$ 47,170	\$ 900,676	\$ 947,846
Loss allowance	\$ 47,170	\$ 75,102	\$ 122,272

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

	<u>2021</u>	<u>2020</u>
At January 1	\$ 122,272	\$ 146,699
Gain on reversal of expected credit loss	(40,028)	(10,218)
Write-offs	-	(14,209)
At December 31	<u>\$ 82,244</u>	<u>\$ 122,272</u>

x. As of December 31, 2021 and 2020, the collateral held by the Group as security for accounts receivable was letters of credit, promissory note and cheques amounting to \$799,830 and \$732,971, respectively.

xi. Movements in loss allowance for investments in debt instruments carried at amortized cost are as follows:

	<u>2021</u>		
	<u>12 months</u>	<u>Lifetime</u>	
		<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>
At January 1	\$ -	\$ -	\$ -
Transfer and measurement stages			
Provision for impairment	-	<u>63,000</u>	-
At December 31	<u>\$ -</u>	<u>\$ 63,000</u>	<u>\$ -</u>

The Group's financial assets at amortized cost included time deposits maturing over three months and preference shares. The former has low credit risks and thus no significant loss allowance was provided. Since the financial position of the investee of preference shares was impacted by the COVID-19 pandemic and industry competition, the Group assessed that the credit risk of default occurring in the future increased and recognized impairment loss amounting to \$63,000 for the year ended December 31, 2021.

Year ended December 31, 2020: None.

(c) Liquidity risk

- i. Group treasury monitors rolling forecasts of The Group's liquidity requirements to ensure it has sufficient cash to meet operational needs for the next one year.
- ii. The table below analyses The Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

	Less than 1 year	Between 1 and 5 years	Over 5 years
December 31, 2021			
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 140,926	\$ -	\$ -
Notes payable	1,534	-	-
Accounts payable	943,330	-	-
Other payables	366,877	-	-
Lease liability	25,888	24,367	136,534
Long-term liabilities, current portion	781,486	-	-
Long-term borrowings	-	499,041	8,711
Guarantee deposits received	-	17,099	-
December 31, 2020			
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 144,163	\$ -	\$ -
Notes payable	1,987	-	-
Accounts payable	596,157	-	-
Other payables	178,877	-	-
Lease liability	26,112	46,059	142,965
Long-term liabilities, current portion	745,443	-	-
Long-term borrowings	-	1,301,512	105,561
Guarantee deposits received	-	16,893	-
<u>Derivative financial liabilities</u>			
Forward exchange contracts	\$ 2	\$ -	\$ -

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of The Group's investment in the listed stocks classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of The Group's investment

in derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of The Group's investment in equity investment without active market is included in Level 3.

- B. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities and long-term borrowings are approximate to their fair values.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 857	\$ -	\$ -	\$ 857
Forward exchange contracts and foreign exchange swap contracts	-	4,396	-	4,396
Financial assets at fair value through other comprehensive income				
Equity securities	<u>208,363</u>	<u>-</u>	<u>542,813</u>	<u>751,176</u>
	<u>\$ 209,220</u>	<u>\$ 4,396</u>	<u>\$ 542,813</u>	<u>\$ 756,429</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 2,554	\$ -	\$ -	\$ 2,554
Forward exchange contracts	-	411	-	411
Financial assets at fair value through other comprehensive income				
Equity securities	<u>146,224</u>	<u>-</u>	<u>491,713</u>	<u>637,937</u>
	<u>\$ 148,778</u>	<u>\$ 411</u>	<u>\$ 491,713</u>	<u>\$ 640,902</u>
Liabilities:				
Financial liabilities at fair value through profit or loss				
Mandatory convertible bonds	\$ -	\$ -	\$ 42,720	\$ 42,720
Forward exchange contracts	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 42,720</u>	<u>\$ 42,722</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

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

Listed share

Market quoted price

Closing price

- (b) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate.
- (d) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and The Group's credit quality.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. If one or more of the significant inputs are not based on observable market data, such financial instrument is included in level 3.

G. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	Equity securities	
	2021	2020
At January 1	\$ 491,713	\$ 458,449
Gains or losses recognised in profit or loss	-	669
Gains or losses recognised in other comprehensive income	56,524	18,099
Acquired in the year	40,268	41,377
Disposal and liquidation in the year	(31,084)	(11,136)
Transfers into level 1	-	(430)
Recovery of investment cost	(5,578)	-
Effect of exchange rate changes	(9,030)	(15,315)
At December 31	<u>\$ 542,813</u>	<u>\$ 491,713</u>

H. Investment segment is in charge of valuation procedures for fair value measurements being adopted within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 126,894	Market price method	Discount for lack of marketability	15%~35%	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	415,919	Net asset value	Net asset value	10%~45%	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 174,715	Market price method	Discount for lack of marketability	15%~60%	The higher the discount for lack of marketability, the lower the fair value
Venture capital shares	316,998	Net asset value	Net asset value	10%~35%	The higher the net asset value, the higher the fair value

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
	Input	Change				
Financial assets						
Equity instrument	Discount for lack of marketability, weighted average cost of capital and long-term revenue growth rate	±1%	\$ -	\$ -	\$ 5,428	(\$ 5,428)

		December 31, 2020				
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change				
Financial assets						
Equity instrument	Discount for lack of marketability, weighted average cost of capital and long-term revenue growth rate	±1%	\$ -	\$ -	\$ 4,910	(\$ 4,910)

(4) The impact of the COVID-19 pandemic to The Group's operations in 2021

Based on The Group's assessment, the entire supply chain and industry in 2021 have adjusted and adapted to the pandemic. The Group has taken the relevant countermeasures and will continue to monitor the development of pandemic and adjust its strategies in time.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of The Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$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: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Notes 6(2) and 6(16).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The details of commissions expense and service expense paid

by the Group to Fullboom Electronics (Shenzhen) Co., Ltd for the years ended December 31, 2021 and 2020, and their outstanding balances (shown as ‘other payables’) as of December 31, 2021 and 2020 are as follows:

	Year ended December 31	
	2021	2020
Commissions expense	\$ 14,629	\$ 11,288
Service expense	\$ 12,668	\$ 11,769
	December 31, 2021	December 31, 2020
Other payables	\$ 7,862	\$ 6,721

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment. The Group manages the business from each consolidated entity’s perspective.

(2) Segment information

Years ended December 31, 2021 and 2020: Only one reportable operating segment. Refer to the statements of comprehensive income for details.

The accounting policies of the operating segments are no significant different to the significant accounting policies summarised in Note 4. The Company’s reportable segment income or loss are measured using the income/(loss) before tax.

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm’s length. 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. A reconciliation of income/(loss) before tax from continuing operations is provided as follows:

Years ended December 31, 2021 and 2020: Only one reportable operating segment. Refer to the statements of comprehensive income for details.

(4) Information on products and services

Revenue from external customers is mainly from design, manufacturing and sale of integrated circuits. Components of revenue are as follows:

	Year ended December 31	
	2021	2020
Sales revenue	\$ 6,135,671	\$ 3,545,232
Other operating revenue	10,735	5,312
	\$ 6,146,406	\$ 3,550,544

(5) Geographical information

	Year ended December 31			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,502,130	\$ 1,240,053	\$ 1,538,896	\$ 887,077
Hong Kong	1,906,549	2,093	1,259,585	3,490
China	262,771	492	183,318	384
Others	1,474,956	561	568,745	703
	<u>\$ 6,146,406</u>	<u>\$ 1,243,199</u>	<u>\$ 3,550,544</u>	<u>\$ 891,654</u>

(6) Major customer information

	Year ended December 31, 2021			Year ended December 31, 2020	
	Revenue	Segment		Revenue	Segment
ALM	\$ 630,058	The Group	ALM	\$ 148,080	The Group
TNOV	402,065		TNOV	259,872	

Etron Technology, Inc.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				
					Number of shares	Book value	Ownership (%)	Fair value	Footnote
Etron Technology, Inc.	Stock	PLSense Ltd.	None	Non-current financial assets at fair value through other comprehensive income	14,611	\$ 39,308	8.53%	\$ 39,308	
Etron Technology, Inc.	Preferred share	Foho Technology Corp.	None	Non-current financial assets at amortised cost	4,200,000	-	-	-	
Kingwell Investment Corp.	Stock	Macronix International Co., Ltd	The general manager of the investee and the chairman of the Company are relatives within second degree of kinship	Current financial assets at fair value through profit or loss	15,840	668	-	668	
Kingcharm Investment Corp.	Stock	Walton Advanced Engineering, Inc	The investor is the corporate director of the investee	Current financial assets at fair value through profit or loss	10,000	189	-	189	
Kingcharm Investment Corp.	Stock	ProMos Technology, Inc.	None	Current financial assets at fair value through profit or loss	6	-	-	-	
Creative Ally Limited	Stock	Cognito Health International, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,010,101	-	1.26%	-	
Etron Technology (HK) Limited	Equity investment	Shanghai Walden Venture Capital Enterprise	None	Non-current financial assets at fair value through other comprehensive income	-	183,448	1.52%	183,448	
Etron Technology (HK) Limited	Equity investment	China Walden Venture Investments II,L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	121,607	2.64%	121,607	
Etron Technology (HK) Limited	Equity investment	Arm IoT Fund, L.P	None	Non-current financial assets at fair value through other comprehensive income	-	23,634	4.65%	23,634	
Etron Technology (HK) Limited	Equity investment	WI Harper Fund IX LP	None	Non-current financial assets at fair value through other comprehensive income	-	8,390	1.15%	8,390	
Kinglord Corp.	Stock	Senti Bioscience, Inc.	The chairman of the investee and the chairman of the Company are relatives within second degree of kinship	Non-current financial assets at fair value through other comprehensive income	211,933	8,191	0.18%	8,191	
Kinglord Corp.	Stock	Personal Genomics, Inc.	None	Non-current financial assets at fair value through other comprehensive income	741,926	15,033	1.34%	15,033	
Plusway Corp.	Stock	Personal Genomics, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,261,456	30,751	2.28%	30,751	
Plusway Corp.	Preferred share	PLSense Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,186	3,191	0.69%	3,191	
Plusway Corp.	Equity investment	WI Harper Fund IX LP	None	Non-current financial assets at fair value through other comprehensive income	-	12,584	1.72%	12,584	
Plusway Corp.	Equity investment	IT-Farm J-Tech Fund Investment Limited Partnership	None	Non-current financial assets at fair value through other comprehensive income	-	2,440	7.09%	2,440	
Kingwell Investment Corp.	Stock	Foho Technology Corp.	None	Non-current financial assets at fair value through other comprehensive income	3,872,234	-	19.54%	-	

Etron Technology, Inc.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Kingwell Investment Corp.	Stock	Bridge Semiconductor Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,375,000	\$ -	5.75%	\$ -	
Kingwell Investment Corp.	Stock	Innorich Venture Capital Corp.	None	Non-current financial assets at fair value through other comprehensive income	6,000,000	42,598	11.19%	42,598	
Kingwell Investment Corp.	Stock	Raytek Semiconductor, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,852,000	29,632	1.54%	29,632	
Kingwell Investment Corp.	Stock	Ardentec Corporation	The chairman of the investee and the chairman of the Company are relatives within second degree of kinship	Non-current financial assets at fair value through other comprehensive income	3,712,457	206,041	0.76%	206,041	
Kingwell Investment Corp.	Stock	Anqing Innovation Investment Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,000,000	13,340	4.33%	13,340	
Kingwell Investment Corp.	Stock	Mosa Industrial Corporation	None	Non-current financial assets at fair value through other comprehensive income	38,000	1,601	0.02%	1,601	
Kingwell Investment Corp.	Equity investment	Arm IoT Fund, L.P	None	Non-current financial assets at fair value through other comprehensive income	-	7,878	1.54%	7,878	
Kingwell Investment Corp.	Stock	IQE PLC	None	Non-current financial assets at fair value through other comprehensive income	55,916	721	0.01%	721	
Kingcharm Investment Corp.	Stock	Bridge Semiconductor Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,988,970	-	8.32%	-	
Kingcharm Investment Corp.	Stock	Digitimes Inc.	None	Non-current financial assets at fair value through other comprehensive income	78,750	788	0.42%	788	

Etron Technology, Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Etron Technology, Inc.	Etron Technology(HK) Limited	An indirectly held subsidiary of the Company	Sales	(\$ 187,618)	3.21%	90 days end of month	Not applicable	Not applicable	\$ 111,609	8.02%	

Etron Technology, Inc.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Etron Technology, Inc.	Etron Technology(HK) Limited	An indirectly held subsidiary of the Company	\$ 111,609	2.62	\$ -	-	\$ 70,611	\$ -

Etron Technology, Inc.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms (Note 4)	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Service expense	\$ 26,932	-	0.44%
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Commissions expense	12,518	-	0.20%
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Other accrued expense	3,416	-	0.05%
0	Etron Technology, Inc.	Anzon Corporation	1	Commissions expense	1,301	-	0.02%
0	Etron Technology, Inc.	Anzon Corporation	1	Service expense	1,541	-	0.03%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Commissions expense	14,629	-	0.24%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Service expense	3,055	-	0.05%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Other accrued expense	3,985	-	0.06%
0	Etron Technology, Inc.	Etron Technology (HK) Limited	1	Sales revenue	187,618	-	3.10%
0	Etron Technology, Inc.	Etron Technology (HK) Limited	1	Accounts receivable	111,609	-	1.55%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Support service income	3,411	-	0.06%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Other receivables	4,911	-	0.06%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Other income	18,341	-	0.30%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Support service income	4,014	-	0.07%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Other receivables	22,282	-	0.31%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Other income	21,320	-	0.35%
0	Etron Technology, Inc.	Insignis Technology Corporation	1	Sales revenue	49,897	-	0.81%
0	Etron Technology, Inc.	Insignis Technology Corporation	1	Accounts receivable	27,510	-	0.38%
0	Etron Technology, Inc.	DeCloak Intelligences Co.	1	Service expense	1,912	-	0.03%
1	eYs3D Microelectronics, Co.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Service expense	6,719	-	0.11%
1	eYs3D Microelectronics, Co.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Other accrued expense	3,877	-	0.05%
1	eYs3D Microelectronics, Co.	AiYs3D Technology, Inc.	3	Service expense	6,675	-	0.11%
1	eYs3D Microelectronics, Co.	AiYs3D Technology, Inc.	3	Other accrued expense	1,661	-	0.02%
2	eEver Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Service expense	2,894	-	0.09%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The prices and credit terms for the transactions between parent company and subsidiaries would be available for third parties. The terms for incomparable transactions are negotiated by the both parties.

Etron Technology, Inc.
Information on investees
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Etron Technology, Inc.	Eutrend Technology, Inc.	Taiwan	Testing service for high-frequency or high-power radio frequency, analog, digital, and mixed-signal components	\$ 112,099	\$ 112,098	2,702,522	93.57%	\$ 397	(\$ 70)	(\$ 504)	Subsidiary
Etron Technology, Inc.	Kinglord Corp.	British Virgin Islands	Investment holdings	853,849	853,849	25,458	100.00%	409,180	13,303	13,303	Subsidiary
Etron Technology, Inc.	Plusway Corp.	British Virgin Islands	Investment holdings	511,185	483,315	10,485	100.00%	168,831	456	456	Subsidiary
Etron Technology, Inc.	Kingwell Investment Corp.	Taiwan	Investment holdings	22,861	27,475	13,183,000	100.00%	366,446	10,415	10,415	Subsidiary
Etron Technology, Inc.	Kingcharm Investment Corp.	Taiwan	Investment holdings	188,512	188,512	18,000,000	100.00%	41,270	295	295	Subsidiary
Etron Technology, Inc.	Interkosmos Group Limited	British Virgin Islands	Investment holdings	142,188	248,646	5,292	100.00%	212,136	10,988	10,988	Subsidiary
Etron Technology, Inc.	Creative Ally Limited	British Virgin Islands	Investment holdings	111,921	111,921	3,720	100.00%	12,470	(9,916)	(9,916)	Subsidiary
Etron Technology, Inc.	Invention and Collaboration Laboratory, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	-	3,000	-	0.00%	-	(102)	(8)	Third-tier subsidiary
Etron Technology, Inc.	NetVinci, Inc.	Cayman Islands	Investment holdings	38	38	761,206	4.58%	-	(14,186)	(669)	Investee company
Etron Technology, Inc.	eCapture Ltd. Co.	Cayman Islands	Investment holdings	31,051	31,051	11,666,667	100.00%	2,370	(95)	(95)	Subsidiary
Etron Technology, Inc.	Insignis Technology, Inc.	Cayman Islands	Investment holdings	60,488	60,488	24,500,000	100.00%	11,503	11,491	11,491	Subsidiary
Etron Technology, Inc.	eEver Technology Limited	Cayman Islands	Investment holdings	44,857	44,857	14,250,001	50.42%	70,040	21,802	10,949	Subsidiary
Etron Technology, Inc.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	306,761	139,047	40,050,984	58.66%	80,293	(115,554)	(61,767)	Subsidiary
Etron Technology, Inc.	DeCloak Intelligence Co.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	18,622	4,500	1,862,209	77.75%	8,274	(9,114)	(7,054)	Subsidiary
Kingwell Investment Corp.	Pioneer Chip Technology Limited	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	2,000	2,000	200,000	100.00%	101	(33)	(33)	Second-tier subsidiary
Kingwell Investment Corp.	nD-HI Technologies Lab, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	12,093	93	1,300,000	92.67%	9,684	(1,739)	(1,611)	Second-tier subsidiary, Note
Kingwell Investment Corp.	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	33,737	33,737	1,868,009	5.29%	35,225	27,068	1,482	Investee company of the subsidiary
Kingcharm Investment Corp.	eEver Technology Limited	Cayman Islands	Investment holdings	58,969	58,969	5,838,680	20.66%	28,698	21,802	4,486	Subsidiary
Kingcharm Investment Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	21,654	21,654	2,084,340	3.05%	4,257	(115,554)	(4,320)	Subsidiary
Kinglord Corp.	Etron Technology America, Inc.	U.S.A	Sales agent of electronic components	155,562	160,058	47,666,666	100.00%	26,492	9,649	9,649	Second-tier subsidiary
Kinglord Corp.	Anzon Technology, Inc.	British Virgin Islands	Investment holdings	9,992	10,281	1,681,000	70.85%	2,560	(650)	(456)	Second-tier subsidiary
Kinglord Corp.	Etron Technology (HK) Limited	Hong Kong	Sales of electronic components	132,864	136,704	37,440,000	100.00%	350,437	5,021	5,021	Second-tier subsidiary
Kinglord Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	7,760	7,984	785,273	1.15%	1,605	(115,554)	(1,627)	Subsidiary
Etron Technology (HK) Limited	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	23,024	23,689	2,329,918	3.41%	4,759	(115,554)	(4,833)	Subsidiary

Etron Technology, Inc.
Information on investees
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Anzon Technology, Inc.	Anzon Corporation	Japan	Sales agent of electronic components	\$ 15,655	\$ 16,107	185	100.00%	\$ 3,551	(\$ 621)	(\$ 661)	Third-tier subsidiary
Intercosmos Group Limited	Grandsino Technology Limited	British Virgin Islands	Investment holdings	70,616	180,923	4,611	100.00%	197,099	7,676	7,676	Second-tier subsidiary
Intercosmos Group Limited	Fullboom International Limited	Samoa	Investment holdings	29,064	29,904	1,050,000	100.00%	13,692	3,401	3,394	Second-tier subsidiary
Grandsino Technology Limited	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	67,767	69,726	9,583,909	27.15%	194,445	27,068	7,596	Investee company of the second-tier subsidiary
Plusway Corp.	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	68,637	70,621	2,755,508	8.95%	84,105	27,068	2,503	Investee company of the subsidiary
Plusway Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	8,103	8,338	887,121	1.30%	1,814	(115,554)	(1,840)	Subsidiary
Creative Ally Limited	NetVinci, Inc.	Cayman Islands	Investment holdings	35,633	36,663	8,835,398	53.17%	-	(14,186)	(7,793)	Investee company of the subsidiary
Creative Ally Limited	Invention and Collaboration Laboratory Pte. Ltd.	Singapore	Research and development, consulting and design services of semiconductor technology	13,846	14,246	5,214,000	81.11%	11,558	(2,396)	(1,944)	Second-tier subsidiary
eCapture Ltd. Co.	eCapture Co., Limited	Hong Kong	Marketing, sales and development of electronic products	26,296	27,056	950,000	100.00%	1,867	103	103	Second-tier subsidiary
Insignis Technology, Inc.	Insignis Technology Corporation	U.S.A	Sales of electronic components	53,007	54,539	1,915,000	100.00%	11,388	11,438	11,705	Second-tier subsidiary
eEver Technology Limited	eEver Technology, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	164,684	149,101	27,700,000	100.00%	128,453	24,743	24,743	Second-tier subsidiary
eYs3D Microelectrions, Inc.	eYs3D Microelectronics, Co.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	571,876	319,074	64,800,000	100.00%	139,677	(113,132)	(113,132)	Second-tier subsidiary
eYs3D Microelectrions, Inc.	AiYs3D Technology, Inc	U.S.A	Marketing and customer services	277	285	10,000	100.00%	889	276	302	Second-tier subsidiary
Invention and Collaboration Laboratory Pte. Ltd.	Invention and Collaboration Laboratory, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	1,331	-	134,000	100.00%	1,236	(102)	(94)	Third-tier subsidiary

Note: Silicon Spintronics, Inc. changed its name to nD-HI Technologies Lab, Inc., and completed the registration on September 23, 2021.

Etron Technology, Inc.
Information on investments in Mainland China
Year ended December 31, 2021

Table 6

1. Basic information

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				as of January 1, 2021	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2021					December 31, 2021	
Great Team Backend Foundry (Dongguan), Ltd.	Other transistors	\$ 2,439,067	(2)	\$ 375,439	\$ -	\$ 127,394	\$ 248,045	\$ 209,111	12.42%	\$ 25,965	\$ 221,260	\$ -	Notes 3, 4 and 5
Fullboom Electronics (Shenzhen) Co., Ltd.	Wholesale and international trading of electronic components	27,680	(2)	32,285	-	-	32,285	3,459	100.00%	3,459	12,815	-	Note 6
Shanghai Walden Venture Capital Enterprise	Investment in new venture companies	35,729	(2)	572	-	-	572	-	1.52%	-	183,448	-	Note 7
China Walden Venture Investments II, L.P.	Investment in new venture companies	2,864,392	(2)	95,442	-	-	95,442	-	2.64%	-	121,607	-	Note 7

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Investment income from Fullboom Electronics (Shenzhen) Co., Ltd. was recognized based on the financial statements that are audited and attested by R.O.C. parent company's CPA;

Investment income from Great Team Backend Foundry (Dongguan), Ltd. was recognized based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 3: Investing through Great Team Backend Foundry, Inc., which is invested by Kingwell Investment Corp.

Note 4: Investing through Great Team Backend Foundry, Inc., which is invested by Grandsino Technology Limited and Grandsino Technology Limited is invested by Intercosmos Group Limited.

Note 5: Investing through Great Team Backend Foundry, Inc., which is invested by Plusway Corp.

Note 6: Investing through Fullboom International Limited, which is invested by Intercosmos Group Limited.

Note 7: Investing through Etron Technology (HK) Limited, which is invested Kinglord Corp.

Note 8: Great Team Backend Foundry (Dongguan), Ltd. remitted the investment contribution of USD 5,836 thousand back to the Group, of which USD 4,548 thousand was remitted back to the Company and domestic subsidiaries, and the remaining was remitted back to the foreign subsidiaries. The aforementioned transaction has been filed with the Investment Commission of MOEA for verification, and a verification letter has been obtained.

2. Ceiling on reinvestments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Etron Technology, Inc.	\$ 376,344	\$ 386,524	\$ 2,546,158

Etron Technology, Inc.
Major shareholders information
December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chao-Chun Lu	14,613,757	5.41%

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Etron Technology, Inc.

Opinion

We have audited the accompanying parent company balance sheets of Etron Technology, Inc. (the “Company”) as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the Other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Parent company only Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other auditors, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Key audit matters - Valuation of accounts receivable

Description

Please refer to Note 4(9) for accounting policies on valuation of accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of accounts receivable, and Note 6(5) for details of accounts receivable. As of December 31, 2021, the total amount of accounts receivable and allowance for uncollectible accounts were NT\$1,463,056 thousand and NT\$82,017 thousand, respectively.

The Company assesses the allowance for uncollectible accounts receivable by each individual counterparty when there are significant past due accounts receivable arising from each individual counterparty. The valuation of allowance for uncollectible accounts receivable for the remaining counterparties is based on the default risk and expected loss rate. The amount of accounts receivable is material to the parent company only financial statements and the valuation involves subjective judgment made by management. Thus, we consider the valuation of accounts receivable a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter, these procedures included obtaining an understanding and evaluating the design and operating effectiveness of internal controls related to revenue and receivable business process, obtaining the aging report of accounts receivable and validating the accuracy, obtaining and validating the assessment made by management in identifying significant expected credit loss for each individual counterparty and respective supporting documents, obtaining and validating the expected credit loss ratios calculated by

management based on the Company's historical data of similar credit risk and forward-looking information, and testing subsequent collection in order to assess the reasonableness of allowance for uncollectable accounts.

Key audit matters - Valuation of inventories

Description

Refer to Note 4(13) for accounting policies on valuation of inventories, Note 5 for the uncertainty of accounting estimates and assumptions related to valuation of inventories, and Note 6(6) for details of inventories. As of December 31, 2021, the total amount of inventories and allowance for inventory valuation loss were NT\$2,176,545 thousand and NT\$451,010 thousand, respectively.

The Company is primarily engaged in the design, manufacturing and sale of niche memory chips. Due to rapidly technology changing and market demand, there is a higher risk of decline in market values of inventories or obsolescence. The Company's inventories are measured at the lower of cost and net realizable value. The estimation of net realizable value for inventories aged over a certain period of time and individually identified as obsolete involves management's subjective judgment and the amount of inventories is material to the Company's financial statements. Thus, we consider the valuation of inventories a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above matter in order to ascertain the adequacy of allowance for inventory valuation losses include assessing the reasonableness of the provision policies on allowance for inventory valuation losses, checking whether the inventory quantities and amounts at the end of the year on the inventory aging report were consistent with those on the inventory subsidiary ledger, selecting samples to verify the accuracy of the inventory aging report, as well as assessing and verifying the reasonableness of the estimation of the net realisable value by sampling and testing the individual inventory items.

Other matter – Reference to the audits of other auditors

An investment accounted for under the equity method included in the Parent Company Only Financial Statements of Etron Technology, Inc. was not audited by us, but by other independent auditors.

Therefore, our opinion expressed herein insofar as it relates to the stated amounts was based on the reports of the other independent auditors. As of December 31, 2021, the investment accounted for under the equity method amounted to NT\$313,775 thousand, constituting 4.46% of the parent company only total assets. Based on the financial statements for 2021 audited by other independent auditors, the recognized comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$34,364 thousand, constituting 2.95% of the parent company only total comprehensive income for the year then ended.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparations of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

Chiang, Tsai-yen

Wen, Fang-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of

such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

ETRON TECHNOLOGY, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	\$ 928,016	13	\$ 1,018,590	17
Financial assets at fair value through profit or loss - current	6(2)	4,396	-	411	-
Financial assets at amortised cost, current	6(4) and 8	2,000	-	2,000	-
Notes receivable, net	6(5)	10,000	-	-	-
Notes receivable - related parties	6(5) and 7	-	-	20	-
Accounts receivable, net	6(5)	1,241,920	18	772,961	13
Accounts receivable - related parties	6(5) and 7	139,119	2	35,132	1
Other receivables		40,084	1	15,535	-
Other receivables - related parties	7	31,611	-	60,182	1
Current income tax assets		-	-	166	-
Inventories	6(6) and 8	1,725,535	24	1,607,813	26
Prepayments		48,029	1	23,614	-
Other current assets		610	-	801	-
Total current assets		<u>4,171,320</u>	<u>59</u>	<u>3,537,225</u>	<u>58</u>
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	6(3)	39,308	1	40,444	1
Financial assets at amortised cost-non-current	6(4) and 8	5,941	-	68,941	1
Investments accounted for using equity method	6(7)	1,383,210	20	1,231,908	21
Property, plant and equipment	6(8)(13) and 8	611,154	9	676,503	11
Right-of-use assets	6(9)	140,784	2	163,606	3
Intangible assets	6(11)	16,927	-	19,817	-
Deferred income tax assets	6(31)	241,501	3	309,374	5
Other non-current assets	6(12)	423,213	6	10,397	-
Total non-current assets		<u>2,862,038</u>	<u>41</u>	<u>2,520,990</u>	<u>42</u>
Total assets		<u>\$ 7,033,358</u>	<u>100</u>	<u>\$ 6,058,215</u>	<u>100</u>

(Continued)

ETRON TECHNOLOGY, INC.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
		AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(14)	\$ 140,720	2	\$ 143,635	2
Financial liabilities at fair value through profit or loss-current	6(2)	-	-	2	-
Notes payable		1	-	110	-
Accounts payable		928,058	13	581,283	10
Other payables	6(15) and 7	323,895	5	145,708	3
Current tax liabilities		324	-	-	-
Current lease liabilities		21,791	-	21,854	-
Long-term liabilities, current portion	6(16)	766,766	11	673,097	11
Other current liabilities, other	6(10)(23) and 7	32,023	-	68,986	1
Total current liabilities		<u>2,213,578</u>	<u>31</u>	<u>1,634,675</u>	<u>27</u>
Non-current liabilities					
Long-term borrowings	6(16)	502,142	7	1,289,626	21
Deferred income tax liabilities	6(31)	483	-	-	-
Non-current lease liabilities		122,619	2	144,597	2
Other non-current liabilities	6(10)(17) and 7	54,893	1	108,097	2
Total non-current liabilities		<u>680,137</u>	<u>10</u>	<u>1,542,320</u>	<u>25</u>
Total Liabilities		<u>2,893,715</u>	<u>41</u>	<u>3,176,995</u>	<u>52</u>
Equity					
Share capital	6(18)				
Share capital - common stock		2,698,693	38	2,677,073	44
Capital collected in advance		1,530	-	-	-
Capital surplus	6(19)				
Capital surplus		568,222	8	496,457	8
Retained earnings	6(20)				
Unappropriated retained earnings (Accumulated deficit)		784,069	11	(260,481)	(4)
Other equity interest	6(21)	87,129	2	(31,829)	-
Total equity		<u>4,139,643</u>	<u>59</u>	<u>2,881,220</u>	<u>48</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
Total liabilities and equity		<u>\$ 7,033,358</u>	<u>100</u>	<u>\$ 6,058,215</u>	<u>100</u>

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

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

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(23) and 7	\$ 5,847,407	100	\$ 3,267,841	100
Operating costs	6(6)(28)(29) and 7	(3,914,271)	(67)	(2,874,444)	(88)
Gross profit		1,933,136	33	393,397	12
Unrealized loss from sales		-	-	44	-
Realized loss from sales		-	-	(89)	-
Gross profit, net		1,933,136	33	393,352	12
Operating expenses	6(28)(29) and 7				
Selling expenses		(169,725)	(3)	(132,571)	(4)
General and administrative expenses		(253,758)	(4)	(174,591)	(5)
Research and development expenses		(395,905)	(7)	(289,565)	(9)
Expected credit impairment gain	12(2)	40,028	1	10,218	-
Total operating expenses		(779,360)	(13)	(586,509)	(18)
Other operating income and expenses - net	6(24) and 7	64,250	1	64,567	2
Operating profit (loss)		1,218,026	21	(128,590)	(4)
Non-operating income and expenses					
Interest income	6(25)	3,640	-	339	-
Other income	6(26) and 7	1,870	-	6,867	-
Other gains and losses	6(27)	21,208	-	(28,496)	(1)
Finance costs	6(30)	(39,847)	(1)	(54,905)	(2)
Expected credit impairment loss	6(4) and 12(2)	(63,000)	(1)	-	-
Share of loss of associates and joint ventures accounted for using equity method	6(7)	(22,116)	-	(37,739)	(1)
Total non-operating income and expenses		(98,245)	(2)	(113,934)	(4)
Profit (loss) before income tax		1,119,781	19	242,524	(8)
Income tax expense	6(31)	(68,710)	(1)	(11,869)	-
Net profit (loss) for the year		\$ 1,051,071	18	(\$ 254,393)	(8)
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Loss on remeasurements of defined benefit plans	6(17)	(\$ 5,181)	-	(\$ 390)	-
Unrealized gain (loss) on valuation of equity instruments at fair value through other comprehensive income	6(3)(21)	29,444	-	(17,958)	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(21)	92,743	2	67,805	2
Items that will be reclassified to profit or loss					
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(21)	(4,569)	-	(24,142)	(1)
Other comprehensive income for the year		\$ 112,437	2	\$ 25,315	1
Total comprehensive income (loss) for the year		\$ 1,163,508	20	(\$ 229,078)	(7)
Basic earnings (loss) per share	6(32)	\$ 3.91		(\$ 1.14)	
Diluted earnings (loss) per share	6(32)	\$ 3.88		(\$ 1.14)	

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

ETRON TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital			Unappropriated retained earnings (accumulated deficit)	Other equity interest	Treasury stocks	Total equity
		Common stock	Capital collected in advance	Capital surplus				
<u>2020</u>								
Balance at January 1, 2020		\$ 4,352,398	\$ -	\$ 190,706	(\$ 2,175,325)	(\$ 64,024)	(\$ 3,540)	\$ 2,300,215
Loss for the year		-	-	-	(254,393)	-	-	(254,393)
Other comprehensive income (loss) for the year	6(7)(17)(21)	-	-	-	(390)	25,705	-	25,315
Total comprehensive income (loss)		-	-	-	(254,783)	25,705	-	(229,078)
Capital reduction to cover accumulated deficits	6(18)	(2,175,325)	-	-	2,175,325	-	-	-
Issuance of common stock	6(18)(19)	500,000	-	227,041	-	-	-	727,041
Share-based compensation cost for issuance of common stock reserved for employee preemption	6(19)(22)	-	-	6,420	-	-	-	6,420
Conversion of subsidiaries' convertible bonds	6(19)	-	-	51,924	-	-	-	51,924
Disposal of parent company's share by subsidiaries recognised as treasury share transactions	6(18)(19)	-	-	372	-	-	3,540	3,912
Net change in equity of associates	6(19)	-	-	20,948	792	-	-	21,740
Share-based compensation	6(19)(22)	-	-	375	-	-	-	375
Capital contribution from non-controlling interests	6(19)	-	-	1,167	-	-	-	1,167
Disposal of investments accounted for using the equity method	6(7)(19)	-	-	(2,032)	-	-	-	(2,032)
Disposal of investments in equity instruments designed at fair value through other comprehensive income from subsidiary	6(3)(21)	-	-	-	(6,490)	6,490	-	-
Liquidation of subsidiaries	6(7)(19)	-	-	(464)	-	-	-	(464)
Balance at December 31, 2020		\$ 2,677,073	\$ -	\$ 496,457	(\$ 260,481)	(\$ 31,829)	\$ -	\$ 2,881,220
<u>2021</u>								
Balance at January 1, 2021		\$ 2,677,073	\$ -	\$ 496,457	(\$ 260,481)	(\$ 31,829)	\$ -	\$ 2,881,220
Net income for the year		-	-	-	1,051,071	-	-	1,051,071
Other comprehensive income (loss) for the year	6(7)(17)(21)	-	-	-	(5,181)	117,618	-	112,437
Total comprehensive income		-	-	-	1,045,890	117,618	-	1,163,508
Exercise of employee share options	6(18)(19)(22)	21,620	1,530	33,511	-	-	-	56,661
Conversion of subsidiaries' convertible bonds	6(19)	-	-	30,845	-	-	-	30,845
Net change in equity of associates	6(19)	-	-	(20,354)	-	-	-	(20,354)
Share-based compensation	6(19)(22)	-	-	16,652	-	-	-	16,652
Capital contribution from non-controlling interests	6(19)	-	-	48,488	-	-	-	48,488
Changes in ownership interests in subsidiaries	6(19)	-	-	(37,377)	-	-	-	(37,377)
Disposal of investments in equity instruments designed at fair value through other comprehensive income or loss	6(3)(21)	-	-	-	(1,340)	1,340	-	-
Balance at December 31, 2021		\$ 2,698,693	\$ 1,530	\$ 568,222	\$ 784,069	\$ 87,129	\$ -	\$ 4,139,643

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

ETRON TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 1,119,781	(\$ 242,524)
Adjustments			
Adjustments to reconcile profit (loss)			
Unrealized profit from sales		-	(44)
Realized profit from sales		-	89
Expected credit impairment loss (gain)	6(4) and 12(2)	22,972	(10,218)
Depreciation	6(8)(9)(28)	167,022	194,500
Amortization	6(11)(28)	39,110	42,252
Gain on financial assets at fair value through profit or loss	6(27)	(7,433)	(409)
Interest expense	6(30)	36,688	51,318
Interest expense from lease liabilities	6(9)(30)	3,159	3,587
Interest income	6(25)	(3,640)	(339)
Share-based compensation	6(22)	16,652	6,795
Share of loss of associates accounted for using the equity method	6(7)	22,116	37,739
Gain on disposals of property, plant and equipment	6(27)	(34,500)	-
Gain on disposal of subsidiaries	6(7)(27)	-	(414)
Gains arising from lease modifications	6(27)	(5)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(10,000)	-
Notes receivable - related parties		20	(20)
Accounts receivable		(428,931)	25,924
Accounts receivable - related parties		(103,987)	43,386
Other receivables		(24,552)	14,955
Other receivables - related parties		28,571	(35,467)
Inventories		(117,722)	139,062
Prepayments		(24,415)	(7,536)
Other current assets		191	22
Changes in operating liabilities			
Contract liability		(1,028)	4,182
Notes payable		(109)	(282)
Accounts payable		346,775	4,968
Other payables		189,351	(26,243)
Other current liabilities		(35,935)	(18,667)
Provisions for liabilities		(1,167)	(1,859)
Other non-current liabilities		(22,782)	(52,261)
Cash inflow generated from operations		1,176,202	172,496
Interest received		3,643	341
Interest paid		(40,457)	(55,643)
Income tax refunded		137	321
Net cash flows from operating activities		<u>1,139,525</u>	<u>117,515</u>

(Continued)

ETRON TECHNOLOGY, INC.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through profit or loss		(\$ 42,000)	\$ -
Proceeds from disposal of financial assets at fair value through profit or lost		45,446	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	30,580	-
Decrease on fancial assets on amortised cost	6(4)	-	3,051
Acquisition of investments accounted for using equity method	7	(209,706)	(16,156)
Proceeds from capital reduction of investment accounted for using equity method	6(7)	106,458	152,273
Dividends received from investments accounted for using equity method	6(7)	4,614	-
Cash dividends from investments accounted for using equity method	6(7)	-	30,321
Proceeds from disposal of investments		337	-
Acquisition of property, plant and equipment	6(33)	(89,523)	(40,243)
Proceeds from disposal of property, plant and equipment	6(8)	34,500	-
Acquisition of intangible assets	6(33)	(36,348)	(36,759)
Increase in refundable deposits		(410,725)	(5,000)
Increase in other non-current assets		(2,091)	(2,166)
Net cash flows (used in) from investing activities		(568,458)	85,321
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(34)	1,067,454	524,840
Decrease in short-term loans	6(34)	(1,070,369)	(853,659)
Decrease in long-term loans	6(34)	(693,815)	(294,828)
Increase in long-term loans	6(34)	-	115,359
Payment of lease principal	6(34)	(21,791)	(21,250)
Increase in guarantee deposits	6(34)	219	1,446
Issuance of common stock	6(18)	-	727,041
Exercise of employee stock options	6(18)	56,661	-
Net cash flows (used in) from financing activities		(661,641)	198,949
Net (decrease) increase in cash and cash equivalents		(90,574)	401,785
Cash and cash equivalents at beginning of year		1,018,590	616,805
Cash and cash equivalents at end of year		\$ 928,016	\$ 1,018,590

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

ETRON TECHNOLOGY, INC.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organization

Etron Technology, Inc. (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.). The Company is primarily engaged in the manufacturing and design of various integrated circuits.

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 March 18, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their

translation differences are recognized in other comprehensive income. However, nonmonetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets 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 held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged 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 from 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.

(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.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive

payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(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 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. 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.

(9) 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.

(10) Impairment of financial assets

- A. For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.
- B. For accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) 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.

(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 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 selling expenses.

(14) Investments accounted for using the 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. Unrealised gains or losses on transactions between the Company and subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. 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. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- F. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.
- G. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- I. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- J. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- K. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized 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 recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- L. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- M. 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 consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(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 Company and the cost of the item can be measured reliably.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful

lives.

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 the main property, plant and equipment are as follows:

Buildings and structures	3~50 years
Machinery and equipment	2~10 years
Other equipment	2~10 years

(16) Leasing arrangements (lessee) - right-of-use asset

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

(17) Intangible assets

A. Patents and special technology

Separately acquired patents and special technology are stated at historical cost. Patents and special technology have a finite useful life and are amortized on a straight-line basis over their economic benefits.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its contract period.

(18) Impairment of non-financial assets

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

(19) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts and notes payable

Accounts and notes payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead and conducts an actuarial valuation at the end of the year.

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

C. Employees' compensation and directors' and supervisors' remuneration

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

(23) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(24) Income tax

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

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

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

(25) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) 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.

(27) Revenue recognition

A. Sales of goods

The Company designs, manufactures and sells integrated circuits. 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. As the time interval between the transfer of committed goods 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.

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

is due.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any 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 Company recognises expenses for the related costs for which the grants are intended to compensate.

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; and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Valuation of accounts receivable

The Company evaluates the allowance for uncollectible accounts receivable by individual counterparties when there are significant past due accounts receivable arising from those individual counterparties. The evaluation of allowance for uncollectible accounts and notes receivable for the remaining counterparties is based on the default risk and expected loss rate. The Company considers the historical experience in determining the assumptions adopted and the inputs used when calculating the impairment. Such valuation of accounts receivable is estimated based on the reasonable expectation about expected credit losses on the basis of conditions existing at the balance sheet date although the estimation may differ from the actual result. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of accounts receivable was \$1,381,039.

B. Valuation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such valuation of inventories is valued based on the current market conditions and historical sales experience. Any changes in the market conditions may have material impact on the results of

valuation. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$1,725,535.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 2,166	\$ 2,274
Checking accounts and demand deposits	923,520	1,016,316
Deposits in transit	2,330	-
	<u>\$ 928,016</u>	<u>\$ 1,018,590</u>

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's cash and cash equivalents shown on the balance sheet were not pledged to others as collateral. Details of the Company's cash and cash equivalents (shown as current and non-current financial assets at amortised cost) pledged to others as collateral are provided in Note 8.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets		
Current items:		
Valuation adjustment		
Foreign exchange swap contracts	\$ 3,838	\$ -
Forward exchange contracts	558	411
	<u>\$ 4,396</u>	<u>\$ 411</u>
Liabilities		
Current items:		
Valuation adjustment		
Forward exchange contracts	\$ -	\$ 2

A. The Company recognized net profit amounting to \$7,433 and \$409 on financial assets and liabilities at fair value through profit or loss for the years ended December 31, 2021 and 2020, respectively.

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

	<u>December 31, 2021</u>	
	<u>Contract amount</u> (Notional principal)	<u>Contract period</u>
<u>Financial instruments</u>		
Assets - current items:		
Forward exchange contracts	USD \$4,000 (thousands)	2021.9.28~2022.3.16
Foreign exchange swap contracts	USD \$ 18,000 (thousands)	2021.9.17~2022.3.28

December 31, 2020			
Financial instruments		Contract amount (Notional principal)	Contract period
Assets - current items:			
Forward exchange contracts	USD	<u>\$ 1,000 (thousands)</u>	2020.12.1~2021.1.5
Liabilities - current items:			
Forward exchange contracts	USD	<u>\$ 1,000 (thousands)</u>	2020.12.30~2021.3.5

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

D. The Company has no financial assets at fair value through profit or loss pledged to others as collateral.

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Unlisted stocks	\$ 32,370	\$ 63,870
Valuation adjustment	<u>6,938</u>	<u>(23,426)</u>
	<u>\$ 39,308</u>	<u>\$ 40,444</u>

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$39,308 and \$40,444 as at December 31, 2021 and 2020, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2021	2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income - the Company	\$ 29,444	(\$ 17,958)
Fair value change recognised in other comprehensive income - subsidiaries	<u>89,269</u>	<u>67,805</u>
	<u>\$ 118,713</u>	<u>\$ 49,847</u>

	Year ended December 31	
	2021	2020
Cumulative gains reclassified to retained earnings due to derecognition - disposal of financial assets by the Company	\$ 920	\$ -
Cumulative gains reclassified to retained earnings due to derecognition - disposal of subsidiaries	420	6,490
	<u>\$ 1,340</u>	<u>\$ 6,490</u>

C. For the year ended December 31, 2021, the Company disposed the investee, UNRE AI Ltd., for proceeds of \$30,580, and transferred cumulative valuation loss of \$920 to retained earnings.

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

	December 31, 2021	December 31, 2020
<u>Current items</u>		
Restricted time deposits and performance guarantee	\$ <u>2,000</u>	\$ <u>2,000</u>
<u>Non-current items</u>		
Preference share	\$ 63,000	\$ 63,000
Restricted time deposits	5,941	5,941
	\$ 68,941	\$ 68,941
Less: Accumulated impairment	(63,000)	-
	<u>\$ 5,941</u>	<u>\$ 68,941</u>

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

	2021	2020
Interest income	\$ <u>20</u>	\$ <u>29</u>
Impairment loss	\$ <u>63,000</u>	\$ <u>-</u>

B. The preference shares are invested for a period of 7 years from May 6, 2017 to May 5, 2024 and cannot be converted into ordinary shares. The issue company may redeem the shares at the actual issue price at the maturity. The investors have no right to ask for early redemption of preference shares. The dividends are cumulative at the rate of 5% per annum. If the dividends are undistributed or are not distributed in full, it will be accumulated for deferred payment in the subsequent years where there are earnings.

C. Since the credit risk of the investee of preference shares increased as its financial position was impacted by the COVID-19 pandemic and industry competition, the Company recognized impairment loss amounting to \$63,000 for the year ended December 31, 2021.

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

(5) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable (including related parties)	\$ 10,000	\$ 20
Accounts receivable (including related parties)	1,463,056	930,138
Less: Allowance for uncollectible accounts	(82,017)	(122,045)
	<u>\$ 1,391,039</u>	<u>\$ 808,113</u>

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

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,461,644	\$ 10,000	\$ 725,606	\$ 20
Up to 30 days	1,412	-	42,130	-
31 to 90 days	-	-	115,232	-
91 to 120 days	-	-	-	-
Over 181 days	-	-	47,170	-
	<u>\$ 1,463,056</u>	<u>\$ 10,000</u>	<u>\$ 930,138</u>	<u>\$ 20</u>

The above aging schedule for ageing analysis was calculated based on expected payment date.

B. As of December 31, 2021 and 2020, and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,473,056, \$930,158 and \$1,013,657, respectively.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts and notes receivable were \$1,391,039 and \$808,113, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(6) Inventories

	<u>December 31, 2021</u>		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 183,482	(\$ 26,487)	\$ 156,995
Work in progress	1,210,831	(234,341)	976,490
Finished goods	782,232	(190,182)	592,050
	<u>\$ 2,176,545</u>	<u>(\$ 451,010)</u>	<u>\$ 1,725,535</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 195,023	(\$ 50,492)	\$ 144,531
Work in progress	1,097,336	(203,454)	893,882
Finished goods	781,054	(211,654)	569,400
	<u>\$ 2,073,413</u>	<u>(\$ 465,600)</u>	<u>\$ 1,607,813</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2021	2020
Cost of goods sold	\$ 3,824,238	\$ 2,854,934
Loss on decline in market value	90,033	19,510
Transferred to expenses	13,525	9,765
	<u>\$ 3,927,796</u>	<u>\$ 2,884,209</u>

Information about the inventories that were pledged to others as collateral is provided in Note 8.

(7) Investments accounted for using the equity method / other liabilities

A. The information on investments accounted for using the equity method is as follows:

	December 31, 2021		December 31, 2020	
	Carrying amount	Shareholding ratio	Carrying amount	Shareholding ratio
<u>Investees Subsidiaries</u>				
Eutrend Technology Inc.	\$ 397	93.57%	\$ 901	93.57%
Kinglord Corp.	409,180	100%	299,307	100%
Plusway Corp.	168,831	100%	141,621	100%
Kingwell Investment Corp.	366,446	100%	358,974	100%
Kingcharm Investment Corp.	41,270	100%	29,836	100%
Intercosmos Group Limited	212,136	100%	313,411	100%
Creative Ally Limited	12,470	100%	22,888	100%
Invention and Collaboration Laboratory, Inc. (Note 1)	-	-	338	100%
eCapture Ltd. Co.	2,370	100%	2,537	100%
Insignis Technology, Inc.	11,503	100%	103	100%
eEver Technology Limited	70,040	50.42%	59,443	50.42%
eYs3D Microelectronics, Inc.	80,293	58.66%	34,656	61.22%
DeCloak Intelligences Co.	8,274	77.75%	1,860	62.94%
<u>Associates</u>				
NetVinci, Inc. (Note 2)	-	4.58%	689	4.58%
	<u>1,383,210</u>		<u>1,197,252</u>	
Credit balance of investments accounted for using the equity method (shown as other liabilities)	-		34,656	
	<u>\$ 1,383,210</u>		<u>\$ 1,231,908</u>	

Note 1: In the first quarter of 2021, the Company adjusted its organizational structure. Invention and Collaboration Laboratory, Inc. previously held by the Company was adjusted to be held by Invention and Collaboration Laboratory Pte. Ltd.

Note 2: For the years ended December 31, 2021 and 2020, the comprehensive shareholding ratio held by the Company in NetVinci, Inc. were 57.75% and 56.51%, respectively. The investee's total assets are 0.01% and 0.26% of the consolidated assets as of December 31, 2021 and 2020, respectively, and the Company and the subsidiaries could not obtain more than half seats on the Board, which indicated that the Company and the subsidiaries have no right to direct the operating decisions. Thus, the investee was accounted for using the equity method.

- B. The information on the Company's subsidiaries is provided in Note 4(3) in the consolidated financial statements for the year ended December 31, 2021.
- C. The Company's subsidiary - Kingwell Investment Corp. distributed cash from earnings and capital surplus amounting to \$4,614 and \$30,321 in June 2021 and November 2020, respectively.
- D. The Company's subsidiary, Intercosmos Group Limited, reduced its capital and repurchased its shares from the Company in the number of 2,770 shares totaling \$106,458 in May 2021 and October 2021.
- E. The subsidiaries of the Company, Plusway Corp, and Intercosmos Group Limited reduced their capital and repurchased their shares from the Company in the number of 5,758 totaling \$ 152,273 in February and March, 2020, respectively.
- F. The Company increased the capital of its subsidiaries, Decloak Intelligences Co., Plusway Crop. and eYs3D Microelectronics Inc. during 2021. In total share capital of \$209,706, acquired 15,698,921 shares. The shareholding ratio in Decloak Intelligences Co. increased to 77.75% and in eYs3D Microelectronics Inc. decreased to 58.66%.
- G. The Company increased the capital of its subsidiaries Insignis Technology, Inc. and Creative Ally Limited in April and December, 2020, respectively. In total share capital of \$16,156, acquired 500,520 shares, the shareholding ratio has not changed.
- H. The Company's subsidiary - Eutrend Technology, Inc. process the capital reduction for cover accumulated deficits to the amount of \$12,000 in December, 2020.
- I. The Company's subsidiary – eCapture Technologies, Inc. has resolved by the Board of Directors to process the liquidation on September 6, 2019, and completed the liquidation in June, 2020.

J. The summarised financial information of the associates that are material to the Company is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets	\$ 606	\$ 15,724
Liabilities	\$ -	\$ -
Revenue	\$ -	\$ -
Loss for the year	(\$ 14,186)	(\$ 369)

K. The investment loss and other comprehensive loss recognised for the investments accounted for using the equity method for the years ended December 31, 2021 and 2020 amounted to \$22,116 and \$37,739, \$88,174 and \$43,663, respectively.

(8) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Others	Total
At January 1, 2021				
Cost	\$ 544,147	\$ 818,013	\$ 2,795,338	\$ 4,157,498
Accumulated depreciation and impairment	(231,824)	(767,579)	(2,481,592)	(3,480,995)
	<u>\$ 312,323</u>	<u>\$ 50,434</u>	<u>\$ 313,746</u>	<u>\$ 676,503</u>
<u>2021</u>				
Opening net book amount as at January 1	\$ 312,323	\$ 50,434	\$ 313,746	\$ 676,503
Additions	-	803	78,295	79,098
Depreciation charge for the year	(11,768)	(18,989)	(113,690)	(144,447)
Closing net book amount as at December 31	<u>\$ 300,555</u>	<u>\$ 32,248</u>	<u>\$ 278,351</u>	<u>\$ 611,154</u>
December 31, 2021				
Cost	\$ 536,498	\$ 544,880	\$ 2,845,162	\$ 3,926,540
Accumulated depreciation and impairment	(235,943)	(512,632)	(2,566,811)	(3,315,386)
	<u>\$ 300,555</u>	<u>\$ 32,248</u>	<u>\$ 278,351</u>	<u>\$ 611,154</u>

	Buildings and structures	Machinery and equipment	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 544,147	\$ 826,286	\$ 2,747,194	\$ 4,117,627
Accumulated depreciation and impairment	(219,917)	(757,996)	(2,348,469)	(3,326,382)
	<u>\$ 324,230</u>	<u>\$ 68,290</u>	<u>\$ 398,725</u>	<u>\$ 791,245</u>
<u>2020</u>				
Opening net book amount as at January 1	\$ 324,230	\$ 68,290	\$ 398,725	\$ 791,245
Additions	-	3,500	53,795	57,295
Depreciation charge for the year	(11,907)	(21,356)	(138,774)	(172,037)
Closing net book amount as at December 31	<u>\$ 312,323</u>	<u>\$ 50,434</u>	<u>\$ 313,746</u>	<u>\$ 676,503</u>
<u>December 31, 2020</u>				
Cost	\$ 544,147	\$ 818,013	\$ 2,795,338	\$ 4,157,498
Accumulated depreciation and impairment	(231,824)	(767,579)	(2,481,592)	(3,480,995)
	<u>\$ 312,323</u>	<u>\$ 50,434</u>	<u>\$ 313,746</u>	<u>\$ 676,503</u>

A. Impairment information about the property, plant and equipment is provided in Note 6(13).

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

(9) Leasing arrangements – lessee

- A. The Company leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 30 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.
- B. Short-term leases with a lease term of 12 months or less comprise parking spaces and business vehicles.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 122,751	\$ 127,135
Buildings	15,762	31,558
Transportation equipment (Business vehicles)	2,271	4,913
	<u>\$ 140,784</u>	<u>\$ 163,606</u>

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 4,384	\$ 4,384
Buildings	15,796	15,623
Transportation equipment (Business vehicles)	2,395	2,456
	<u>\$ 22,575</u>	<u>\$ 22,463</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$0 and \$1,036, respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 3,159</u>	<u>\$ 3,587</u>
Expense on short-term lease contracts	<u>\$ 911</u>	<u>\$ 777</u>
Gain on lease modification	<u>\$ 5</u>	<u>\$ -</u>

- F. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$25,861 and \$25,614, respectively.

(10) Leasing arrangements – lessor

- A. The Company leases various assets including buildings and machinery and equipment. Rental

contracts are typically made for periods of 2 to 6 years.

B. For the years ended December 31, 2021 and 2020, the Company recognised rent income in the amounts of \$102,825 and \$108,447 respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	December 31, 2021	December 31, 2020
2021	\$ -	\$ 98,396
2022	93,605	53,724
2023	65,896	56,314
2024	65,775	56,192
2025	65,775	56,192
2026	64,179	55,164
2027	32,089	27,581
	<u>\$ 387,319</u>	<u>\$ 403,563</u>

For the years ended December 31, 2021 and 2020, The amounts include the advance rent of \$22,794 and \$75,056, respectively, (shown as ‘other current liabilities, others’ and ‘other non-current liabilities’). Refer to Note 7 for advance rent made by the related parties.

(11) Intangible assets

	Patent and special technology	Computer software	Total
<u>At January 1, 2021</u>			
Cost	\$ 113,885	\$ 175,025	\$ 288,910
Accumulated amortisation and impairment	(105,355)	(163,738)	(269,093)
	<u>\$ 8,530</u>	<u>\$ 11,287</u>	<u>\$ 19,817</u>
<u>2021</u>			
Opening net book amount as at January 1	\$ 8,530	\$ 11,287	\$ 19,817
Additions	-	36,220	36,220
Amortisation charge for the year	(2,405)	(36,705)	(39,110)
Closing net book amount as at December 31	<u>\$ 6,125</u>	<u>\$ 10,802</u>	<u>\$ 16,927</u>
<u>At December 31, 2021</u>			
Cost	\$ 113,885	\$ 137,880	\$ 251,765
Accumulated amortisation and impairment	(107,760)	(127,078)	(234,838)
	<u>\$ 6,125</u>	<u>\$ 10,802</u>	<u>\$ 16,927</u>

	Patent and special technology	Computer software	Total
<u>At January 1, 2020</u>			
Cost	\$ 132,633	\$ 313,605	\$ 446,238
Accumulated amortisation and impairment	(121,587)	(299,341)	(420,928)
	<u>\$ 11,046</u>	<u>\$ 14,264</u>	<u>\$ 25,310</u>
<u>2020</u>			
Opening net book amount as at January 1	\$ 11,046	\$ 14,264	\$ 25,310
Additions	-	36,759	36,759
Amortisation charge for the year	(2,516)	(39,736)	(42,252)
Closing net book amount as at December 31	<u>\$ 8,530</u>	<u>\$ 11,287</u>	<u>\$ 19,817</u>
<u>At December 31, 2020</u>			
Cost	\$ 113,885	\$ 175,025	\$ 288,910
Accumulated amortisation and impairment	(105,355)	(163,738)	(269,093)
	<u>\$ 8,530</u>	<u>\$ 11,287</u>	<u>\$ 19,817</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31	
	2021	2020
Operating costs	\$ 243	\$ 199
Operating expenses	38,867	42,053
	<u>\$ 39,110</u>	<u>\$ 42,252</u>

(12) Other non-current assets

	December 31, 2021	December 31, 2020
Guarantee deposits paid	\$ 418,956	\$ 8,231
Prepayments for business facilities	4,257	2,166
	<u>\$ 423,213</u>	<u>\$ 10,397</u>

(13) Impairment of non-financial assets

The information on impairment of non-financial assets at the end of the year is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Idle assets (shown as machinery and equipment and other equipment)	\$ 43,144	\$ 158,394
Less: Accumulated depreciation	(43,144)	(158,394)
Net realisable value	<u>\$ -</u>	<u>\$ -</u>

(14) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank unsecured borrowings	<u>\$ 140,720</u>	<u>\$ 143,635</u>

The interest rate ranges as of December 31, 2021 and 2020 were 0.82%~1.13% and 1.05%~1.98%, respectively.

(15) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 78,032	\$ 49,991
Employees' compensation payable	119,001	-
Directors' remuneration payable	19,833	-
Others	107,029	95,717
	<u>\$ 323,895</u>	<u>\$ 145,708</u>

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Repayment term</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured syndicated loan - Land Bank of Taiwan and five other banks	Installment repayments before 2023.2.16 (Refer to Note D for details)	1,238,929	\$ 1,834,929
Secured borrowings - Land Bank of Taiwan	Installment repayments before 2031.2.17	11,609	12,776
Secured borrowings - Sunny Bank	Installment repayments before 2024.9.27	18,370	21,927
Non-banking financial institution secured borrowings - SinoPac	Installment repayments before 2021.12.29		
Leasing		-	20,185
Non-banking financial institution secured borrowings - SinoPac	Installment repayments before 2022.3.25		
Leasing		-	16,455

<u>Type of borrowings</u>	<u>Repayment term</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-banking financial institution secured borrowings - Robina Finance & Leasing Corp.	Installment repayments before 2022.6.29	-	46,302
Non-banking financial institution secured borrowings - IBT International Leasing Co., Ltd.	Installment repayments before 2021.8.30	-	10,149
		1,268,908	1,962,723
Less: Current portion		(766,766)	(673,097)
		<u>\$ 502,142</u>	<u>\$ 1,289,626</u>

- A. Interest rate ranges as of December 31, 2021 and 2020 for the above borrowings were 1.59%~1.89% and 1.59%~6.89%, respectively.
- B. Information about the collateral pledged for the aforementioned secured borrowings is provided in Note 8.
- C. The Company entered into a 2.4 billion five-year syndicated loan agreement with the Land Bank of Taiwan and five other banks. The Company is committed to maintain the following financial covenants calculated based on the annual consolidated financial statements.
- (1) Current ratio is greater than 100%.
 - (2) Debt ratio is less than 120%.
 - (3) Interest coverage ratio is greater than 300% ((Profit or loss before tax + interest expense + depreciation and amortisation)/ interest expense)
- In case of any breach of financial covenants and failure to make an improvement within a prescribed deadline as specified in the agreement, the lead bank will demand the Company to pay additional interest rate of 0.125% per annum over the interest rate applicable to the agreement as default penalty. The penalty will be charged along with the interest on the monthly interest payment date until improvement is made and will be transferred to other creditor banks by the lead bank according to the ratio of their participation in the loan.
- D. On August 13, 2020, the Company entered into the second supplemental agreement with the Land Bank of Taiwan and five other banks, to extend the borrowing period for another one year. The maturity date was extended from February 16, 2022 to February 16, 2023.
- E. The undrawn borrowing facilities for short-term and long-term borrowings for the years ended December 31, 2021 and 2020 were \$719,280 and \$299,965, respectively.

(17) 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.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 95,745)	(\$ 89,006)
Fair value of plan assets	<u>58,077</u>	<u>55,352</u>
Net defined benefit liability (shown as other non - current liabilities)	<u>(\$ 37,668)</u>	<u>(\$ 33,654)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2021			
At January 1	(\$ 89,006)	\$ 55,352	(\$ 33,654)
Current service cost	(462)	-	(462)
Interest(expense) income	<u>(255)</u>	<u>157</u>	<u>(98)</u>
	<u>(89,723)</u>	<u>55,509</u>	<u>(34,214)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	841	841
Change in demographic assumptions	(388)	-	(388)
Change in financial assumptions	3,563	-	3,563
Experience adjustments	<u>(9,197)</u>	<u>-</u>	<u>(9,197)</u>
	<u>(6,022)</u>	<u>841</u>	<u>(5,181)</u>
Pension fund contribution	-	<u>1,727</u>	<u>1,727</u>
At December 31	<u>(\$ 95,745)</u>	<u>\$ 58,077</u>	<u>(\$ 37,668)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2020			
At January 1	(\$ 90,123)	\$ 55,000	(\$ 35,123)
Current service cost	(442)	-	(442)
Interest(expense) income	(649)	392	(257)
Settlement profit or loss	4,463	(3,564)	899
	<u>(86,751)</u>	<u>51,828</u>	<u>(34,923)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	1,865	1,865
Change in demographic assumptions	(33)	-	(33)
Change in financial assumptions	(3,968)	-	(3,968)
Experience adjustments	1,746	-	1,746
	<u>(2,255)</u>	<u>1,865</u>	<u>(390)</u>
Pension fund contribution	-	1,659	1,659
At December 31	<u>(\$ 89,006)</u>	<u>\$ 55,352</u>	<u>(\$ 33,654)</u>

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

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

	Year ended December 31	
	2021	2020
Discount rate	0.70%	0.30%
Future salary increases	2.50%	2.50%

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

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%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 2,166)	\$ 2,238	\$ 2,193	(\$ 2,134)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 2,116)	\$ 2,192	\$ 2,139	(\$ 2,076)

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 analysing 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, 2022 amount to \$1,812.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 9 years. The analysis of timing of the future pension payment was as follows:

	Amount
Within 1 year	\$ 2,069
1-2 year(s)	6,288
2-5 years	12,021
Over 5 years	81,364
	<u>\$ 101,742</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount

based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$15,576 and \$14,942, respectively.

(18) Share capital

- A. As of December 31, 2021, the Company's authorised capital was \$6,500,000, consisting of 650 million shares of ordinary stock (including 65 million shares reserved for employee stock options), and the paid-in capital was \$2,698,693 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 (excluding treasury shares):

	Expressed in thousands of shares	
	2021	2020
January 1	\$ 267,707	\$ 434,839
Capital reduction to offset accumulated deficits (less treasury shares)	- (	217,332)
Disposal of treasury shares	-	200
Cash capital increase	-	50,000
Employee stock options exercised	2,162	-
December 31	<u>269,869</u>	<u>267,707</u>

- B. For the year ended December 31, 2021, the employees exercised 2,222 thousand shares of stock options in accordance with the terms of stock options. Proceeds from 2,162 thousand shares have been collected, and the registration of capital increase has been completed. Proceeds from the remaining 60 thousand shares amounting to \$1,530 have been collected as of December 31, 2021 and the effective date of the capital increase for conversion was set on March 18, 2022 as resolved by the Board of Directors on March 18, 2022.

C. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

December 2021: None.

Reasons for reacquisition	Expressed in thousands of share			December 31
	Year ended December 31, 2020			
	January 1	Addition	Decrease	
Shares of the Company donated to the subsidiaries by the shareholders	400	-	(400)	-

(b) In June 2020, the Company reduced its capital to offset accumulated deficits, which decreased treasury shares by 200 thousand shares. In the third quarter of 2020, the Company's subsidiaries sold 200 thousand shares that it held in the Company for proceeds of \$3,912 and gain of \$372.

(c) The shares of the Company donated to the subsidiaries by the shareholders have no voting rights before transfers.

(d) Pursuant to the Business Mergers and Acquisitions Act, the treasury shares purchased at the request of dissenting shareholders should not be pledged as collateral and are not entitled to the shareholder's rights, such as dividends and voting rights, before such shares are sold.

D. On August 11, 2020, the Board of Directors of the Company resolved to increase its capital by issuing no more than 80 million ordinary shares and authorise the chairman with full rights to adjust the final number of shares. The chairman decided to raise additional cash by issuing 50 million shares with a par value of \$10 (in dollars) per share and an issuance price of \$14.6 (in dollars) per share. The capital increase effective date was set on November 19, 2020. The registration of capital increase was completed on December 4, 2020.

E. On May 13, 2020, the shareholders of the Company resolved to reduce its capital to offset accumulated deficits. As of December 31, 2019, the Company decreased capital by \$2,175,325 to offset the same amount of deficits, and the capital reduction ratio was 49.979913%. The capital reduction effective date was set on June 24, 2020. The registration of capital reduction was completed on July 9, 2020.

F. Pursuant to the paragraph 7 of Article 43-6 of the Securities and Exchange Act, private placement securities may be carried out by installments within one year of the date of resolution of the shareholders' meeting. On May 12, 2021, it will have been a year since the private placement was approved at the shareholders' meeting on May 13, 2020. Considering the market conditions and the needs of the Company, the Board of Directors resolved on March 24, 2021 to discontinue the private placement and has reported it at the shareholders' meeting on July 2, 2021.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par

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

Items	Share premium	Net change in equity of associates	Changes in ownership interests in subsidiaries	Employee stock options	Treasury share transactions	Others
At January 1, 2021	\$ 247,503	\$ 77,568	\$ 147,391	\$ 20,453	\$ 372	\$ 3,170
Employee stock options exercised	33,511	-	-	-	-	-
Conversion of subsidiaries' convertible bonds	-	-	30,845	-	-	-
Capital contribution from non-controlling interests	-	-	48,488	-	-	-
Net change in equity of associates	-	(20,354)	-	-	-	-
Change in ownership interests in subsidiaries	-	-	(37,377)	-	-	-
Share-based payments	-	-	-	16,652	-	-
December 31, 2021	<u>\$ 281,014</u>	<u>\$ 57,214</u>	<u>\$ 189,347</u>	<u>\$ 37,105</u>	<u>\$ 372</u>	<u>\$ 3,170</u>

Items	Share premium	Net change in equity of associates	Changes in ownership interests in subsidiaries	Employee stock options	Treasury share transactions	Others
At January 1, 2020	\$ 15,122	\$ 58,652	\$ 94,764	\$ 20,078	\$ -	\$ 2,090
Cash capital increase	227,041	-	-	-	-	-
Share-based on compensation cost for cash capital increase reserved for employee preemption	5,340	-	-	-	-	1,080
Conversion of subsidiaries' convertible bonds	-	-	51,924	-	-	-
Disposal of company's share by subsidiaries recognised as treasury share transactions	-	-	-	-	372	-
Net change in equity of associates	-	20,948	-	-	-	-
Share-based payments	-	-	-	375	-	-
Capital contribution from non-controlling interests	-	-	1,167	-	-	-
Disposal of investments accounted for using the equity method	-	(2,032)	-	-	-	-
Liquidation of subsidiaries	-	-	(464)	-	-	-
December 31, 2020	<u>\$ 247,503</u>	<u>\$ 77,568</u>	<u>\$ 147,391</u>	<u>\$ 20,453</u>	<u>\$ 372</u>	<u>\$ 3,170</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Also, the Company shall set aside or reverse special reserve as resolved by the stockholders, or by order of the competent authority. The appropriation of remaining earnings along with accumulated unappropriated earnings from prior years shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is set out by the Board of Directors according to the Company's medium- and long-term operational plan, investment plans, capital budget as well as internal and external situations, while considering the interests of stockholders. Except for the aforementioned regulations, cash dividends shall not be less than 5% of total dividends when appropriating the dividends to stockholders.
- 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. Information about the loss make-up proposal as resolved by the stockholders on July 2, 2021 and May 13, 2020 will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- F. The appropriation of 2021 earnings as proposed by the Board of Directors on March 18, 2022 is as follows:

	Year ended December 31, 2021	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 78,407	
Cash dividends	215,943	\$ 0.8
Stock dividends	134,965	0.5
	<u>\$ 429,315</u>	

(21) Other equity interest

	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1, 2021	(\$ 96,596)	\$ 64,767	(\$ 31,829)
Revaluation – the parent company	-	29,444	29,444
Revaluation – subsidiaries	-	89,269	89,269
Revaluation - Associates	-	3,474	3,474
Revaluation transferred to retained earnings – disposal of financial assets	-	920	920
Revaluation transferred to retained earnings – disposal of financial assets-subsiidiaries	-	420	420
Currency translation differences:			
-Subsidiaries	(23,859)	-	(23,859)
-Associates	19,290	-	19,290
At December 31, 2021	<u>(\$ 101,165)</u>	<u>\$ 188,294</u>	<u>\$ 87,129</u>

	Currency translation	Financial assets at fair value through other comprehensive income	Total
At January 1, 2020	(\$ 72,454)	\$ 8,430	(\$ 64,024)
Revaluation – the parent company	-	(17,958)	(17,958)
Revaluation – subsidiaries	-	67,805	67,805
Revaluation transferred to retained earnings – disposal of financial assets-subsiidiaries	-	6,490	6,490
Currency translation differences:			
-subsidiaries	(32,771)	-	(32,771)
-Associates	8,581	-	8,581
-Subsidiaries - disposal transferred to profit or loss	48	-	48
At December 31, 2020	<u>(\$ 96,596)</u>	<u>\$ 64,767</u>	<u>(\$ 31,829)</u>

(22) Share-based payment

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

Type of arrangement	Grant date	Quantity granted (share in thousands)	Contract period	Vesting conditions
The 4 th employee stock options plan	2016.03.23	7,300	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
The 4 th employee stock options plan	2016.08.10	300	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
The 4 th employee stock options plan	2016.11.10	400	8 years	40% vested after two years of issuance; 70% after three years; 100% after four years
Cash capital increase reserved for employee preemption	2020.11.12	7,500	-	Vested immediately
Employee stock options plan in 2021	2021.08.09	8,000	6 years	50% vested after two years of issuance; 75% after three years; 100% after four years

The share-based payment arrangements above are settled by equity.

(b) For the years ended December 31, 2021 and 2020, details of the share-based payment arrangements are as follows:

Options	December 31, 2021		December 31, 2020	
	No. of options (share in thousands)	Weighted-average exercise price (in dollars)	No. of options (share in thousands)	Weighted-average exercise price (in dollars)
Outstanding at the beginning of the year	5,600	\$ 25.50	5,600	\$ 26.70
Options granted	8,000	46.75	-	-
Options exercised	(2,222)	25.50	-	-
Options forfeited due to resignations	(560)	-	-	-
Outstanding at the end of the year	<u>10,818</u>	41.10	<u>5,600</u>	26.70
Exercisable at the end of the year	<u>2,878</u>	25.50	<u>5,600</u>	26.70

(c) Details of stock options outstanding are as follows:

Date	Weighted-average period remaining contractual life	Range of exercise prices (in dollars)
December 31, 2021	4.71 years	\$25.5~46.75
December 31, 2020	3.23 years	\$25.5

(d) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	Grant date	Grant date	Grant date
	March 23, 2016	August 10, 2016	November 10, 2016
Dividend yield	0.00%	0.00%	0.00%
Expected price volatility	44.51%~44.71%	43.38%~45.60%	41.80%~44.32%
Risk-free interest rate	0.375%~0.400%	0.375%~0.500%	0.375%~0.625%
Expected option lifetime	8 years	8 years	8 years
Fair value (dollar/share)	3.73 ~ 4.92 (in dollars)	3.45~4.64 (in dollars)	3.02~4.18 (in dollars)

	<u>Grant date</u>
	<u>August 9, 2021</u>
Dividend yield	0.00%
Expected price volatility	51.78%~59.71%
Risk-free interest rate	0.125%
Expected option lifetime	6 years
Fair value (dollar/share)	16.03 ~ 18.77 (in dollars)

B. For the years ended December 31, 2021 and 2020, expenses incurred on equity-settled share-based payment transactions amounted to \$16,652 and \$375, respectively.

C. For the year ended December 31, 2020, the compensation cost for cash capital increase reserved for employee pre-emption amounted to \$6,420.

(23) Operating revenue

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 5,847,407</u>	<u>\$ 3,267,841</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time as follows:

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Integrated circuits	\$ 5,845,794	\$ 3,267,721
Others	1,613	120
	<u>\$ 5,847,407</u>	<u>\$ 3,267,841</u>

B. Contract liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities	<u>\$ 4,243</u>	<u>\$ 5,271</u>	<u>\$ 1,089</u>

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>\$ 5,271</u>	<u>\$ 1,089</u>

(24) Other income and expenses – net

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rent income, net	<u>\$ 64,250</u>	<u>\$ 64,567</u>

(25) Interest income

	Year ended December 31	
	2021	2020
Interest income from bank deposits	\$ 3,640	\$ 339

(26) Other income

	Year ended December 31	
	2021	2020
Miscellaneous income	\$ 1,870	\$ 6,867

(27) Other gains and losses

	Year ended December 31	
	2021	2020
Gains on financial assets at fair value through profit or loss	\$ 7,433	\$ 409
Foreign exchange losses	(20,730)	(29,319)
Gains on disposal of subsidiaries	-	414
Gains arising from lease modifications	5	
Gains on disposal of property, plant and equipment	34,500	-
	\$ 21,208	(\$ 28,496)

(28) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 614,410	\$ 384,877
Depreciation charges on property, plant and equipment (Note)	\$ 167,022	\$ 194,500
Amortisation charges on intangible assets	\$ 39,110	\$ 42,252

Note: Including the depreciation charges presented as a deduction item to rent income under other income.

(29) Employee benefit expense

	Year ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 15,576	\$ 14,942
Defined benefit plans	560	(200)
	16,136	14,742
Other personnel expenses	598,274	370,135
	\$ 614,410	\$ 384,877

A. In accordance with the Articles of Incorporation of the Company, the distributable profit of the

current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 12% for employees' compensation and shall not be higher than 2% for directors' remuneration. The employees' compensation can be distributed in the form of shares or cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, are entitled to receive aforementioned shares or cash.

- B. For the year ended December 31, 2021, employees' compensation was accrued at \$119,001; while directors' remuneration was accrued at \$19,833. The aforementioned amounts were recognized in expenses. The Company incurred accumulated losses for the year ended December 31, 2020 and thus did not accrue employees' compensation and directors' remuneration.
- C. Information about employees' compensation and directors' remuneration of the Company as approved by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Finance costs

	Year ended December 31	
	2021	2020
Interest expense on bank loan	\$ 36,688	\$ 51,318
Interest expense on lease liabilities	3,159	3,587
	<u>\$ 39,847</u>	<u>\$ 54,905</u>

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 354	\$ -
Deferred tax:		
Origination and reversal of temporary differences	167,695	2,715
Change in tax losses	(99,339)	9,154
Total deferred tax	68,356	11,869
Income tax expense	<u>\$ 68,710</u>	<u>\$ 11,869</u>

(b) Reconciliation between income tax expense and accounting profit:

	Year ended December 31	
	2021	2020
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 223,956	(\$ 48,505)
Effects from items disallowed by tax regulation	11,282	(282)
Temporary difference not recognised as deferred tax assets	6,252	7,830
Change in assessment of realisation of deferred tax assets	(173,134)	18,216
Effect from Alternative Minimum Tax	354	-
Taxable loss not recognised as deferred tax assets	-	34,610
Income tax expense	<u>\$ 68,710</u>	<u>\$ 11,869</u>

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

	2021		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised allowance for inventory valuation losses	\$ 93,120	(\$ 2,918)	\$ 90,202
Unrealised investment losses	171,603	(144,130)	27,473
Others	36,332	(20,164)	16,168
Tax losses	<u>8,319</u>	<u>99,339</u>	<u>107,658</u>
	<u>\$ 309,374</u>	<u>(\$ 67,873)</u>	<u>\$ 241,501</u>
– Deferred tax liabilities:			
Unrealised exchange gain	\$ -	(\$ 483)	(\$ 483)
	<u>\$ 309,374</u>	<u>(\$ 68,356)</u>	<u>\$ 241,018</u>

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised allowance for inventory valuation losses	\$ 89,301	\$ 3,819	\$ 93,120
Unrealised investment losses	171,603	-	171,603
Others	42,866	(6,534)	36,332
Tax losses	17,473	(9,154)	8,319
	<u>\$ 321,243</u>	<u>(\$ 11,869)</u>	<u>\$ 309,374</u>

C. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2021					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2012	\$ 461,037	\$ 380,698	\$ 380,698	2022	
2015	52,485	52,485	52,485	2025	
2016	65,732	65,732	65,732	2026	
2017	258,459	258,459	258,459	2027	
2018	353,228	353,228	353,228	2028	
2019	593,449	593,449	306,042	2029	
2020	250,883	250,883	-	2030	
	<u>\$ 2,035,273</u>	<u>\$ 1,954,934</u>	<u>\$ 1,416,644</u>		
December 31, 2020					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2011	\$ 1,063,150	\$ 1,063,150	\$ 1,063,150	2021	
2012	461,037	461,037	461,037	2022	
2015	54,485	52,485	52,485	2025	
2016	65,732	65,732	65,732	2026	
2017	258,859	258,859	258,859	2027	
2018	355,747	355,747	355,747	2028	
2019	631,711	631,711	631,711	2029	
2020	214,645	214,645	173,050	2030	
	<u>\$ 3,105,366</u>	<u>\$ 3,103,366</u>	<u>\$ 3,061,771</u>		

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

(32) Earnings (loss) per share

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit for the year	\$ 1,051,071	268,602	\$ 3.91
<u>Diluted earnings per share</u>			
Profit for the year	\$ 1,051,071	268,602	\$ 3.91
Assumed conversion of all dilutive potential ordinary shares			
- Employee share option	-	1,089	
- Employees' compensation	-	1,316	
Diluted earnings per share	\$ 1,051,071	271,007	\$ 3.88

	<u>Year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss for the year	(\$ 254,393)	223,463	(\$ 1.14)
<u>Diluted loss per share</u>			
Loss for the year	(\$ 254,393)	223,463	(\$ 1.14)

- A. On May 13, 2020, the shareholders of the Company at their meeting resolved to reduce its capital to offset accumulated deficits and authorise the chairman to set the capital reduction effective date on June 24, 2020. The capital reduction decreased 217,532 thousand shares, and the capital reduction ratio was 49.979913%. The weighted average number of ordinary shares outstanding for the year ended December 31, 2020 have been adjusted retrospectively.
- B. The weighted average number of treasury shares outstanding had been deducted from the weighted average number of ordinary shares outstanding for the years ended December 31, 2020.
- C. The employee stock options and interests on bonds issued by subsidiaries had anti-dilution effect, and therefore were not included in the calculation for the year ended December 31, 2020.

(33) Supplemental cash flow information

Investing activities with partial cash payments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Purchase of property, plant, equipment and intangible assets	\$ 115,318	\$ 94,054
Add: Opening balance of payable	18,316	1,264
Less: Ending balance of payable	(7,763)	(18,316)
Cash paid during the year	<u>\$ 125,871</u>	<u>\$ 77,002</u>

(34) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Long-term borrowings (Note)</u>	<u>Lease liability</u>	<u>Guarantee deposits received</u>
At January 1, 2021	\$ 143,635	\$ 1,962,723	\$ 166,451	\$ 17,006
Changes in cash flow from financing activities	(2,915)	(693,815)	(21,791)	219
Decrease in lease principal	-	-	(250)	-
December 31, 2021	<u>\$ 140,720</u>	<u>\$ 1,268,908</u>	<u>\$ 144,410</u>	<u>\$ 17,225</u>

	<u>Short-term borrowings</u>	<u>Long-term borrowings (Note)</u>	<u>Lease liability</u>	<u>Guarantee deposits received</u>
At January 1, 2020	\$ 472,454	\$ 2,142,192	\$ 186,665	\$ 15,560
Changes in cash flow from financing activities	(328,819)	(179,469)	(21,250)	1,446
Increase in lease principal	-	-	1,036	-
December 31, 2020	<u>\$ 143,635</u>	<u>\$ 1,962,723</u>	<u>\$ 166,451</u>	<u>\$ 17,006</u>

Note: Including current portion.

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Eutrend Technology, Inc.	A subsidiary directly owned by the Company
Kinglord Corp.	A subsidiary directly owned by the Company
Plusway Corp.	A subsidiary directly owned by the Company
Kingwell Investment Corp.	A subsidiary directly owned by the Company
Kingcharm Investment Corp.	A subsidiary directly owned by the Company
Invention and Collaboration Laboratory, Inc.	A subsidiary indirectly owned by the Company
eEver Technology, Inc.	A subsidiary indirectly owned by the Company
nD-HI Technologies Lab, Inc.	A subsidiary indirectly owned by the Company
eYs3D Microelectronics, Co.	A subsidiary indirectly owned by the Company
eEver Technology Limited	A subsidiary directly owned by the Company
eYs3D Microelectronics Inc.	A subsidiary directly owned by the Company
eCapture Co., Limited	A subsidiary indirectly owned by the Company
Creative Ally Limited	A subsidiary directly owned by the Company
Etron Technology America, Inc.	A subsidiary indirectly owned by the Company
Etron Technology (HK) Limited	A subsidiary indirectly owned by the Company
Anzon Corporation	A subsidiary indirectly owned by the Company
Insignis Technology Corporation	A subsidiary indirectly owned by the Company
Insignis Technology, Inc.	A subsidiary directly owned by the Company
Fullboom Electronics (Shenzhen) Co., Ltd.	A subsidiary indirectly owned by the Company
DeCloak Intelligences Co.	A subsidiary directly owned by the Company
Macronix International Co., Ltd.	The chairman of the Company and the general manager of the investee are relatives within the second degree of kinship
Great Team Backend Foundry (HK) Limited	An indirect investee accounted for using the equity method
Giga Solution Tech. Co., Ltd.	The chairman of the investee and the chairman of the Company are relatives within the second degree of kinship

Names of related parties	Relationship with the Company
eCapture Co., Limited Taiwan Branch (Hong Kong)	A subsidiary indirectly owned by the Company
Kai Chun Investment Corp.	The Company's corporate director

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31	
	2021	2020
Sales of goods:		
-Subsidiaries	\$ 237,897	\$ 118,568
-Other related parties	-	91
	<u>\$ 237,897</u>	<u>\$ 118,659</u>

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

B. Purchases and processing fees

	Year ended December 31	
	2021	2020
Purchases and processing fees		
-Subsidiaries	\$ -	\$ 242

Goods purchased from subsidiaries are based on normal commercial terms and conditions.

C. Receivables from related parties

	December 31, 2021	December 31, 2020
Notes receivable:		
-Other related parties	\$ -	\$ 20
Accounts receivable:		
-Subsidiaries	139,119	35,132
Other receivables:		
-Subsidiaries		
eYs3D Microelectronics, Co.	22,282	49,907
eEver Technology, Inc.	4,911	5,851
Others	-	6
-Other related parties	4,418	4,418
	<u>31,611</u>	<u>60,182</u>
	<u>\$ 170,730</u>	<u>\$ 95,334</u>

The receivables from related parties arise mainly from sales transactions. The receivables are due 30 to 90 days after the shipment. The receivables are unsecured in nature and bear no interest.

Other receivables refer to rent income and service revenue.

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables:		
-Subsidiaries	\$ <u>8,699</u>	\$ <u>8,821</u>

Accounts payable to related parties arise mainly commissions and service fees, etc.

E. Advance receipts

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 12	\$ 12
Other related parties		
Giga Solution Tech. Co., Ltd.		
-Current	22,782	47,927
-Non-current	-	22,782
	<u>\$ 22,794</u>	<u>\$ 70,721</u>

In December 2019, the Company renewed the agreement, modified the lease term from January 1, 2020 to June 30, 2027, broadened the lease range, and agreed to collect the 30 months advance rents amounting to \$90,031 after netting the aforementioned advance rents collected amounting to \$42,777. As of December 31, 2021 and 2020, the advance rents collected from related parties amounted to \$22,794 and \$70,721, respectively.

F. Guarantee deposits received

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 129	\$ 114
Other related parties		
Giga Solution Tech. Co., Ltd.	16,487	14,234
Other	3	3
	<u>\$ 16,619</u>	<u>\$ 14,351</u>

It refers to lease deposits.

G. Other transactions

	<u>Year ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Commissions expense and service expense		
-Subsidiaries	\$ 61,887	\$ 64,970
Others expenses:		
- Subsidiaries	38	541
Support service income (Note):		
- Subsidiaries	7,425	12,190

	Year ended December 31	
	2021	2020
Other income (rent income):		
- Subsidiaries		
eEver Technology, Inc.	18,341	20,166
eYs3D Microelectronics, Co.	21,320	21,845
Other subsidiaries	464	217
- Other related parties		
Giga Solution Tech. Co., Ltd.	57,524	54,850
Others	11	11
Other income:		
- Subsidiaries	163	3,979
- Other related parties	-	11
- Associates	-	468

Note: Shown as the deduction of expense.

H. Capital investment to related parties

			Year ended December 31,	
			2021	
Subsidiaries	Accounts	No. of shares	Consideration	
Plusway Corp.	Investments accounted			
	for using the equity method	1,000	\$	27,870
eYs3D Microelectronics Inc.	Investments accounted			
	for using the equity method	14,285,712		167,714
DeCloak Intelligences Co.	Investments accounted			
	for using the equity method	1,412,209		14,122
			\$	<u>209,706</u>
			Year ended December 31,	
			2020	
Subsidiaries	Accounts	No. of shares	Consideration	
Creative Ally Limited	Investments accounted			
	for using the equity method	520	\$	14,654
Insignis Technology, Inc.	Investments accounted			
	for using the equity method	500,000		1,502
			\$	<u>16,156</u>

(3) Key management compensation

	Year ended December 31	
	2021	2020
Salaries and other short-term employee benefits	\$ 71,539	\$ 32,569
Post-employment benefits	743	724
Service expenses	790	789
Share-based payments	2,884	114
	<u>\$ 75,956</u>	<u>\$ 34,196</u>

8. Pledged Assets

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as current financial assets at amortised cost)	\$ 2,000	\$ 2,000	Customs duty guarantee
Time deposits (shown as non-current financial assets at amortised cost)	5,941	5,941	Land lease agreement guarantee
Buildings and structures	296,095	305,970	Long-term borrowings
Inventories	-	80,009	Long-term borrowings
Other equipment	-	47,597	Long and Short-term borrowings
	<u>\$ 304,036</u>	<u>\$ 441,517</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments Contingencies

In February 2017, Securities and Futures Investors Protection Center (the "SFIPC") filed a civil lawsuit against the Company, the former subsidiary, TM Technology, Inc. and other defendants, claiming that they are jointly liable for compensation, on behalf of the investors of the former subsidiary, TM Technology, Inc., as the company's former director Mr. Wu was sued for violating the Securities and Exchange Act in January 2016. On March 18, 2019, Taiwan HsinChu District Court dismissed the lawsuit. However, the SFIPC filed an appeal with Taiwan High Court, which was dismissed on February 26, 2021. On March 24, 2021, SFIPC disagreed with the ruling rendered by the Taiwan High Court and filed an application for an appeal.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. On March 18, 2022, the Board of Directors of the Company resolved the effective date of capital increase for exercise of employee stock options. Refer to Note 6(18) for details.

B. The information on appropriation of 2021 earnings is provided in Note 6(20).

C. On March 18, 2022, the Board of Directors of the Company resolved to issue the 0% third domestic unsecured convertible bonds at a face value of \$100 per bond. The bonds mature 5 years and will be issued at 100.5%~101% of face value. The estimated number of bonds to be issued is no higher than 8 million bonds. Total face value of issuance is no higher than \$800,000.

12. Others

(1) Capital management

The Company must maintain adequate capital to expand product lines and that sales could achieve economic of scale. The Company's objectives when managing capital are to secure necessary financial resources to meet the needs of operating funds for the next year, capital expenditure, research and development activities expenditures and debt repayment.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 4,396	\$ 411
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 39,308</u>	<u>\$ 40,444</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 928,016	\$ 1,018,590
Financial assets at amortised cost	7,941	70,941
Notes receivable (including related parties)	10,000	20
Accounts receivable (including related parties)	1,381,039	808,093
Other receivables (including related parties)	71,695	75,717
Guarantee deposits paid (shown as other non-current assets)	<u>418,956</u>	<u>8,231</u>
	<u>\$ 2,817,647</u>	<u>\$ 1,981,592</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities designated at fair value through profit or loss	\$ -	\$ 2
Financial liabilities at amortised cost		
Short-term borrowings	\$ 140,720	\$ 143,635
Notes payable	1	110
Accounts payable (including related parties)	928,058	581,283
Other payables (including related parties)	323,895	145,708
Long-term borrowings (including current portion)	1,268,908	1,962,723
Guarantee deposits received (shown as other non - current liabilities)	17,225	17,006
	<u>\$ 2,678,807</u>	<u>\$ 2,850,465</u>
Lease liability	<u>\$ 144,410</u>	<u>\$ 166,451</u>

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. The Company's entire risk management policies focus on unpredictable matters in financial market and reducing the potential negative effects on the Company's financial condition and financial performance.
- (b) Risk management is carried out by a central treasury department (the Company treasury) under policies approved by the Board of Directors. During the implementation of financial plans, the central treasury department complied with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company is exposed to the exchange rate risk arising from operating activities which were denominated in non-functional currency. Those transactions were mainly denominated in New Taiwan dollars, US Dollars and RMB. In addition, the Company implements natural hedge in accordance with the capital needs of each currency and the net position of assets and liabilities denominated in foreign currencies, and implements hedge on the risk exposures in accordance with the foreign exchange market conditions.
- ii. The Company employs foreign currency derivative financial instruments, including forward exchange contracts or foreign exchange swap contracts to hedge exchange rate risk arising from monetary financial assets and liabilities and forecast transactions that are not denominated in NTD. These hedges can minimize the effects of changes in foreign exchange rates on assets and liabilities, but the risk cannot be eliminated entirely.

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

December 31, 2021			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 58,654	27.680	\$ 1,623,543
<u>Non-monetary items</u>			
USD:NTD	34,929	27.680	\$ 966,823
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	26,577	27.680	\$ 735,651
December 31, 2020			
(Foreign currency: functional currency)	Foreign currency amount		Book value
	(In thousands)	Exchange rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 38,122	28.480	\$ 1,085,715
RMB:NTD	257	4.377	1,125
<u>Non-monetary items</u>			
USD:NTD	28,277	28.480	805,343
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	16,871	28.480	\$ 480,486

iv. The unrealised exchange loss arising from the monetary items with significant influence held by the Company for the years ended December 31, 2021 and 2020, amounted to (\$1,532) and (\$11,868), respectively.

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

(Foreign currency: functional currency)	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effects on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 16,235	\$ -
<u>Non-monetary items</u>			
USD:NTD	1%	-	9,668
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	7,357	-
(Foreign currency: functional currency)	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effects on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 10,857	\$ -
RMB:NTD	1%	11	-
<u>Non-monetary items</u>			
USD:NTD	1%	-	8,053
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	4,805	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.
- ii. The Company's investments in equity securities comprise domestic and foreign listed and unlisted shares. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 5% with all other variables held constant, the effect of other

comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,965 and \$2,022, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- (i) The Company's interest rate risk arises from time deposits, restricted time deposits and long-term borrowings at variable rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2021 and 2020, the Company's borrowings were denominated in New Taiwan dollars and US Dollars.
 - (ii) On December 31, 2021 and 2020, if the borrowing interest rate had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have decreased / increased by \$2,538 and \$3,739, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.
 - (iii) On December 31, 2021 and 2020, if the borrowing interest rate of New Taiwan dollars time deposits (shown as financial assets at amortised cost) had increased/decreased by 0.25% with all other variables held constant, the impact to profit, net of tax for the years ended December 31, 2021 and 2020 would be immaterial. 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 counterparties on the contract obligations. Policy for credit risk management of the Company is as follows:
 - (i) The Company sets the relevant procedures to monitor, manage and reduce the credit risk of accounts receivable; however, it is not guaranteed that the procedures can effectively exclude the credit risk and avoid losses. The exposure of such credit risk will increase in the deteriorating economic environment.
 - (ii) The Company periodically monitors, reviews and adjusts the credit limits based on the market conditions and credit status of counterparties to timely manage the credit risk. The Company only transacts with banks and financial institutions with high credit quality, and therefore does not expect to assume the credit risk.
 - (iii) The main credit risks arise from deposits with bank and financial institutions, financial assets at amortized cost and receivables.
 - ii. The situation that the Company regards as breach of contract specified in the contract are as follows: when the contract payments may not be recovered and have to be transferred to overdue receivables, the default has occurred.

- iii. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies loss rate methodology to estimate expected credit loss under the provision matrix basis.
- iv. The Company adopts following assumptions 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 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to 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.
- vi. The Company used the historical information and the forecastability of Taiwan Institute of Economic Research boom observation report to assess the default possibility of accounts receivable.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, The Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2021 and 2020, the loss rate methodology is as follows:

Accounts and notes receivable			
December 31, 2021	Individual	Group	Total
Expected loss rate		5.55%~7.89%	
Total book value	\$ -	\$ 1,463,056	\$ 1,463,056
Loss allowance	\$ -	\$ 82,017	\$ 82,017
Accounts and notes receivable			
December 31, 2020	Individual	Group	Total
Expected loss rate	100%	2.22%~14.47%	
Total book value	\$ 47,170	\$ 882,968	\$ 930,138
Loss allowance	\$ 47,170	\$ 74,875	\$ 122,045

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

	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 122,045	\$ 146,472
Gain on reversal of expected credit loss	(40,028)	(10,218)
Write-offs	-	(14,209)
At December 31	<u>\$ 82,017</u>	<u>\$ 122,045</u>

- x. As of December 31, 2021 and 2020, the collateral held by the Company as security for accounts receivable was letters of credit, promissory note and cheques with book value amounting to \$707,060 and \$615,699, respectively.
- xi. Movements in loss allowance for investments in debt instruments carried at amortized cost are as follows:

	2021		
	12 months	Significant increase in credit	Impairment of credit
At January 1	\$ -	\$ -	\$ -
Transfer and measurement stages	-	-	-
Provision for impairment	-	63,000	-
At December 31	<u>\$ -</u>	<u>\$ 63,000</u>	<u>\$ -</u>

The Company's financial assets at amortized cost included time deposits maturing over three months and preference shares. The former has low credit risks and thus no significant loss allowance was provided. Since the financial position of the investee of preference shares was impacted by the COVID-19 pandemic and industry competition, the Company assessed that the credit risk of default occurring in the future increased and recognized impairment loss amounting to \$63,000 for the year ended December 31, 2021. Year ended December 31, 2020: None.

(c) Liquidity risk

- i. The objective of liquidity risk management is to ensure sufficient liquidity to meet operating requirements for the coming year.
- ii. The table below analyses the Company's non-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.

<u>Non-derivative financial liabilities</u>		<u>Between 1 and</u>		
	<u>Less than 1 year</u>	<u>5 years</u>	<u>Over 5 years</u>	
December 31, 2021				
Short-term borrowings	\$ 140,926	\$ -	\$ -	
Notes payable	1	-	-	
Accounts payable (including related parties)	928,058	-	-	
Other payables	323,895	-	-	
Lease liability	24,821	23,745	136,534	
Long-term liabilities, current portion	781,347	-	-	
Long-term borrowings	-	498,485	5,679	
Guarantee deposits received	-	17,225	-	
<u>Non-derivative financial liabilities</u>		<u>Between 1 and</u>		
	<u>Less than 1 year</u>	<u>5 years</u>	<u>Over 5 years</u>	
December 31, 2020				
Short-term borrowings	\$ 144,163	\$ -	\$ -	
Notes payable	110	-	-	
Accounts payable (including related parties)	581,283	-	-	
Other payables	145,708	-	-	
Lease liability	25,014	44,413	142,965	
Long-term liabilities, current portion	745,364	-	-	
Long-term borrowings	-	1,300,940	7,048	
Guarantee deposits received	-	17,006	-	
<u>Derivative financial liabilities</u>				
Forward exchange contracts	\$ 2	\$ -	\$ -	

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

- B. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, Lease liabilities and long-term borrowings are approximate to their fair values.
- C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Forward exchange contracts and foreign exchange swap contracts	\$ -	\$ 4,396	\$ -	\$ 4,396
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	-	-	39,308	39,308
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,308</u>	<u>\$ 43,704</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets:</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 411	\$ -	\$ 411
Financial assets at fair value through other comprehensive income				
	-	-	40,444	40,444
Equity securities	<u>\$ -</u>	<u>\$ 411</u>	<u>\$ 40,444</u>	<u>\$ 40,855</u>
<u>Liabilities:</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss Mandatory convertible bonds				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

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

Listed share

Market quoted price

Closing price

- (b) When assessing non-standard and low-complexity financial instruments, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (c) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants. Forward exchange contracts and foreign exchange swap contracts are usually valued based on the current forward exchange rate.
- (d) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. If one or more of the significant inputs are not based on observable market data, such financial instrument is included in level 3.

G. The following chart is the movement of Level 3 for the years ended December 31, 2021 and

2020:

	Equity securities	
	2021	2020
At January 1	\$ 40,444	\$ 58,402
Gain or loss recognised in other comprehensive	29,444	(17,958)
Disposal in the year	(30,580)	-
At December 31	<u>\$ 39,308</u>	<u>\$ 40,444</u>

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

I. Investment segment is in charge of valuation procedures for fair value measurements being adopted within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 39,308	Market price method	Discount for lack of marketability	20%	Discount for lack of marketability

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 40,444	Market price method	Discount for lack of marketability	20%~60%	Discount for lack of marketability

K. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2021				
			Recognised in profit or loss	Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 393	(\$ 393)
		December 31, 2020				
			Recognised in profit or loss	Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount for lack of marketability	±1%	\$ -	\$ -	\$ 404	\$ (404)

(4) The impact of the COVID-19 pandemic to the Company's operations

Based on the Company's assessment, the entire supply chain and industry in 2021 have adjusted and adapted to the pandemic. The Company has taken the relevant countermeasures and will

continue to monitor the development of pandemic and adjust its strategies as needed and in a timely manner.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None
- B. Provision of endorsements and guarantees to others: None
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$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: Table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: Note 6 (2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: The details of commissions expense and service expense paid by the Company to Fullboom Electronics (Shenzhen) Co., Ltd. for the years ended December 31, 2020 and 2021, and their outstanding balances (shown as 'other payables') as of December 31, 2021 and 2020 are as follows:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Commissions expense	<u>\$ 14,629</u>	<u>\$ 11,288</u>
Service expense	<u>\$ 3,055</u>	<u>\$ 3,226</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Other payables	<u>\$ 3,985</u>	<u>\$ 4,581</u>

(4) Information on major shareholders

Please refer to table 7.

ETRON TECHNOLOGY, INC.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash		
Cash on hand		\$ 1,719
Petty cash		447
cash in transit		2,330
		<u>4,496</u>
Bank deposits		
Checking accounts - NTD		2,330
- Foreign currency	USD 19 thousand	
	at exchange rate of 27.68	527
	SGD 14 thousand	
	at exchange rate of 20.46	278
Demand deposits - NTD		758,517
- Foreign currency	USD 5,808 thousand	
	at exchange rate of 27.68	160,246
	CNY 58 thousand	
	at exchange rate of 4.34	251
	JPY 1,382 thousand	
	at exchange rate of 0.24	332
	HKD 32 thousand	
	at exchange rate of 3.55	113
	SGD 44 thousand	
	at exchange rate of 20.46	903
	EUR 1 thousand	
	at exchange rate of 31.32	23
		<u>923,520</u>
		<u>\$ 928,016</u>

ETRON TECHNOLOGY, INC.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021

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

Client Name	Amount	Note
General clients:		
SUN	\$ 88,900	
ALM	83,996	
HPS	75,086	
LEN	74,905	
		The amount of individual customers included in others does not exceed 5% of the account balance.
Others	1,001,050	
	1,323,937	
Less: Allowances for uncollectible accounts	(82,017)	
	1,241,920	
Related parties:		
Etron Technology (HK) Limited	111,609	
Insignis Technology Corporation	27,510	
	139,119	
	\$ 1,381,039	

ETRON TECHNOLOGY, INC.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021

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

Item	Amount		Note
	Cost	Net realizable Value	
Raw materials	\$ 183,482	\$ 349,968	
Work in progress	1,210,831	1,420,250	
Finished goods	<u>782,232</u>	<u>731,647</u>	
	2,176,545	<u>\$ 2,501,865</u>	
Less: Allowance for inventory valuation and obsolescence losses	<u>(451,010)</u>		
	<u>\$ 1,725,535</u>		

ETRON TECHNOLOGY, INC.
STATEMENT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name	Beginning Balance		Addition (Decrease)			Ending Balance			Net Assets Value		
	Shares	Amount	Shares	Amount (Note)	Investment Income (Loss)	Shares	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount	Collateral
Eutrend Technology, Inc.	2,702,522	\$ 901	-	\$ -	(\$ 504)	2,702,522	93.57%	\$ 397	\$ 0.15	\$ 397	None
Kinglord Corp.	25,458	299,307	-	96,570	13,303	25,458	100.00%	409,180	16,072.73	409,180	None
Plusway Corp.	9,485	141,621	1,000	26,754	456	10,485	100.00%	168,831	16,102.15	168,831	None
Kingwell Investment Corp.	13,183,000	358,974	-	(2,943)	10,415	13,183,000	100.00%	366,446	27.80	366,446	None
Kingcharm Investment Corp.	18,000,000	29,836	-	11,139	295	18,000,000	100.00%	41,270	2.29	41,270	None
Intercosmos Group Limited	8,062	313,411	(2,770)	(112,263)	10,988	5,292	100.00%	212,136	40,086.17	212,136	None
Creative Ally Limited	3,720	22,888	-	(502)	(9,916)	3,720	100.00%	12,470	3,352.16	12,470	None
Invention and Collaboration Laboratory, Inc.	300,000	338	(300,000)	(330)	(8)	-	-	-	-	-	None
NetVinci, Inc.	761,206	689	-	(20)	(669)	761,206	4.58%	-	-	-	None
eCapture Ltd. Co.	11,666,667	2,537	-	(72)	(95)	11,666,667	100.00%	2,370	0.20	2,370	None
Insignis Technology, Inc.	24,500,000	103	-	(91)	11,491	24,500,000	100.00%	11,503	0.47	11,503	None
eEver Technology Limited	14,250,001	59,443	-	(352)	10,949	14,250,001	50.42%	70,040	4.92	70,040	None
eYs3D Microelectronics, Inc.	25,765,272	(34,656)	14,285,712	176,716	(61,767)	40,050,984	58.66%	80,293	2.00	80,293	None
DeCloak Intelligences Co.	450,000	1,860	1,412,209	13,468	(7,054)	1,086,209	77.75%	8,274	4.44	8,274	None
		\$ 1,197,252		\$ 208,074	(\$ 22,116)			1,383,210		1,383,210	
Reclassified to other liabilities		34,656						-		-	
		<u>\$ 1,231,908</u>						<u>\$ 1,383,210</u>		<u>\$ 1,383,210</u>	

Note: It includes capital decrease and increase of subsidiaries, accumulated translation adjustments and shareholders' equity adjustments of subsidiaries recognised proportionally to their interest.

ETRON TECHNOLOGY, INC.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021

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

<u>Creditor</u>	<u>Nature</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Credit Line</u>	<u>Collateral</u>
Frist Commercial Bank	Credit loan	\$ 30,000	2021.12.7~2022.3.17	Note	TWD 30,000 thousand	None
Mega International Commercial Bank	Credit loan	27,680	2021.12.1~2022.1.28	Note	TWD 27,680 thousand	None
Taiwan Cooperative Bank	Credit loan	41,520	2021.12.1~2022.1.28	Note	TWD 41,520 thousand	None
Chang Hwa Commercial Bank	Credit loan	41,520	2021.12.29~2022.3.7	Note	TWD 41,520 thousand	None
		<u>\$ 140,720</u>				

Note: Interest rate between 0.82%~1.13%.

ETRON TECHNOLOGY ,INC.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021

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

<u>Supplier Name</u>	<u>Amount</u>	<u>Note</u>
General supplier :		
PERIP	\$ 597,457	
FOSATC	116,510	
CMOS	55,630	
TPT	53,802	
Others	<u>104,659</u>	The amount of individual supplier included in others does not exceed 5% of the account balance.
	<u>\$ 928,058</u>	

ETRON TECHNOLOGY, INC.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Interest rate</u>	<u>Collateral</u>	<u>Note</u>
Land Bank of Taiwan and five other banks	Medium-term secured syndicated borrowings	\$ 1,238,929	2015.02.16-2023.02.16	Note	Buildings and structures	
Land Bank of Taiwan	Long-term secured borrowings	11,609	2011.02.17-2031.02.17	Note	Buildings and structures	
Sunny Bank	Long-term secured borrowings	18,370	2019.09.27-2024.09.27	Note	Buildings and structures	
		<u>1,268,908</u>				
Less: current portion		(<u>766,766</u>)				
		<u>\$ 502,142</u>				

Note: Interest rate between 1.59% to 1.89%.

ETRON TECHNOLOGY ,INC.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

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

<u>Item</u>	<u>Volume</u>	<u>Amount</u>	<u>Note</u>
Integrated circuits	391,340 thousand pieces	\$ 5,845,794	
Others		<u>1,613</u>	
		<u>\$ 5,847,407</u>	

ETRON TECHNOLOGY ,INC.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Item	Description	Amount
Beginning raw materials		195,023
Add: Raw materials purchased		2,486,596
Less: Ending raw materials	(	183,482)
Raw materials sold	(	3,637)
Transfers to expenses	(	535)
Raw materials transfer out	(	111)
Raw materials scrapped	(	34,429)
Raw materials used for the year		2,459,425
Direct labor		6,662
Manufacturing expense		928,505
Manufacturing cost		3,394,592
Add: Beginning work in progress and semi-finished goods		1,097,336
Semi-finished goods purchased		572,571
Finished goods and raw materials transferred		12,257
Less: Ending work in progress and semi-finished goods	(	1,210,831)
Semi-finished goods sold	(	2,236)
Semi-finished goods scrapped	(	31,812)
Transfers to expenses	(	10,598)
Cost of finished goods		3,821,279
Add: Beginning finished goods		781,054
Finished goods purchased		56,664
Less: Ending finished goods	(	782,232)
Transfers out of finished goods	(	12,146)
Finished goods scrapped	(	38,382)
Transfers to expenses	(	2,392)
Cost of goods manufactured and sold		3,823,845
Raw materials sold		3,637
Semi-finished goods sold		2,236
Loss on decline in market value / Inventory valuation loss		90,033
Others	(	5,480)
Operating cost		\$ 3,914,271

ETRON TECHNOLOGY ,INC.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing fees		\$ 766,346	
Depreciation expenses		88,176	
Other expenses		<u>73,983</u>	The amount of individual item included in other expenses does not exceed 5% of the account balance.
		<u>\$ 928,505</u>	

ETRON TECHNOLOGY ,INC.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wage and salaries		\$ 69,430	
Commission expense		38,019	
Service expense		28,977	
Import and export expense		9,136	
Other expenses		<u>24,163</u>	The amount of individual item included in other expenses does not exceed 5% of the account balance.
		<u>\$ 169,725</u>	

ETRON TECHNOLOGY ,INC.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 159,791	
Directors' remuneration		19,833	
Depreciation expense		14,090	
Other expenses		<u>60,044</u>	The amount of individual item included in other expenses does not exceed 5% of the account balance.
		<u>\$ 253,758</u>	

ETRON TECHNOLOGY ,INC.
STATEMENT OF DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 250,895	
Depreciations		35,223	
Amortisations		24,014	
Other expenses		<u>85,773</u>	The amount of individual item included in other expenses does not exceed 5% of the account balance.
		<u>\$ 395,905</u>	

ETRON TECHNOLOGY ,INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 55,724	\$ 463,597	\$ 519,321	\$ 47,209	\$ 277,331	\$ 324,540
Share-based payment	1,342	15,310	16,652	1,053	5,742	6,795
Labour and health insurance fees	4,784	24,007	28,791	4,391	21,057	25,448
Pension costs	2,455	13,681	16,136	2,342	12,400	14,742
Directors' remuneration	-	21,344	21,344	-	1,409	1,409
Other personnel expenses	2,156	10,010	12,166	2,059	9,884	11,943
Depreciation Expense	88,176	78,846	167,022	98,386	96,114	194,500
Amortisation Expense	243	38,867	39,110	199	42,053	42,252

Note:

- As at December 31, 2021 and 2020, the Company had 300 and 298 employees, both including 6 non-employee directors.
- A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - Average employee benefit expense in current year was \$2,017 ((Total employee benefit expense in current year - Total directors' remuneration in current year) / (Number of employees in current year - Number of non-employee directors in current year)).
Average employee benefit expense in previous year was \$1,313 ((Total employee benefit expense in previous year - Total directors' remuneration in previous year) / (Number of employees in previous year - Number of non-employee directors in previous year)).
 - Average employee salaries in current year were \$1,766 thousand (Total employee salaries in current year / (Number of employees in current year - Number of non-employee directors in current year)). Average employee salaries in previous year was \$1,111 thousand (Total employee salaries in previous year / (Number of employees in previous year - Number of non-employee directors in previous year)).
 - Adjustment of average employee salaries was an increase of 58.96%. ((Average employee salaries in current year - Average employee salaries in previous year) / Average employee salaries in previous year).
 - There was no remuneration for supervisors in this year and last year. (The Company has an Audit Committee, thus there was no remuneration for supervisors.)

ETRON TECHNOLOGY ,INC.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
(Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(5)The Company's remuneration policy is as follows:

- i. The Company has formulated the Articles of Incorporation and 'Regulations Governing Directors' Remuneration' to regulate the payment standard and structure on directors' remuneration, and has established a Remuneration Committee to be in charge of formulating and assessing the policy, system, standard and structure on directors' remuneration, and submitting the proposal to the Board of Directors for discussion. Other than transportation allowances, independent directors are entitled to receive monthly fixed salaries for performing their duties independently and participating in corporate governance; remuneration from profit, if any, based on the profit distribution ratio for independent directors as stipulated in the regulations. The remuneration distributed to each director will then be calculated using the weighted proportion method based on the length of each director's tenure during the year and the weights assigned to each director depending on their standing. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as directors' remuneration, and the ratio shall be no higher than 2%.
- ii. The company's have contracted with the company's articles of incorporation, "Manager performance evaluation and managerial position management methods", etc., based on the most common standard remuneration and payment Performing duties of the company's managers' performance evaluation and remuneration management system and setting up remuneration standards.
- iii. The company's employee remuneration is determined based on academic background, performance and work contribution, and continuously reviews the external market salary competitiveness and salary portfolio of all employees, and makes salary adjustments in a timely manner. There are three additional bonus payment methods and According to the company's operating conditions, employees are paid not less than 12% of the current year's profit status to attract, motivate and retain outstanding talents.

Etron Technology, Inc.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
					Number of shares	Book value	Ownership (%)	Fair value	
Etron Technology, Inc.	Stock	PLSense Ltd.	None	Non-current financial assets at fair value through other comprehensive income	14,611	\$ 39,308	8.53%	\$ 39,308	
Etron Technology, Inc.	Preferred share	Foho Technology Corp.	None	Non-current financial assets at amortised cost	4,200,000	-	-	-	
Kingwell Investment Corp.	Stock	Macronix International Co., Ltd	The general manager of the investee and the chairman of the Company are relatives within second degree of kinship	Current financial assets at fair value through profit or loss	15,840	668	-	668	
Kingcharm Investment Corp.	Stock	Walton Advanced Engineering, Inc	The investor is the corporate director of the investee	Current financial assets at fair value through profit or loss	10,000	189	-	189	
Kingcharm Investment Corp.	Stock	ProMos Technology, Inc.	None	Current financial assets at fair value through profit or loss	6	-	-	-	
Creative Ally Limited	Stock	Cognito Health International, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,010,101	-	1.26%	-	
Etron Technology (HK) Limited	Equity investment	Shanghai Walden Venture Capital Enterprise	None	Non-current financial assets at fair value through other comprehensive income	-	183,448	1.52%	183,448	
Etron Technology (HK) Limited	Equity investment	China Walden Venture Investments II,L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	121,607	2.64%	121,607	
Etron Technology (HK) Limited	Equity investment	Arm IoT Fund, L.P	None	Non-current financial assets at fair value through other comprehensive income	-	23,634	4.65%	23,634	
Etron Technology (HK) Limited	Equity investment	WI Harper Fund IX LP	None	Non-current financial assets at fair value through other comprehensive income	-	8,390	1.15%	8,390	
Kinglord Corp.	Stock	Senti Bioscience, Inc.	The chairman of the investee and the chairman of the Company are relatives within second degree of kinship	Non-current financial assets at fair value through other comprehensive income	211,933	8,191	0.18%	8,191	
Kinglord Corp.	Stock	Personal Genomics, Inc.	None	Non-current financial assets at fair value through other comprehensive income	741,926	15,033	1.34%	15,033	
Plusway Corp.	Stock	Personal Genomics, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,261,456	30,751	2.28%	30,751	
Plusway Corp.	Preferred share	PLSense Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,186	3,191	0.69%	3,191	
Plusway Corp.	Equity investment	WI Harper Fund IX LP	None	Non-current financial assets at fair value through other comprehensive income	-	12,584	1.72%	12,584	
Plusway Corp.	Equity investment	IT-Farm J-Tech Fund Investment Limited Partnership	None	Non-current financial assets at fair value through other comprehensive income	-	2,440	7.09%	2,440	
Kingwell Investment Corp.	Stock	Foho Technology Corp.	None	Non-current financial assets at fair value through other comprehensive income	3,872,234	-	19.54%	-	

Etron Technology, Inc.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				
					Number of shares	Book value	Ownership (%)	Fair value	Footnote
Kingwell Investment Corp.	Stock	Bridge Semiconductor Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,375,000	\$ -	5.75%	\$ -	
Kingwell Investment Corp.	Stock	Innorich Venture Capital Corp.	None	Non-current financial assets at fair value through other comprehensive income	6,000,000	42,598	11.19%	42,598	
Kingwell Investment Corp.	Stock	Raytek Semiconductor, Inc.	None	Non-current financial assets at fair value through other comprehensive income	1,852,000	29,632	1.54%	29,632	
Kingwell Investment Corp.	Stock	Ardentec Corporation	The chairman of the investee and the chairman of the Company are relatives within second degree of kinship	Non-current financial assets at fair value through other comprehensive income	3,712,457	206,041	0.76%	206,041	
Kingwell Investment Corp.	Stock	Anqing Innovation Investment Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,000,000	13,340	4.33%	13,340	
Kingwell Investment Corp.	Stock	Mosa Industrial Corporation	None	Non-current financial assets at fair value through other comprehensive income	38,000	1,601	0.02%	1,601	
Kingwell Investment Corp.	Equity investment	Arm IoT Fund, L.P	None	Non-current financial assets at fair value through other comprehensive income	-	7,878	1.54%	7,878	
Kingwell Investment Corp.	Stock	IQE PLC	None	Non-current financial assets at fair value through other comprehensive income	55,916	721	0.01%	721	
Kingcharm Investment Corp.	Stock	Bridge Semiconductor Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,988,970	-	8.32%	-	
Kingcharm Investment Corp.	Stock	Digitimes Inc.	None	Non-current financial assets at fair value through other comprehensive income	78,750	788	0.42%	788	

Etron Technology, Inc.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable (payable)
Etron Technology, Inc.	Etron Technology(HK) Limited	An indirectly held subsidiary of the Company	Sales	(\$ 187,618)	3.21%	90 days end of month	Not applicable	Not applicable	\$ 111,609	8.02%	

Etron Technology, Inc.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 3

Expressed in thousands of NTD
 (Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Etron Technology, Inc.	Etron Technology(HK) Limited	An indirectly held subsidiary of the Company	\$ 111,609	2.62	\$ -	-	\$ 70,611	\$ -

Etron Technology, Inc.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms (Note 4)	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Service expense	\$ 26,932	-	0.44%
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Commissions expense	12,518	-	0.20%
0	Etron Technology, Inc.	Etron Technology America, Inc.	1	Other accrued expense	3,416	-	0.05%
0	Etron Technology, Inc.	Anzon Corporation	1	Commissions expense	1,301	-	0.02%
0	Etron Technology, Inc.	Anzon Corporation	1	Service expense	1,541	-	0.03%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Commissions expense	14,629	-	0.24%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Service expense	3,055	-	0.05%
0	Etron Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	1	Other accrued expense	3,985	-	0.06%
0	Etron Technology, Inc.	Etron Technology (HK) Limited	1	Sales revenue	187,618	-	3.10%
0	Etron Technology, Inc.	Etron Technology (HK) Limited	1	Accounts receivable	111,609	-	1.55%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Support service income	3,411	-	0.06%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Other receivables	4,911	-	0.06%
0	Etron Technology, Inc.	eEver Technology, Inc.	1	Other income	18,341	-	0.30%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Support service income	4,014	-	0.07%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Other receivables	22,282	-	0.31%
0	Etron Technology, Inc.	eYs3D Microelectronics, Co.	1	Other income	21,320	-	0.35%
0	Etron Technology, Inc.	Insignis Technology Corporation	1	Sales revenue	49,897	-	0.81%
0	Etron Technology, Inc.	Insignis Technology Corporation	1	Accounts receivable	27,510	-	0.38%
0	Etron Technology, Inc.	DeCloak Intelligences Co.	1	Service expense	1,912	-	0.03%
1	eYs3D Microelectronics, Co.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Service expense	6,719	-	0.11%
1	eYs3D Microelectronics, Co.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Other accrued expense	3,877	-	0.05%
1	eYs3D Microelectronics, Co.	AiYs3D Technology, Inc.	3	Service expense	6,675	-	0.11%
1	eYs3D Microelectronics, Co.	AiYs3D Technology, Inc.	3	Other accrued expense	1,661	-	0.02%
2	eEver Technology, Inc.	Fullboom Electronic (Shenzhen) Co., Ltd.	3	Service expense	2,894	-	0.09%

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The prices and credit terms for the transactions between parent company and subsidiaries would be available for third parties. The terms for incomparable transactions are negotiated by the both parties.

Etron Technology, Inc.
Information on investees
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Etron Technology, Inc.	Eutrend Technology, Inc.	Taiwan	Testing service for high-frequency or high-power radio frequency, analog, digital, and mixed-signal components	\$ 112,099	\$ 112,098	2,702,522	93.57%	\$ 397	(\$ 70)	(\$ 504)	Subsidiary
Etron Technology, Inc.	Kinglord Corp.	British Virgin Islands	Investment holdings	853,849	853,849	25,458	100.00%	409,180	13,303	13,303	Subsidiary
Etron Technology, Inc.	Plusway Corp.	British Virgin Islands	Investment holdings	511,185	483,315	10,485	100.00%	168,831	456	456	Subsidiary
Etron Technology, Inc.	Kingwell Investment Corp.	Taiwan	Investment holdings	22,861	27,475	13,183,000	100.00%	366,446	10,415	10,415	Subsidiary
Etron Technology, Inc.	Kingcharm Investment Corp.	Taiwan	Investment holdings	188,512	188,512	18,000,000	100.00%	41,270	295	295	Subsidiary
Etron Technology, Inc.	Intercosmos Group Limited	British Virgin Islands	Investment holdings	142,188	248,646	5,292	100.00%	212,136	10,988	10,988	Subsidiary
Etron Technology, Inc.	Creative Ally Limited	British Virgin Islands	Investment holdings	111,921	111,921	3,720	100.00%	12,470	(9,916)	(9,916)	Subsidiary
Etron Technology, Inc.	Invention and Collaboration Laboratory, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	-	3,000	-	0.00%	-	(102)	(8)	Third-tier subsidiary
Etron Technology, Inc.	NetVinci, Inc.	Cayman Islands	Investment holdings	38	38	761,206	4.58%	-	(14,186)	(669)	Investee company
Etron Technology, Inc.	eCapture Ltd. Co.	Cayman Islands	Investment holdings	31,051	31,051	11,666,667	100.00%	2,370	(95)	(95)	Subsidiary
Etron Technology, Inc.	Insignis Technology, Inc.	Cayman Islands	Investment holdings	60,488	60,488	24,500,000	100.00%	11,503	11,491	11,491	Subsidiary
Etron Technology, Inc.	eEver Technology Limited	Cayman Islands	Investment holdings	44,857	44,857	14,250,001	50.42%	70,040	21,802	10,949	Subsidiary
Etron Technology, Inc.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	306,761	139,047	40,050,984	58.66%	80,293	(115,554)	(61,767)	Subsidiary
Etron Technology, Inc.	DeCloak Intelligence Co.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	18,622	4,500	1,862,209	77.75%	8,274	(9,114)	(7,054)	Subsidiary
Kingwell Investment Corp.	Pioneer Chip Technology Limited	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	2,000	2,000	200,000	100.00%	101	(33)	(33)	Second-tier subsidiary
Kingwell Investment Corp.	nD-HI Technologies Lab, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	12,093	93	1,300,000	92.67%	9,684	(1,739)	(1,611)	Second-tier subsidiary, Note
Kingwell Investment Corp.	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	33,737	33,737	1,868,009	5.29%	35,225	27,068	1,482	Investee company of the subsidiary
Kingcharm Investment Corp.	eEver Technology Limited	Cayman Islands	Investment holdings	58,969	58,969	5,838,680	20.66%	28,698	21,802	4,486	Subsidiary
Kingcharm Investment Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	21,654	21,654	2,084,340	3.05%	4,257	(115,554)	(4,320)	Subsidiary
Kinglord Corp.	Etron Technology America, Inc.	U.S.A	Sales agent of electronic components	155,562	160,058	47,666,666	100.00%	26,492	9,649	9,649	Second-tier subsidiary
Kinglord Corp.	Anzon Technology, Inc.	British Virgin Islands	Investment holdings	9,992	10,281	1,681,000	70.85%	2,560	(650)	(456)	Second-tier subsidiary
Kinglord Corp.	Etron Technology (HK) Limited	Hong Kong	Sales of electronic components	132,864	136,704	37,440,000	100.00%	350,437	5,021	5,021	Second-tier subsidiary
Kinglord Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	7,760	7,984	785,273	1.15%	1,605	(115,554)	(1,627)	Subsidiary
Etron Technology (HK) Limited	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	23,024	23,689	2,329,918	3.41%	4,759	(115,554)	(4,833)	Subsidiary

Etron Technology, Inc.
Information on investees
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Anzon Technology, Inc.	Anzon Corporation	Japan	Sales agent of electronic components	\$ 15,655	\$ 16,107	185	100.00%	\$ 3,551	(\$ 621)	(\$ 661)	Third-tier subsidiary
Intercosmos Group Limited	Grandsino Technology Limited	British Virgin Islands	Investment holdings	70,616	180,923	4,611	100.00%	197,099	7,676	7,676	Second-tier subsidiary
Intercosmos Group Limited	Fullboom International Limited	Samoa	Investment holdings	29,064	29,904	1,050,000	100.00%	13,692	3,401	3,394	Second-tier subsidiary
Grandsino Technology Limited	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	67,767	69,726	9,583,909	27.15%	194,445	27,068	7,596	Investee company of the second-tier subsidiary
Plusway Corp.	Great Team Backend Foundry, Inc.	British Virgin Islands	Investment holdings	68,637	70,621	2,755,508	8.95%	84,105	27,068	2,503	Investee company of the subsidiary
Plusway Corp.	eYs3D Microelectronics, Inc.	Cayman Islands	Investment holdings	8,103	8,338	887,121	1.30%	1,814	(115,554)	(1,840)	Subsidiary
Creative Ally Limited	NetVinci, Inc.	Cayman Islands	Investment holdings	35,633	36,663	8,835,398	53.17%	-	(14,186)	(7,793)	Investee company of the subsidiary
Creative Ally Limited	Invention and Collaboration Laboratory Pte. Ltd.	Singapore	Research and development, consulting and design services of semiconductor technology	13,846	14,246	5,214,000	81.11%	11,558	(2,396)	(1,944)	Second-tier subsidiary
eCapture Ltd. Co.	eCapture Co., Limited	Hong Kong	Marketing, sales and development of electronic products	26,296	27,056	950,000	100.00%	1,867	103	103	Second-tier subsidiary
Insignis Technology, Inc.	Insignis Technology Corporation	U.S.A	Sales of electronic components	53,007	54,539	1,915,000	100.00%	11,388	11,438	11,705	Second-tier subsidiary
eEver Technology Limited	eEver Technology, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	164,684	149,101	27,700,000	100.00%	128,453	24,743	24,743	Second-tier subsidiary
eYs3D Microelectrions, Inc.	eYs3D Microelectronics, Co.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	571,876	319,074	64,800,000	100.00%	139,677	(113,132)	(113,132)	Second-tier subsidiary
eYs3D Microelectrions, Inc.	AiYs3D Technology, Inc	U.S.A	Marketing and customer services	277	285	10,000	100.00%	889	276	302	Second-tier subsidiary
Invention and Collaboration Laboratory Pte. Ltd.	Invention and Collaboration Laboratory, Inc.	Taiwan	Electronic components manufacturing, design, research, development, sales and marketing	1,331	-	134,000	100.00%	1,236	(102)	(94)	Third-tier subsidiary

Note: Silicon Spintronics, Inc. changed its name to nD-HI Technologies Lab, Inc., and completed the registration on September 23, 2021.

Etron Technology, Inc.
Information on investments in Mainland China
Year ended December 31, 2021

Table 6
1. Basic information

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of	Footnote
				as of January 1, 2021	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2021					December 31, 2021	
Great Team Backend Foundry (Dongguan), Ltd.	Other transistors	\$ 2,439,067	(2)	\$ 375,439	\$ -	\$ 127,394	\$ 248,045	\$ 209,111	12.42%	\$ 25,965	\$ 221,260	\$ -	Notes 3, 4 and 5
Fullboom Electronics (Shenzhen) Co., Ltd.	Wholesale and international trading of electronic components	27,680	(2)	32,285	-	-	32,285	3,459	100.00%	3,459	12,815	-	Note 6
Shanghai Walden Venture Capital Enterprise	Investment in new venture companies	35,729	(2)	572	-	-	572	-	1.52%	-	183,448	-	Note 7
China Walden Venture Investments II, L.P.	Investment in new venture companies	2,864,392	(2)	95,442	-	-	95,442	-	2.64%	-	121,607	-	Note 7

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

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Investment income from Fullboom Electronics (Shenzhen) Co., Ltd. was recognized based on the financial statements that are audited and attested by R.O.C. parent company's CPA;

Investment income from Great Team Backend Foundry (Dongguan), Ltd. was recognized based on the financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

Note 3: Investing through Great Team Backend Foundry, Inc., which is invested by Kingwell Investment Corp.

Note 4: Investing through Great Team Backend Foundry, Inc., which is invested by Grandsino Technology Limited and Grandsino Technology Limited is invested by Intercosmos Group Limited.

Note 5: Investing through Great Team Backend Foundry, Inc., which is invested by Plusway Corp.

Note 6: Investing through Fullboom International Limited, which is invested by Intercosmos Group Limited.

Note 7: Investing through Etron Technology (HK) Limited, which is invested Kinglord Corp.

Note 8: Great Team Backend Foundry (Dongguan), Ltd. remitted the investment contribution of USD 5,836 thousand back to the Group, of which USD 4,548 thousand was remitted back to the Company and domestic subsidiaries, and the remaining was remitted back to the foreign subsidiaries. The aforementioned transaction has been filed with the Investment Commission of MOEA for verification, and a verification letter has been obtained.

2. Ceiling on reinvestments in Mainland China:

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Etron Technology, Inc.	\$ 376,344	\$ 386,524	\$ 2,546,158

Etron Technology, Inc.
Major shareholders information
December 31, 2021

Table 7

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chao-Chun Lu	14,613,757	5.41%

Etron Technology, Inc.
Chairman:Nicky Lu