



Sigurd Microelectronics Corporation

Annual Report 2021

SIGURD MICROELECTRONICS CORP. 2021 ANNUAL REPORT

Published on April 11, 2022

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For the convenience of readers and for information purpose only, the auditors’ report and the accompanying consolidated annual report have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and annual report shall prevail.

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Not applicable
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One. Report to Shareholders

I. 2021 Business Results

(I) Operating Results for 2021 Business Plan

In 2021, the revenue increased by 34.22% from 2020 to NT\$16,681,264 thousand, and net income after tax was NT\$3,036,248 thousand, representing an increase of 57.60% as compared to 2020.

(II) Target Achievement: The Company did not disclose financial forecasts in 2021.

(III) Analysis of Financial Revenue/Expenditures and Profitability

The business strategy of the Company has always been prudent and robust, dedicated in the development of professional packaging and testing for niche IC. As such, the financial structure is fairly healthy. The analysis and comparison of financial structure, solvency, and profitability are as follows:

Item		Individual Financial Statements		Consolidated Financial Statements	
		2020	2021	2020	2021
Financial structure	Debts ratio %	47.62	46.89	49.87	51.30
	Long term funds to fixed assets %	171.42	208.34	142.70	156.44
Solvency	Current ratio %	103.22	147.39	145.87	192.97
	Quick ratio %	96.76	136.24	136.33	179.33
Profitability	Return on asset %	8.31	10.80	7.43	9.56
	Return on equity %	14.89	19.81	13.53	18.53
	Net profit margin %	21.22	26.89	15.50	18.20
	Earnings per share (EPS) (after adjustment of ordinary shares) (NT\$)	4.22	6.25	4.22	6.25

(IV) Research and development status

1. Review of 2021

- (1) Based on the existing 12-inch Wafer Level Chip Scale Package (WLCSP), solder bumping, and Cu-pillar, the Company built an 8-inch WLCSP production line.
- (2) Strengthening the packaging capability of wafer level backend die-processing service (DPS).
- (3) Improved WLCSP's integrated service technology and capability.
- (4) Improved and upgraded the new generation RF IC automated test equipment which have gone into mass production.
- (5) Developed the following related testing technologies which have gone into mass production: 5G SoC,IC related to 5G mobile phone, Wi-Fi 6,IC related to True Wireless Stereo (TWS).

- (6) Self-manufacturing of accessories of related testing equipment.
- (7) Upgraded and expanded equipment to adapt to the need of high-speed computing IC, such as bitcoin, graphics chip, and server chip.
- (8) Improved the 5 nanometer testing technology.

2. Prospects for the future (2022 and future trends)

- (1) Improvement of the SoC IC testing techniques for 5G mobile phones.
- (2) Improvement of the IC testing technology for 5G related equipment
- (3) R&D of the 5G millimeter wave (mmWave) and Antenna-in-Package (AiP) testing technology.
- (4) With the increasing popularity and demand for artificial intelligence (AI) applications, the Company collaborates with numerous research institutions and industrial companies to upgrade packaging and testing technologies.
- (5) R&D of the Metaverse-related IC packaging and testing.
- (6) Development of the integrated IC test technologies relevant to the IoT (Internet of Things).
- (7) Development of the RF related packaging and testing technology such as Wi-Fi 6/6E, WLAN SoC ICs, NFC (Near Field Communication) and Wireless Power (wireless charging).
- (8) Development of related image IC integrated packaging and testing technology: moving towards 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies, based on the existing 4K2K package test.
- (9) Exploration of 3nm test technologies.
- (10) Deepening the 4nm testing capability and scaling up mass production.
- (11) Improvement of the integrated backend production capacity of WLCSP and enhancement of relevant technological capabilities.
- (12) Enhancement of the GaN-related packaging and testing technology.
- (13) R&D of the SiC-related packaging and testing technology.
- (14) Enhancement of the low-earth-orbit satellite testing capability and increase of the mass production.
- (15) Increase of automotive electronics and vehicle-to-everything-related IC test volume and maximization of the scope of certification.
- (16) Promotion of a smart factory and the width and depth of equipment automation and maximization of intelligent production.
- (17) R&D of the logic and mixed-signal testers, and timely mass production as scheduled.

II. 2022 Operation Plan

(I) 2022 Major Business Direction

In 2021, despite rapid transmission of the Omicron variant, the COVID-19 pandemic is expected to be further controlled with expanded vaccination. Some countries have adopted strategies to co-exist with the virus, and the global economy is poised for a gradual recovery. Semiconductors were caught in a shortage in 2021. As such, manufacturers expanded their scale of production to increase their output. It is expected that the shortage in supply will be relaxed in 2022.

Related forecast institutes for the semiconductor industry followed one another to adjust their forecast about the growth momentum for semiconductors in 2022 upwards slightly compared to 2021. Statistics of respective market intelligence and research institutes (IDC, WSTS, Gartner, VLSI Research, IC Insights) show a growth rate of 4%-12% in 2022 compared to 2021. As such, Sigurd is prudent and careful, adopting a steady development policy to maximize the Company profit.

In 2022, due to the endeavor of the Management, sufficient cash flow was secured to ensure the liquidity of the Company. Further, the Company is striving to expand its competitive capabilities, strengthening product lines with an advantage in economies of scale, expanding differentiated product lines, and expanding prudently, and maintaining a higher overall equipment efficiency.

(II) Expected sales and its basis

According to the Company's historical data of business revenue, as well as referring to the professional forecasting agencies' prediction for the semiconductor industry and IC packaging industry, and the feedback from customers through the sales unit, although global economic prospect is affected by many unfavorable factors, the Company estimates that the launching of a series of new projects, products and customers, and other measures in 2022, will provide momentum to the expected sales volume and revenue, and thus remain cautiously optimistic.

(III) Important production and sales policies

In advent of 2022, our response measures are as followed:

1. Strengthening the prevention of outbreak, and closely monitoring the status of the pandemic, customer needs and raw material supply.
2. Improving employee productivity and factory efficiency.
3. Continuously saving expenses, reducing operating costs, and lowering the break-even point.

4. Development of test business for products with a high growth rate, such as Metaverse, 5G mobile phone IC, Wi-Fi 6/6E, high-speed computing, artificial intelligence (AI), IoT, RF IC, and automotive electronics in order to make better profits.
5. Increasing the number and proportion of foreign customers.
6. Promotion of test business for telecommunication IC and niche IC.
7. Strengthening the relationships with strategic alliances with customers.
8. Reviewing and adjusting uncompetitive product lines.
9. Paying attention to market trends and striving for IC businesses orders related to 5G products, vehicle electronics, Internet of Things and wearable devices.
10. Promotion of a smart factory and the width and depth of equipment automation.

III. Strategies for the Future

The future development of Sigurd is Reshaping Value and Technological Innovation, Avoiding Price Competition, and Forming the Blue Sea Strategy of Sigurd. Therefore, Sigurd is constantly repositioning and moving toward developing packaging and testing technologies for niche products.

- (I) Timely adjustment of the organization: based on market and product conditions, timely adjusting the organization to adapt to changes.
- (II) The number of customers in the North American market increased in 2021 compared to 2020. Moreover, the development of the Mainland China market has also produced good results. Therefore, in 2022, in addition to the original North American market, the Company also actively expands the Asian, Mainland Chinese, European, and Japanese markets.
- (III) Promotion of the throughput and customer base of SIRIZE Technology (Suzhou) Corp.
- (IV) Integration and niche testing

Over the years, Sigurd has acquired the testing technology and experience of Mixed Signal, Logic, CIS, Memory, RF, and Power. With a stronghold of technologies, as well as aligning with market trends, Sigurd is moving toward integration and niche products.

1. Integrated Testing Technology

IC products are becoming increasingly complex, and can no longer be simply categorized as Mixed Signal, Logic, CIS, Memory, RF, and Power. The current trend has been moving toward the integrated IC. Sigurd has accumulated years of testing experience with confidence in products

such as SoC mobile phone AP (3G/4G) and Wi-Fi SoC, and has built a solid foundation for 5G-related IC packaging and testing technology.

2. Niche Testing

- (1) High-speed computing-related ICs: such as chips for bitcoin, graphics, and servers.
- (2) Communication-related ICs: 5G communication equipment IC, GPS, Wi-Fi SoC (integrated with Bluetooth and MCU).
- (3) Video/Audio related ICs: Blu-ray disc, 3D, 4K2K and 8K4K video codec IC, HDMI, and HDTV control IC.
- (4) Mobile phone-related IC: such as 5G-related IC, AI, AP, Baseband SoC, GPS, Light sensor, Bluetooth, Touch Pad.
- (5) Computer-related ICs: such as graphics chip, USB, Type C, WLAN, touch panel IC, and et cetera.
- (6) Vehicle electronics ICs: such as sensor, microprocessor and V2X ICs.
In addition, Sigurd also strengthens the acquiring of foreign customers, in the hope of achieving results in the future.

3. Niche packaging

As electronic products move towards being lighter, thinner, shorter, and smaller, the encapsulation technique is growing miniature, too. To go with this trend, as far as encapsulation is concerned, Sigurd is shifting towards the WLCSP (Wafer Level Chip Scale Package)-related encapsulation technology. WLCSP encapsulation is smaller in size, costs less, and is known for its high production yield. In addition, it offers strengths such as better coplanarity and heat dissipation capacity to high-speed and power management circuits.

(V) Research and development (R&D)

In addition to continuing recruiting industry talents, the Company also develops technologies and communicates intensely with companies, research institutions, and universities.

IV. The Impact of external competitive environment, regulatory environment, and overall business environment

Originally, most semiconductor research institutes forecast that the future for the semiconductor is not as promising as it was due to COVID-19 and the US-China trade war, among others. As the pandemic is gradually getting under control, in addition to the economic recovery, semiconductors were caught in a shortage around the world. Encapsulation and test factories of Taiwan follow one another to disclose their preliminary planning for capital expenditure of

2022. While everything looks good, they remain cautious primarily to avoid the dilemma of excessive supply and undesirable pricing that was encountered in the past.

(I) Favorable Factors:

1. Politics has gradually stabilized in all regions of the world.
2. The undergoing mergers of global semiconductor manufacturers have been prevalent, which is beneficial to Sigurd in securing more orders from its now merged customer entities.
3. With the COVID-19 pandemic gradually getting controlled, the economy has taken a step further towards recovery.
4. The US-China trade war remains, which surprisingly drives relocation of production of semiconductor-related ICs to Taiwan.
5. The cost of packaging and testing houses of Mainland China is increasing and getting closer to their counterparts' in Taiwan.
6. After the financial tsunami, many IDM companies abroad have reduced their packaging and testing capacity or terminated production lines, which is beneficial for Sigurd to secure more orders from IDM companies.
7. New applications such as the metaverse, high-speed computing, deep learning, edge computing, AI, AR/VR, and so on, require high-level processes. Many large international companies choose to place orders in Taiwan, which is beneficial for Sigurd to secure more orders.
8. Wearable devices which will bring forth new ideas and the extensive use of the IoT will give rise to a wave of demand for electronic components.
9. The exhaust emission standards are stricter and automobiles are gradually developed towards energy-saving (hybrid or electric vehicles) and self-driving, which is conducive to the growth of vehicle electronic related ICs.
10. With the release of the 5G spectrum, the demand for related equipment is gradually expanding.
11. Semiconductor shortage remains a concern. However, among the global market, Taiwan has been proactive in expanding production, which is favorable to secure orders.

(II) Unfavorable factors:

1. Persisting factors such as COVID-19 and shortage in manpower are affecting the supply of raw materials and the supply chains and accordingly the production.
2. The cross-strait relations between Taiwan and Mainland China are still

filled with variables.

3. With semiconductors in shortage, manufacturers have a tendency to blindly expand their facilities, and close attention is needed to observe whether or not there will be excessive throughput and subsequently price-cutting competition once the shortage is relieved.
4. The outbreak of war between Russia and Ukraine, which in turn affects the supply of raw materials and the U.S. chip sanctions against Russia, remains to be observed.
5. The impact of the expected rate hike and shrinking of balance sheet by the US Federal Reserve on the global economy.
6. Potential recession caused by inflation.

For the above reasons, the Company remains optimistic yet cautious with their perspective about the economic outlook of 2022.

Shin-Yang Huang, Chairman and CEO

Two. Company Profile

I. Company Profile

Date of Establishment/Registration: December 15, 1988.

II. Company History

- 1988 The Company established (originally named: Giant Electronics)
- 1990 Official commencement of production and sales; packaged products from 8L to 40L
- 1992 Expand the plants to 500 ping; the occupied space and the total building space of plants became 1,200 pings
- 1994 Siliconware Precision Industries Co., Ltd. invested the Company and became one of the major shareholders.
- 1998 The Company acquired and merged Sigurd, whose major business was testing, and was renamed as Sigurd Microelectronics Corporation; the turnkey service of packaging and testing started to be provided to our clients.
- 1999 Passed the quality certification ISO9002 for packaging and testing.
Started the R&D of packaging and testing technologies for CMOS Image Sensor.
- 2001 Started the mass production of CMOS Image Sensor packaging and testing.
Passed the strict quality certification of TSMC for its suppliers.
- 2002 Significantly expanded the multi-media IC testing.
Acquired the land, plant, and equipment of “Xin-Chen Technology Co., Ltd,” which also operated in the packaging industry through an auction for expanding the capacity (currently, the Zhongxing Plant).
- 2003 Officially went public-listed and trading shares on August 25.
- 2005 The merge base date with Yu-Tung Global Technology Co., Ltd was March 1.
The overseas convertible corporate bonds, valued Thirty Million USD, were issued on March 23.
- 2006 The merge base date with Hung-Yu Semiconductor Co., Ltd was June 12, (currently, the HouKou Plant).
- 2007 The Corporate Director, Siliconware Precision Industries Co., Ltd. , resigned from the position of director on November 9.
- 2010 The first unsecured convertible corporate bonds were issued on March 25, for the upper limit of the total amount of One Billion and Two Hundred Million NTD; the issued amount was One Billion NTD.
- 2013 The Beixing 2nd Plant officially operated on February 19.
Merged Meicer Semiconductor Inc., with May 31 as the merge base date.
- 2014 Certified as an Authorized Economic Operator (AEO) on July 30.
- 2016 New Houkou Plant officially operated on January 8.
Publicly acquired 70.83% of TEST-SERV Inc.’s stake on January 30.
With cash consideration for stock conversion, 100% stake of TEST-SERV Inc. was acquired; the base date of conversion was September 1, 2016.
- 2017 On April 24, the 2nd domestic unsecured convertible bonds were issued, the total issued amount was One Billion and Two Hundred and Six Million NTD; the bonds were issued by 100.5% of the face value with a coupon rate of 0%.
On July 5, the Board of Director resolved the acquisition of stake from the overseas company, Bloomeria Limited (Singapore) with cash, and thus to acquire 51.88% of Winstek Semiconductor Co., Ltd.’s stake. The delivery was done on October 12, and the merge date was October 13.
- 2019 Invested in Flatek, Inc. with One Hundred Million NTD in cash in August.
Invested in AMBERSAN Medical Technology Co., Ltd.. in August and acquired 55% of its shares in September.
On September 27, the Investment Commission, MOEA approved the investment of Forty-Five Million USD in Suzhou, China.
On October 15, the 3rd domestic unsecured convertible bonds were issued, the total issued amount was One Billion and Two Hundred and Six Million NTD; the bonds were issued by 100.5% of the face value with a coupon rate of 0%.
The cash capital increase base date was November 15, to issue 17,000,000 new

shares to increase capital; the amount of capital was NTD 170,000,000.

2020 On March 12, Gexing Co., Ltd. was founded.

2021 On January 25, the Board of Directors approved the acquisition of all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings (Cayman Islands) for an amount of US\$165 million in cash (approximately NT\$4.62 billion). The Company will indirectly obtain all the issued shares of UTC Holdings Corporation previously held by UTC Holdings Taiwan. The stock transaction was settled on April 14, 2021.

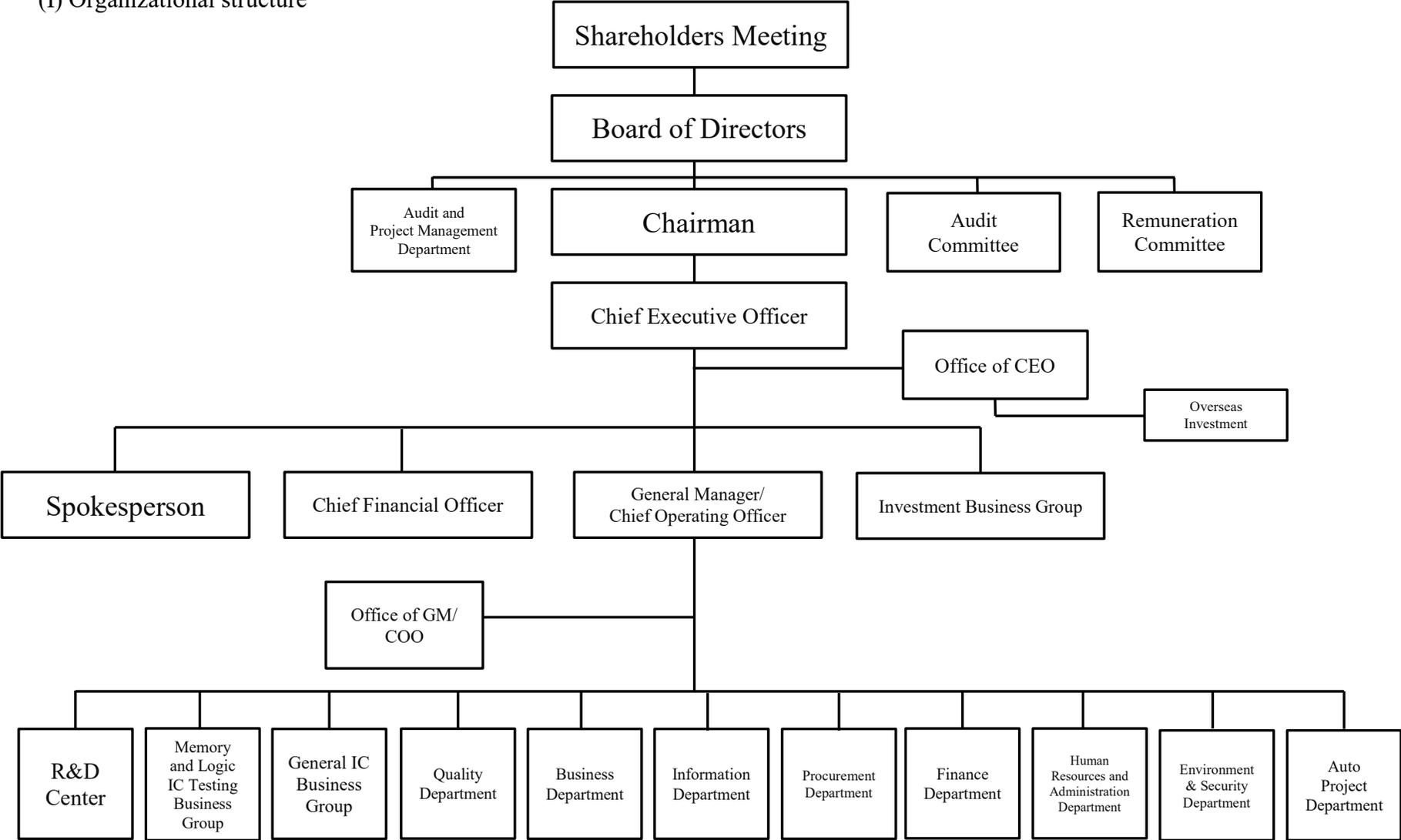
The first secured ordinary corporate bonds of 2021 were issued on March 29. The maturity period was 5 years and the total issue amount was NT\$3 billion only with a fixed coupon rate of 0.58%.

The fourth domestic unsecured corporate bonds were issued on October 13. The maturity period was 3 years and the total issue amount was NT\$1.5 billion.

Three. Company Governance Report

I. Organization System

(I) Organizational structure



(II) Business of each major department

Department	Function
Audit and Project Management Department	Implementation of the internal audit system, and execution of projects.
Office of CEO	Major function is to decide the holistic operation of all businesses of the Group; the day-to-day operations include: the approaches regarding finance and business; the addition/reduction to the business scopes; participation to the decision making of the Board of Directors; executions of resolutions of the Board of Directors; regular business reports and annual reports presented to the Board of Directors. Entrenchment and solidification of corporate cultures; construction of the Group; adjustments to the organizational structures; establishment of systems and processes.
Office of GM/COO	Responsible to the organization and coordination for completing the Company's annual operation plans; responsible to the organizations, plans and strategies of the Company's mid- to long term developments, while promoting the annual responsibility guidelines, and drafting and supervising the operational objectives.
Research and Development Center	Design, development, and research of production process technologies and development of technology platforms.
Memory and Logic IC Testing Business Group	In charge of the operation of Memory and Logic IC
General IC Packaging/Testing Business Group	In charge of the operation of General IC Packaging/Testing
Quality Department	Implementation of the QC of the Company and quality/quantity assurance to the clients.
Information Department	Establishment and maintenance of the information environment and application systems.
Procurement Department	Management of procurement and suppliers.
Finance Department	Finance, accounting, shareholder services, and budget management.
Human Resources and Administration Department	Management of human resources and related general affairs.
Business Department	Responsible for sale and promotion of products and implementation of such sale and promotion.
Environment & Security Department	Responsible for public security and environmental management
Auto Project Department	Development of smart manufacturing equipment, technology and modules.

II. Information on the Company's General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company's Divisions and Branch Units

(I) Information of Directors

April 11, 2022

Title	Nationality or registration location	Name	Gender/age	Date of election/inauguration	Term	Date of first election	Shareholdings when elected		Current shareholdings		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in the Company and other companies.	With a spouse or any relative within the second degree of kinship who is an executive, director, or supervisor			Note
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and CEO	Republic of China	Shin-Yang Huang (Note 3)	Male 71~80	109.06.10	Three years	91.04.03	7,215,771	1.71	7,215,771	1.59	503,495	0.11	0	0.00	MBA, College of Management, National Taiwan University General Manager of Schlumberger Co., Ltd.	Chairman and CEO of Sigurd Microelectronics Corporation Chairman of Sigurd International Co., Ltd., Sigurd Microelectronics (Cayman) Co., LTD., Sigurd Micro Electronics (Wuxi) Co., Ltd., Burgurd Co., Ltd., UTC Holdings Corporation, Sigurd UTC Corp., Winstek Semiconductor Co., Ltd., Winstek Semiconductor Technology Co., Ltd., and Ge-Shing Cooperation	None	None	None	Note 1 Note 2
Director/General Manager	Republic of China	Tsan-Lien Yeh (Note 4)	Male 61~70	109.06.10	Three years	93.05.18	3,409,633	0.81	3,409,633	0.75	82,955	0.02	0	0.00	Bachelor of Electrical Engineering, National Chiao Tung University GMBA, National Chiao Tung University General Manager of Oh-Xiang Technologies Corporate General Manager of Semiconductor Business, Chroma ATE Inc.	General Manager and Chief Operating Officer of Sigurd Microelectronics Corporation Chairman of Flatek, Inc.; director of Sigurd Microelectronics (Cayman) Co., LTD., Bloomeria, UTC Holdings Corporation, Sigurd UTC Corp., and Ge-Shing Cooperation	None	None	None	Note 1

Director/ Senior Executive Vice President	Republic of China	Hsu-Tung Kuo (Note 5)	Male 51~60	109.06.10	Three years	97.06.13	1,978,879	0.47	1,931,879	0.43	0	0.00	0	0.00	Bachelor of Electrical Engineering, National Cheng Kung University Chairman of Panther Technology Co., Ltd. Executive Vice General Manager and Chief Technology Officer of Walsin Advanced Chairman and General Manager of Advantech Semiconductor Inc.	Senior Executive Vice President and General Manager of Business Group Chairman of SIRIZE Technology (Suzhou)Corp.; director of Sigurd International Co., Ltd., Sigurd Microelectronics (Cayman)Co., LTD., Sigurd Micro Electronics (Wuxi) Co., Ltd., Sigurd UTC Corp., Winstek Semiconductor Co.,Ltd., and Flatek, Inc.	None	None	None	Note 1
Director/ Chief Financial Officer	Republic of China	Min-Hung Wu	Male 61~70	109.06.10	Three years	87.08.19	3,063,938	0.73	3,063,938	0.68	0	0.00	0	0.00	Bachelor of Electrical Engineering, National Taiwan Institute of Technology General Manager of Schlumberger Systematic Technologies Co., Ltd.	Chief Financial Officer and Executive Vice General Manager of Sigurd Microelectronics Corporation Chairman of TEST-SERV Inc. and Flatek, Inc.; director of Chen Chun Co., Ltd., Flusol Co., Ltd., SIRIZE Technology (Suzhou)Corp., Bloomeria, Sigurd UTC Corp., Winstek Semiconductor Co.,Ltd.,Winstek Semiconductor Technology Co., Ltd., and Ge-Shing Cooperation	None	None	None	Note 1
Director	Republic of China	Wen-Yuan Lin (Note 6)	Male 71~80	109.06.10	Three years	106.06.15	1,968,457	0.47	2,000,457	0.44	0	0.00	0	0.00	Bachelor of Healthcare Management, Yuanpei University of Medical Technology Director of Sigurd Microelectronics Corporation.	Director of Yang Feng Investment Co., Ltd.	None	None	None	None
Director	Republic of China	Ming-Chun Chiu (Note 7)	Male 71~80	109.06.10	Three years	89.03.22	5,791,769	1.37	5,791,769	1.28	1,031,976	0.23	0	0.00	Middle School Diploma, Er Chong Junior High School Chairman of Chun Tang Construction Co., Ltd.	Chairman of Chun Tang Construction Co., Ltd.	None	None	None	None

Independent Director	Republic of China	Wen-Bin Wu (Note 8)	Male 71~80	109.06.10	Three years	103.06.06	0	0.00	0	0.00	0	0.00	0	0.00	MBA, College of Management, National Taiwan University Department of Electrical Engineering at Tatung Engineering College	Convener of the Remuneration Committee and Audit Committee Chairman and General Manager of FineStar Technologies Inc. Independent Director and Convener of the Remuneration Committee of Good Will Instrument Co., Ltd.	None	None	None	None
Independent Director	Republic of China	Chuen-Rong Leu (Note 9)	Male 61~70	109.06.10	Three years	100.06.22	992	0.00	992	0.00	427	0.00	0	0.00	Bachelor of Communication Engineering, National Chiao Tung University	Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Director and Senior Vice General Manager of Sales Department of Jih Lin Technology Co., Ltd.	None	None	None	None
Independent Director	Republic of China	Min-Kai Lin (Note 10)	Male 61~70	109.06.10	Three years	106.06.15	0	0.00	35,000	0.01	0	0.00	0	0.00	MBA in Accounting, College of Management, National Taiwan University Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Independent Director of Winstek Semiconductor Co., Ltd.	Member of Remuneration & Audit Committees of Sigurd Microelectronics Corporation Independent Director of Winstek Semiconductor Co., Ltd.	None	None	None	None

Note 1: Abbreviation of company name: (1) Sigurd International Co., Ltd. or Sigurd International in short; (2) SIGURD MICROELECTRONICS (CAYMAN) CO.,LTD. (former TPIC MICROELECTRONICS CO.,LTD.) or SIGURD CAYMAN in short; (3) Sigurd Micro Electronics (Wuxi) or Sigurd Wuxi in short; (4) TEST-SERV Inc. or Test-Serv in short; (5) Flusol Co., Ltd. or Flusol in short; (6) Burgurd Co.,Limited or Burgurd in short; (7) SIRIZE Technology (Suzhou)Corp. or SIRIZE Suzhou in short; (8) Bloomeria Limited or Bloomeria in short; (9) UTC Holdings Corporation or UTAC in short; (10) Sigurd UTC Corp. or Sigurd UTC in short; (11) Winstek Semiconductor Co., Ltd. or Winstek Semiconductor in short; (12) Winstek Semiconductor Technology Co., Ltd. or Winstek Semiconductor Technology in short; (13) AMBERSAN Medical Technology Co., Ltd. or Ambersan in short; (14) Ge-Shing Cooperation or Ge-Shing in short; (15) Flatek, Inc. or Flatek in short; (16) OPS Electronics Limited or OPS in short; (17) OPS Electronic(ShenZhen) Limited or OPS Electronics in short; (18) TPFUSION, INC. or TPFusion Technology in short; (19) TPFusion Corp. or TPFusion in short; (20) Valuenet International Limited or Valuenet in short.

Note 2: If the chairperson, general manager, or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity, and countermeasures (such as adding more seats of independent directors, with a majority of directors not concurring employees or managers) shall be disclosed:

The Chairman of the Company concurs with the CEO, to enhance the operational effectiveness and execution of decisions for the Group, while strengthening the independence of the Board of Directors. The Company has been actively cultivating excellent talents internally. The Chairman closely and sufficiently communicates the operating status and guidelines of plans with the Board of Directors often, to implement the corporate governance. In the future, the Company is prudentially assessing and planning to enhance the functions of the Board of Directors and oversight via adding more seats of independent directors. Currently the Company has the following measures in place:

- (1) The three current independent directors have specialties in finance/accounting, electronics, and semiconductor areas, respectively, so that they may effectively oversee everything.
- (2) Each director is arranged to have professional training every year, to enhance the effectiveness of the Board of Directors' operations.
- (3) Independent directors may discuss sufficiently and provide opinions in each functional committee, for the Board of Directors to refer to, as one of the practices of corporate governance.
- (4) Among the current directors, most of them do not concur with the Company's employees or managers.

Note 3: Mr. Shin-Yang Huang was firstly elected as a director on August 19, 1998; and elected as the Chairman on April 3, 2002.

Note 4: Mr. Tsan-Lien Yeh was firstly elected as a supervisor on August 19, 1998; he resigned from the position of supervisor on February 17, 2004; he was elected as a director on May 18, 2004.

Note 5: On June 13, 2008, Mr. Hsu-Tung Kuo was elected as a director at the Annual General Meeting and resigned his position on May 4, 2018. He was re-elected as a director on June 10, 2020.

Note 6: Siliconware Precision Industries Co., Ltd. re-appointed Mr. Wen-Yuan Lin as its representative on March 31, 2002. He started serving as the corporate director of the Siliconware Precision Industries Co., Ltd. in the Company on December 30, 2002;

Mr. Wen-Yuan Lin was elected as a director at the general shareholders' meeting on June 13, 2005 for the term starting from December 30, 2005. He retired from the position of Special Assistant, General Manager's Office, Sigurd Microelectronics Corporation, on January 31, 2016.

Note 7: Mr. Ming-Chun Chiu had been a director of the Company when the Company was founded in 1989; from March 22, 2000 to June 22, 2011, he was a supervisor; on June 22, 2011, he was elected as a director.

Note 8: Mr. Wen-Bin Wu was elected as an independent director in the AGM on June 6, 2014.

Note 9: Mr. Chuen-Rong Leu has been an independent director for more than 9 years as of 2020 since his election at the Annual General Meeting on June 22, 2011. Mr. Chuen-Rong Leu has extensive experience of the industry and provided valuable opinions to the Company during his time as the independent director. Hence, he was renominated as an independent director of the Company and elected successfully.

Note 10: Mr. Min-Kai Lin was elected as an independent director in the AGM on June 15, 2017.

1. Major shareholders of the corporate directors (1) Major shareholders of the corporate directors: not applicable.

(2) Any major shareholder of a corporate director who is also a major shareholder: not applicable.

2. Information of directors

(1) Disclosure of the information on the professional qualifications of directors and independence of independent directors:

Date: April 11, 2022

Qualifications Name	Professional qualifications and experience (Note 1)	Independence status (Note 2)	Number of publicly listed companies in which the director concurrently serves as an independent director
Director: Shin-Yang Huang	<ol style="list-style-type: none"> 1. MBA, College of Management, National Taiwan University 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 7,215,771 shares (1.59%) of the Company and his spouse holds 503,495 shares (0.11%) of the Company. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	0
Director: Tsan-Lien Yeh	<ol style="list-style-type: none"> 1. Bachelor of Electrical Engineering, National Chiao Tung University; GMBA, National Chiao Tung University 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 3,409,633 shares (0.75%) of the Company and his spouse holds 82,955 shares (0.02%) of the Company. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	0

<p>Director: Hsu-Tung Kuo</p>	<ol style="list-style-type: none"> 1. Bachelor of Electrical Engineering, National Cheng Kung University 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 1,931,879 shares (0.43%) of the Company and none of his spouse or relative within the second degree of kinship holds (or holds in the name of others) any shares of the Company and the shareholding is zero. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>0</p>
<p>Director: Min-Hung Wu</p>	<ol style="list-style-type: none"> 1. Bachelor of Electrical Engineering, National Taiwan Institute of Technology 2. Have required work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 3,063,938 shares (0.68%) of the Company and none of his spouse or relative within the second degree of kinship holds (or holds in the name of others) any shares of the Company and the shareholding is zero. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>0</p>

<p>Director: Wen-Yuan Lin</p>	<ol style="list-style-type: none"> 1. Bachelor of Healthcare Management, Yuanpei University of Medical Technology 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 2,000,457 shares (0.44%) of the Company and none of his spouse or relative within the second degree of kinship holds (or holds in the name of others) any shares of the Company and the shareholding is zero. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>0</p>
<p>Director: Ming-Chun Chiu</p>	<ol style="list-style-type: none"> 1. Chairman of Chun Tang Construction Co., Ltd. 2. Have work experience for 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 5,791,769 shares (1.28%) of the Company and his spouse holds 1,031,976 shares (0.23%) of the Company. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>0</p>

<p>Independent Director: Wen-Bin Wu</p>	<ol style="list-style-type: none"> 1. MBA, College of Management, National Taiwan University 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. None of the independent director or his spouse or relatives within the second degree of kinship holds (or holds in the name of others) any shares of the Company and the shareholding is zero. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>1</p>
<p>Independent Director: Chuen-Rong Leu</p>	<ol style="list-style-type: none"> 1. Bachelor of Communication Engineering, College of Engineering, National Chiao Tung University 2. Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 992 shares (0%) of the Company and his spouse holds 427 shares (0%) of the Company. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	<p>0</p>

Independent Director: Min-Kai Lin	<ol style="list-style-type: none"> 1. MBA in Accounting, College of Management, National Taiwan University 2. Have work experience for more than 20 years in the areas of finance, accounting, investment and wealth management, or otherwise necessary for the finance or accounting matters of the company 3. None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> 1. None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. 2. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 35,000 shares (0.01%) of the Company and his spouse or relatives within the second degree of kinship (or holds in the name of others) holds the shareholding is zero of the Company. 3. The director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). 4. The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	1
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Note 1: Professional qualifications and experience: The professional qualifications and experience of each director and supervisor shall be described. When the person is a member of the Audit Committee and have accounting or financial expertise, such accounting or financial background and related work experience shall be specified. Also, whether none of the circumstances under Article 30 of the Company Act applies to the person shall be specified as well.

Note 2: The status of independence of each independent director shall be specified, including but not limited to whether the person or the person's spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate; the number of company shares held by the person and the person's spouse and relatives within the second degree of kinship (or held in the name of others) and the percentage thereof; whether the person is a director, supervisor or employee of any of the Company's affiliates (in reference to Subparagraphs 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); and the amount of remuneration in the last two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services.

(2) Diversification and independence of the Board of Directors:

(i) Diversification of the Board of Directors: The Diversity policies, goals and achievements shall be described.

As a basis for the selection, the Company accepts the list of the candidates nominated in writing by the shareholders holding 1% of the Company's shares according to Article 192-1 of the Company Act or the professional candidates nominated by the Board of Directors from the fields of industry, commerce, technology, finance, accounting, and other industrial areas without the circumstances specified in Article 30 of the Company Act. There are 9 directors forming the Board of Directors of this term. They are specialized in the fields of industry, technology, finance and accounting, and are 60~75 years of age. The Company is dedicated to the diversification of the gender, nationality and culture. As for the diversity of the professional experience, the directors come from different professional fields and can provide valuable opinions and experiences for the development of the Company.

Name	Title	Gender	Age		Independent director term and seniority			Concurrent serving as employee	Core capability (Top 5)									
			61 to 70	71 to 80	Less than 3 years	3 to 9 years	Over 9 years		Finance	Electro-technology	Manufacture	Commerce	Accounting	Law	IT	Marketing management	Risk management	
Shin-Yang Huang	Chairman	Male		✓				✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
Tsan-Lien Yeh	Director	Male		✓				✓	✓	✓	✓	✓				✓	✓	✓
Hsu-Tung Kuo	Director	Male	✓					✓		✓	✓	✓					✓	✓
Min-Hung Wu	Director	Male	✓					✓	✓	✓	✓	✓	✓			✓	✓	✓
Wen-Yuan Lin	Director	Male		✓						✓	✓	✓				✓		✓
Ming-Chun Chiu	Director	Male		✓					✓	✓	✓	✓						✓
Wen-Bin Wu	Independent Director	Male		✓		✓			✓	✓	✓	✓					✓	✓
Chuen-Rong Leu	Independent Director	Male	✓				✓		✓	✓	✓	✓				✓		✓
Min-Kai Lin	Independent Director	Male	✓			✓			✓			✓	✓				✓	✓

(ii) Independence of the Board of Directors: Describe the number and percentage of the independent directors and the independence of the Board of Directors, and explain with reasons whether the matters referred to in Article 26-3, Paragraph 3 and 4 of the Securities and Exchange Act do not exist, including describing the relationship of a spouse or a relative within the second degree of kinship between the directors, supervisors of a director and a supervisor.

A. The Company has 9 directors of professional qualifications and independence. There are 3 independent directors at a percentage of 33.33%. The directors have independence needed for execution of their duties.

B. No relationship specified in Article 26-3, Paragraph 3 and 4 of the Securities and Exchange Act exists between the directors of the Company. The Company set up the Audit Committee in 2017 to replace the supervisors with the Audit Committee.

(II) Information on the Company's General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Supervisors of All the Company's Divisions and Branch Units

April 11, 2022

Title	Nationality	Name	Gender	Date of election/ inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and CEO	Republic of China	Shin-Yang Huang	Male	87.06.15	7,215,771	1.59	503,495	0.11	—	—	MBA, College of Management, National Taiwan University General Manager of Schlumberger Co., Ltd.	Chairman of Sigurd International Co., Ltd., Sigurd Microelectronics (Cayman)Co., LTD., Sigurd Micro Electronics (Wuxi) Co., Ltd., Burgurd Co., Ltd., UTC Holdings Corporation, Sigurd UTC Corp., Winstek Semiconductor Co.,Ltd., Winstek Semiconductor Technology Co.,Ltd., and Ge-Shing Cooperation	—	—	—	Note 1
General Manager/ Chief Operating Officer	Republic of China	Tsan-Lien Yeh	Male	93.03.01	3,409,633	0.75	82,955	0.02	—	—	Bachelor of Electrical Engineering, National Chiao Tung University GMBA, National Chiao Tung University General Manager of Oh-Xiang Technologies Corporate General Manager of Semiconductor Business, Chroma ATE Inc.	Bloomeria, UTC Holdings Corporation, Sigurd UTC Corp., and Ge-Shing Cooperation	—	—	—	Note 1
Vice Chief Operating Officer and General Manager of Business Group	Republic of China	Hsu-Tung Kuo	Male	95.06.12	1,931,879	0.43	—	—	—	—	Bachelor of Electrical Engineering, National Cheng Kung University Chairman of Panther Technology Co., Ltd. Executive Vice General Manager and Chief Technology Officer of Walsin Advanced Chairman and General Manager of Advantech Semiconductor Inc.	Chairman of SIRIZE Technology (Suzhou)Corp.; director of Sigurd International Co., Ltd., Sigurd Microelectronics (Cayman)Co., LTD., Sigurd Micro Electronics (Wuxi) Co., Ltd., Sigurd UTC Corp., Winstek Semiconductor Co.,Ltd., and Flatek, Inc.	—	—	—	Note 1

Title	Nationality	Name	Gender	Date of election/ inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chief Financial Officer and Executive Vice General Manager	Republic of China	Min-Hung Wu	Male	86.04.08	3,063,938	0.68	—	—	—	—	Bachelor of Electrical Engineering, National Taiwan Institute of Technology General Manager of Schlumberger Systematic Technologies Co., Ltd.	Chairman of TEST-SERV Inc. and Flatek, Inc.; director of Chen Chun Co., Ltd., Flusol Co., Ltd., SIRIZE Technology (Suzhou)Corp., Bloomeria, Sigurd UTC Corp., Winstek Semiconductor Co.,Ltd. Winstek Semiconductor Technology Co., Ltd., and Ge-Shing Cooperation	—	—	—	Note 1
Senior Vice General Manager	Republic of China	Kuang-Shun Yang	Male	93.07.21	801,624	0.18	—	—	—	—	Master of Business Administration in Management of Technology, National Tsing Hua University Department of Industrial Engineering and Management, Minghsin College of Science and Technology General Manager, Multitest Electronic System (Taiwan)	Director of TEST-SERV Inc.	—	—	—	Note 1
Senior Vice General Manager	Republic of China	Ja-Hung Hsieh	Male	95.01.01	566,469	0.13	—	—	—	—	Department of Chemical Engineering, Yuan Ze Engineering College Sales Manager of Customer Service, Xifeng Co., Ltd.	General Manager of Sigurd UTC Corp. Director of SIRIZE Technology (Suzhou)Corp., Sigurd UTC Corp., and Flatek, Inc.	—	—	—	Note 1
Vice General Manager	Republic of China	Chin-Te, Kuo	Male	95.01.01	796,814	0.18	50,426	0.01	—	—	Department of Electronic Engineering, Minghsin College of Science and Technology Section Head, Engineering Department, Holtek Semiconductor Inc.	—	—	—	—	None
Vice General Manager	Republic of China	Hsu-Ming Tsou	Male	99.01.01	648,233	0.14	—	—	—	—	Institute of Material Science and Engineering, National Taiwan University Aegis Semiconductor Technology Inc.	Director of SIRIZE Technology (Suzhou)Corp.	—	—	—	Note 1
Vice General	Republic	Wen-Hao	Male	102.10.01	304,651	0.07	—	—	—	—	Department of Electronics, Taipei	Director of SIRIZE Technology	—	—	—	Note 1

Title	Nationality	Name	Gender	Date of election/ inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Manager	of China	Su									Engineering Junior College Vice Manager of Meijing Industrial Co., Ltd. Manager of Yongmao Technology Co., Ltd. Chief, Logic Testing Plant, Advantech Semiconductor Inc.	(Suzhou)Corp.				
Vice General Manager and Head of R&D	Republic of China	Ching-Cheng Tien	Male	108.08.01	18,000	0.00	—	—	—	—	PhD, Electrical Engineering, National Chiao Tung University Independent Director of Subtron Technology Co., Ltd. Director of Huada Bio-Technology Co., Ltd.	Director of TPfusion Corp.	—	—	—	Note 1
Senior Assistant General Manager	Republic of China	Jui-Jen Feng	Female	91.04.01	1,244,841	0.28	—	—	—	—	Master of Business Administration in Management of Technology, National Tsing Hua University Vice Manager of Procurement, Herhsiang Information Co., Ltd. Head of Administration, Landis and Gyr Communication, Co., Ltd.	—	—	—	—	None
Senior Assistant General Manager	Republic of China	Shih-Hsin Hsu	Male	93.03.01	403,336	0.09	300,000	0.07	—	—	Department of Industrial Engineering, Tunghai University Sales Manager of Oh-Xiang Technologies Corporate	Director of AMBERSAN Medical Technology Co., Ltd..	—	—	—	Note 1
Assistant General Manager	Republic of China	Wei-Hua, Hsiung	Female	106.12.18	107,481	0.02	—	—	—	—	Department of Information Management, Chung Yuan Christian University Chief, Advantech Semiconductor Inc.	—	—	—	—	None
Assistant General Manager	Republic of China	Wen-Hsien Lee	Male	108.11.01	50,000	0.01	—	—	—	—	Department of Electronic Engineering, Feng Chia University Manager of Customer Service, International Semiconductor Technology Ltd. Chief of QA, Advantech Semiconductor Inc.	—	—	—	—	None
Assistant General Manager	Republic of China	Chia-Chieh Liu	Male	110.05.01	6,000	0.00	—	—	—	—	Department of Electronic Engineering, Chung Yuan Christian University	—	—	—	—	Note 2
Assistant General Manager	Republic of China	Chien-Chung Lin	Male	110.05.01	35,200	0.01	9,304	0.00	—	—	Department of International Trade, Da Hua University of Science and Technology	—	—	—	—	Note 2
Head of Accounting and Controller	Republic of China	Chi-Chang Chen	Male	109.03.11	262,714	0.06	478	0.00	—	—	Department of International Business, Feng Chia University Chief of Accounting, MAG, Mag	Representative of Corporate Director of Ene Technology Inc. Supervisor of AMBERSAN	—	—	—	Note 1

Title	Nationality	Name	Gender	Date of election/ inauguration	Number of shares held		Shares held by spouses and minor children		Shares held under others' names		Major background/education background	Positions currently concurring in other companies.	Any other managerial officer who is a spouse or a relative within the second degree of kinship of this person			Note
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
											Technology Co., Ltd. Vice Manager of Finance Department, Advantech Semiconductor Inc.	Medical Technology Co., Ltd. and SIRIZE Technology (Suzhou)Corp.				
Head of Corporate Governance and Chief of Finance Department	Republic of China	Chiao-Ling Kuan	Female	110.06.10	659,144	0.15	9,276	0.00	—	—	Department of Accounting, Hsing Wu University	Supervisor of TEST-SERV Inc. and TPFUSION, INC.	—	—	—	Note 1 Note 2

Note 1: Abbreviation of company name: (1) Sigurd International Co., Ltd. or Sigurd International in short; (2) SIGURD MICROELECTRONICS (CAYMAN) CO.,LTD. (former TPIC MICROELECTRONICS CO.,LTD.) or SIGURD CAYMAN in short; (3) Sigurd Micro Electronics (Wuxi) or Sigurd Wuxi in short; (4) TEST-SERV Inc. or Test-Serv in short; (5) Flusol Co., Ltd. or Flusol in short; (6) Burgurd Co.,Limited or Burgurd in short; (7) SIRIZE Technology (Suzhou)Corp. or SIRIZE Suzhou in short; (8) Bloomeria Limited or Bloomeria in short; (9) UTC Holdings Corporation or UTAC in short; (10) Sigurd UTC Corp. or Sigurd UTC in short; (11) Winstek Semiconductor Co., Ltd. or Winstek Semiconductor in short; (12) Winstek Semiconductor Technology Co., Ltd. or Winstek Semiconductor Technology in short; (13) AMBERSAN Medical Technology Co., Ltd.. or Ambersan in short; (14) Ge-Shing Cooperation or Ge-Shing in short; (15) Flatek, Inc. or Flatek in short; (16) OPS Electronics Limited or OPS in short; (17) OPS Electronic(ShenZhen) Limited or OPS Electronics in short; (18) TPFUSION, INC. or TPFusion Technology in short; (19) TPFusion Corp. or TPFusion in short; (20) Valuenet International Limited or Valuenet in short.

Note 2: Mr. Chia-Chieh Liu and Mr. Chien-Chung Lin were promoted to assistant general managers on May 01, 2021; Miss. Chiao-Ling Kuan was appointed as the Company's head of corporate governance on June 10, 2021.

Note 3: If the chairperson, general manager, or person holding an equivalent position are the same person or are spouses, the information regarding the reasons, reasonableness, necessity, and countermeasures (such as adding more seats of independent directors, with a majority of directors not concurring employees or managers) shall be disclosed: The Chairman of the Company concurs with the CEO, to enhance the operational effectiveness and execution of decisions for the Group, while strengthening the independence of the Board of Directors. The Company has been actively cultivating excellent talents internally. The Chairman closely and sufficiently communicates the operating status and guidelines of plans with the Board of Directors often, to implement the corporate governance. In the future, the Company is prudentially assessing and planning to enhance the functions of the Board of Directors and oversight via adding more seats of independent directors, or taking accounts of managers. Currently the Company has follows measures in place: (1) The three current independent directors have specialties in finance/accounting, electronics, and semiconductor areas, respectively, so that they may effectively oversee everything. (2) Each director is arranged to have professional training every year, to enhance the effectiveness of the Board of Directors' operations. (3) Independent directors may discuss sufficiently and provide opinions in each functional committee, for the Board of Directors to refer to, as one of the practices of corporate governance. (4) Among the current directors, most of them do not concur with the Company's employees or managers.

III. Remunerations paid to the directors, supervisors, general managers, and vice general managers in the recent years

(I) Remunerations paid to the directors, supervisors, general managers, and vice general managers

1. Remunerations to directors and independent directors (to disclose individual remuneration information with the name(s))

Unit: NTD Thousand Dollars

Title	Name	Remuneration of Directors								Relevant remunerations received by Directors who are also employees												Total amount of A, B, C, D, E, F, and G and its percentage in net income after tax	Claim of remunerations from re-invested businesses other than subsidiaries or the parent company				
		Remuneration (A)		Retiring allowance/severance (B)		Remuneration to Directors (C)		Businesses execution expenses (D)		Total amount of A, B, C, and D and its percentage in net income after tax		Salary, bonus, and special disbursement (E)		Retiring allowance/severance (F)		Employees' compensation (G)				Shares may be subscribed with employees' warrants (H)				Obtained new shares from the restricted employee rights (I)			
		The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports			The Company	financial reports	The Company	financial reports
Chairman	Shin-Yang Huang	—	—	—	—	8,000	8,000	—	—	0.29	0.29	24,993	28,993	—	—	31,511	—	31,511	—	—	—	—	—	—	2.31	2.46	None
Director	Tsan-Lien Yeh	—	—	—	—	4,000	4,000	—	—	0.14	0.14	18,512	19,312	—	—	21,860	—	21,860	—	—	—	—	—	—	1.59	1.62	None
Director	Hsu-Tung Kuo	—	—	—	—	4,000	4,000	—	—	0.14	0.14	13,492	14,592	—	—	12,545	—	12,545	—	—	—	—	—	—	1.19	1.21	None
Director	Min-Hung Wu	—	—	—	—	4,000	4,000	—	—	0.14	0.14	10,464	11,664	—	—	12,306	—	12,306	—	—	—	—	—	—	0.96	1.00	None
<p>1. Please specify the payment policy, system, standards, and structure of the remuneration of independent directors, as well as the relevance between the factors, such as their responsibilities, risks, input time, and the amount of paid remuneration: the remunerations to the independent directors, pursuant to the Article of Association, are reviewed by the Remunerations Committee. The participation, contributions, reasonableness of the independent directors to the Company's operations link to their remunerations, and by referring to the payments made by peers, the proposal is made and presented to the Board of Directors for discussion.</p> <p>2. In addition to the disclosures in the previous table, please specify the remuneration paid to the directors who provided services (e.g. acting as non-employee advisor for the parent company/any company stated in the financial statements/any invested company) in the recent year: none.</p>																											

Note 1: The remunerations to directors and employees, have been resolved by the Board of Directors on March 8, 2022; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: Neither the new system nor old pension system is contributed to directors.

Remunerations to directors and independent directors (to disclose individual remuneration information with the name(s))

Unit: NTD Thousand Dollars

Title	Name	Remuneration of Directors								Relevant remunerations received by Directors who are also employees												Total amount of A, B, C, D, E, F, and G and its percentage in net income after tax	Claim of remunerations from re-invested businesses other than subsidiaries or the parent company					
		Remuneration (A)		Retiring allowance/severance (B)		Remuneration to Directors (C)		Businesses execution expenses (D)		Total amount of A, B, C, and D and its percentage in net income after tax		Salary, bonus, and special disbursement (E)		Retiring allowance/severance (F)		Employees' compensation (G)				Shares may be subscribed with employees' warrants (H)				Obtained new shares from the restricted employee rights (I)				
		The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company	financial reports			The Company	financial reports	The Company	financial reports	
Director	Wen-Yuan Lin	—	—	—	—	4,000	4,000	30	30	0.14	0.14	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14	0.14	None
Director	Ming-Chun Chiu	—	—	—	—	4,000	4,000	25	25	0.14	0.14	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.14	0.14	None
Independent Director	Wen-Bin Wu	—	—	—	—	4,000	4,000	70	70	0.15	0.15	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.15	0.15	None
Independent Director	Chuen-Rong Leu	—	—	—	—	4,000	4,000	60	60	0.15	0.15	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.15	0.15	None
Independent Director	Min-Kai Lin	—	—	—	—	4,000	4,000	60	60	0.15	0.15	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0.15	0.15	None
<p>1. Please specify the payment policy, system, standards, and structure of the remuneration of independent directors, as well as the relevance between the factors, such as their responsibilities, risks, input time, and the amount of paid remuneration: the remunerations to the independent directors, pursuant to the Article of Association, are reviewed by the Remunerations Committee. The participation, contributions, reasonableness of the independent directors to the Company's operations link to their remunerations, and by referring to the payments made by peers, the proposal is made and presented to the Board of Directors for discussion.</p> <p>2. In addition to the disclosures in the previous table, please specify the remuneration paid to the directors who provided services (e.g. acting as non-employee advisor for the parent company/any company stated in the financial statements/any invested company) in the recent year: none.</p>																												

Table of Remuneration Range

Range of remuneration to the Company's Directors	Name of Directors			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	Consolidated Companies H	The Company	Consolidated Companies I
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)				
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)				
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Tsan-Lien Yeh, Hsu-Tung Kuo, Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chuen-Rong Leu and Min-Kai Lin	Tsan-Lien Yeh, Hsu-Tung Kuo, Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chuen-Rong Leu and Min-Kai Lin	Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chuen-Rong Leu, Min-Kai Lin	Wen-Yuan Lin, Ming-Chun Chiu, Wen-Bin Wu, Chuen-Rong Leu, Min-Kai Lin
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Shin-Yang Huang	Shin-Yang Huang		
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			Min-Hung Wu	Min-Hung Wu
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)			Tsan-Lien Yeh and Hsu-Tung Kuo	Tsan-Lien Yeh and Hsu-Tung Kuo
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)			Shin-Yang Huang	Shin-Yang Huang
Over NT\$100,000,000				
Total	9	9	9	9

2. Remuneration paid to Supervisors (to disclose aggregate remuneration information with the name(s) indicated for each remuneration range): None; the Company established the Audit Committee in 2017 to replace the supervisors with the Audit Committee.

3. Remuneration paid to General Manager and Vice General Manager

Unit: NTD Thousand Dollars

Title	Name	Salaries (A)		Retiring allowance/severance (B)		Bonus and special disbursement (C)		Employee remunerations (D)				Total amount of A, B, C, and D and its percentage in net income after tax		Claim of remunerations from re-invested businesses other than subsidiaries or the parent company
		The Company	financial reports	The Company	financial reports	The Company	financial reports	The Company		All the companies in financial statements		The Company	financial reports	
								Amount in cash	Amount in shares	Amount in cash	Amount in shares			
Chief Executive Officer	Shin-Yang Huang	40,425	51,340	1,066	1,066	60,436	60,436	118,627	0	118,627	0	7.91	8.30	None
General Manager	Tsan-Lien Yeh													
General Manager of the Business Group	Hsu-Tung Kuo													
Chief Financial Officer	Min-Hung Wu													
Senior/ Vice General Manager	Kuang-Shun Yang													
	Ja-Hung Hsieh													
	Chin-Te, Kuo													
	Hsu-Ming Tsou													
	Wen-Hao Su													
	Ching-Cheng Tien													

*Regardless of the title, all positions equivalent to general managers and vice general managers (e.g. president, CEO, directors, among other things) shall be disclosed.

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 8, 2022; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: The contribution under the new pension system was NT\$648 thousand; the contribution under the old pension system was NT\$417.6 thousand.

Table of Remuneration Range

Remuneration Range of Payments to Each General Manager and Vice General Manager of the Company	Name of general manager/vice general manager	
	The Company	financial reports
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Wen-Hao Su, Chin-Te, Kuo, Ching-Cheng Tien	Chin-Te, Kuo, Ching-Cheng Tien
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Hsu-Ming Tsou	Hsu-Ming Tsou , Wen-Hao Su
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Hsu-Tung Kuo, Min-Hung Wu, Ja-Hung Hsieh, Kuang-Shun Yang	Hsu-Tung Kuo, Min-Hung Wu, Ja-Hung Hsieh, Kuang-Shun Yang
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	Tsan-Lien Yeh	Tsan-Lien Yeh
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	Shin-Yang Huang	Shin-Yang Huang
Over NT\$100,000,000		
Total	10	10

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 8, 2022; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

4. Compensation of the top five highest-paid executives individually disclosed for listed companies: not applicable.

(II) Managers received the distributed remunerations and their status

	Title	Name	Amount in shares	Amount in cash (Note)	Total	Total amount to net income after tax (%)
Manager	Chief Executive Officer	Shin-Yang Huang	0	137,702	137,702	4.94
	General Manager	Tsan-Lien Yeh				
	General Manager of the Business Group	Hsu-Tung Kuo				
	Chief Financial Officer	Min-Hung Wu				
	Senior/ Vice General Manager	Kuang-Shun Yang				
		Ja-Hung Hsieh				
		Chin-Te, Kuo				
		Hsu-Ming Tsou				
		Wen-Hao Su				
		Ching-Cheng Tien				
	Senior/ Assistant General Manager	Jui-Jen Feng				
		Shih-Hsin Hsu				
		Wei-Hua, Hsiung				
		Wen-Hsien Lee				
		Chia-Chieh Liu (Note 3)				
		Chien-Chung Lin (Note 3)				
	Head of Accounting and Controller	Chi-Chang Chen (Note 2)				
	Head of Corporate Governance and Chief of Finance Department	Chiao-Ling Kuan (Note 4)				

Note 1: The remunerations to employees have been resolved by the Board of Directors on March 8, 2022; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

Note 2: Served as Head of Accounting on March 11, 2020.

Note 3: Promoted to Assistant General Manager on May 1, 2021.

Note 4: Served as the Company's Head of Corporate Governance on June 10, 2021

(III) Compare and describe separately the analysis of ratios of total remunerations paid to directors, supervisors, general managers, and vice general managers of the Company for the past two years by the Company and all companies in the Consolidated Report in after-tax earnings indicated in the entity or individual financial reports and describe correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management efficacy and risks in the future.

The remunerations to the Chairman and directors, pursuant to the Articles of Association, are authorized to the Board of Directors to be decided based on their participations and contributions to the Company's operations while referring to the domestic/overseas industry levels; for the remunerations of directors and supervisors, these are assessed by the Remuneration Committee and proposed to the Board of Directors. The Board of Directors resolve the proposal based on the earnings of the year and the percentage of distribution set forth in the Articles of Association, for the ratification of the Shareholders' Meeting. In addition, the compensation paid to the general managers and vice general managers consists of salaries, bonuses, and employee remunerations. These are handled based on the HR regulations of the Company, and proposed to the Board of Directors for resolutions, pursuant to the Company Act.

The standards, structure, or system of compensation paid to directors, general managers and vice general managers, have taken into account of the industry growth of the coming years, the expansion strategies of the Company, and the cash flow, so that the Company has ample funds to respond to the uncertain operational risks.

Title	Total amount of remunerations to net income after-tax (%) of the Company, 2020	Total amount of remunerations to net income after-tax (%) of all companies in the financial report, 2020	Title	Total amount of remunerations to net income after-tax (%) of the Company, 2021	Total amount of remunerations to net income after-tax (%) of all companies in the financial report, 2021
Directors, supervisors, general managers, and vice general managers	10.98	11.53	Directors, general managers, and vice general managers	9.36	9.75

Note : This has been resolved by the Board of Directors on March 8, 2022; as of the publishing date of the annual report, the name list of employees for the remuneration distribution has not been decided; therefore the said amount is provisional only.

IV. Corporate Governance

(I) Board of Directors: Throughout 2021, the Board of Directors met eight times

(A); attendance of directors and supervisors is as follows:

Title	Name	Actual frequency of attendance (being seated) in meetings (B)	Frequency of attendance through proxy	Actual attendance (being seated) rate (%) (B/A)	Note
Chairman	Shin-Yang Huang	8	0	100%	
Director	Tsan-Lien Yeh	8	0	100%	
Director	Hsu-Tung Kuo	8	0	100%	
Director	Min-Hung Wu	8	0	100%	
Director	Wen-Yuan Lin	8	0	100%	
Director	Ming-Chun Chiu	8	0	100%	
Independent Director	Wen-Bin Wu	8	0	100%	
Independent Director	Chuen-Rong Leu	8	0	100%	
Independent Director	Min-Kai Lin	8	0	100%	

Other details to be documented:

I. In case of any following situation during the operation of the Board of Directors, the date, meeting, description of proposal, opinions from all independent directors, and the Company's treatment to such opinions shall be specified.

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: Not applicable. The Company has established the Audit Committee and is therefore subject to Article 14-5 of the Securities and Exchange Act.

(II) In addition to the aforementioned, any resolution of the Board of Directors meetings objected by the independent directors, or with reserved opinions, recorded or by written statements: none. No independent directors voiced opposing or qualified opinions this year.

II. For the enforcement of recusal upon conflicts of interest among directors, the name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described:

Time of Board of Directors meetings	Description of proposal	Avoidance of conflict of interest Name of Directors	Reason of recusal	Status of voting/ implementation
2nd Meeting of the Board of Directors, 2021 (03.10.2021)	1. Proposal of distributing executive's remuneration and employee's compensation in 2020	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Hsu-Tung Kuo, Director/Executive Vice General Manager; and Min-Hung Wu, Director/Chief Financial Officer	did not participate in the discussion and poll	as they were stakeholders; the acting chair, Director Wen-Bin Wu inquired of the attended directors, and passed the proposal without objection.

					(I) Members other independent directors involve in the proposal: Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Hsu-Tung Kuo, Director/Executive Vice General Manager; Min-Hung Wu, Director/Chief Financial Officer; Wen-Yuan Lin, Director; and Ming-Chun Chiu, Director did not participate in the discussion and poll as they were stakeholders. The chairperson designated Director Wen-Bin Wu as the deputy to preside over the discussion and voting. He asked other three present directors for their opinions about the proposal and all of them gave their consent. (II) Independent directors involved in the proposal: Wen-Bin Wu, Independent Director; Chuen-Rong Leu, Independent Director; and Min-Kai Lin, Independent Director did not participate in the discussion and poll as they were stakeholders. The chairperson Shin-Yang Huang asked other six present directors for their opinions about the proposal and all of them gave their consent.
	2. Proposal to distribute the remunerations to directors for 2020.		(I) Members other independent directors involve in the proposal: Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Hsu-Tung Kuo, Director/Executive Vice General Manager; Min-Hung Wu, Director/Chief Financial Officer; Wen-Yuan Lin, Director; and Ming-Chun Chiu, Director (II) Independent directors involved in the proposal: Wen-Bin Wu, Independent Director; Chuen-Rong Leu, Independent Director; and Min-Kai Lin, Independent Director	were stakeholders	
7th Meeting of 2021 Board of Directors (11.03.2021)	Proposal of the Company's earnings distribution for remuneration to managers.	Shin-Yang Huang, Chairman and CEO; Tsan-Lien Yeh, Director/General Manager; Hsu-Tung Kuo Director/Executive Vice General Manager; Min-Hung Wu, Director/Chief Financial Officer		did not participate in the discussion and poll	as they were stakeholders; the acting chair, Director Wen-Bin Wu inquired of the attended directors, and passed the proposal without objection.

III. Implementation of evaluation to the Board of Directors

Cycle of evaluation	Period of evaluation	Scope of evaluation (Performance evaluation)	Method of evaluation	Content of evaluation
Once a year	The evaluation was conducted for the performance of the Board of Directors from January 1, 2021 to December 31, 2021.	Board of Directors	External institution commissioned by the Board of Directors - Taiwan Institute of Ethical Business and Forensics conducted the performance evaluation of Board of Directors	<ol style="list-style-type: none"> 1. The understanding to the goals and missions of the Company 2. The awareness to the functions of directors 3. The participations to the Company's operation 4. The operations and communications of the internal operating relationship 5. The professional and continuing educations of directors 6. Internal controls
Once a year	The evaluation was conducted for the performance of the Board members from January 1, 2021 to December 31, 2021.	Individual Board members	Self-evaluation of Board members	<ol style="list-style-type: none"> 1. The understanding to the goals and missions of the Company 2. The awareness to the functions of directors 3. The participations to the Company's operation 4. The operations and communications of the internal operating relationship 5. The professional and continuing educations of directors 6. Internal controls
Once a year	The evaluation was conducted for the performance of the Remuneration Committee from January 1, 2021 to December 31, 2021.	Remuneration Committee	Self-evaluation of the Committee members	<ol style="list-style-type: none"> 1. The participations to the Company's operation 2. The awareness to the functions of the Committee 3. Improvement of the quality of the Committee's decision making 4. The composition and member selection of the Committee. 5. Internal controls.
Once a year	The evaluation was conducted for the performance of the Board members from January 1, 2021 to December 31, 2021.	Audit Committee	Self-evaluation of the Committee members	<ol style="list-style-type: none"> 1. The participations to the Company's operation 2. The awareness to the functions of the Committee 3. Improvement of the quality of the Committee's decision making 4. The composition and member selection of the Committee. 5. Internal controls.

Implementation of evaluation to the Board of Directors: The Company has conducted the evaluation regularly every year before the end of February 2022. The secretary unit is responsible for the implementation of the evaluation in a way of questionnaire survey. Taiwan Institute of Ethical Business and Forensics as an external institution was commissioned to conduct the evaluation of the Board of Directors while the members of the Board of Directors, Remuneration Committee and Audit Committee conducted internal self-evaluation. The implementation status was reported to the Board of Directors on March 8, 2022.

- (I) The performance evaluation of the board includes items in five major aspects: participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making, composition and structure of the Board of Directors, election and continuing education of the directors, and internal control.
- (II) The performance evaluation of individual directors include items in six major aspects: alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.
- (III) The performance evaluation of functional committees include items in five major aspects: participation

in the operation of the Company, awareness of the duties of the committee, improvement of the quality of the committee's decision making, composition and elections of committee members, and internal control.

IV. The objectives (such as establishing an audit committee or enhancing information transparency) and implementation of the Board of Directors' functions in the current and the most recent year:

(I) The Company has established the Audit Committee and Remuneration Committee to assist the Board of Directors to perform its duties. The Audit Committee and Remuneration Committee consist of the three independent directors of the Company, to enhance the functions of directors and the corporate governance. External experts may be engaged to provide advice if required.

(II) The duties of the Board of Directors include appointing and overseeing the management, overseeing the operating performance, prevent the conflicts of interests, and ensuring the Company to comply with various laws and regulations, the requirements in the Articles of Associations, as well as the resolutions of shareholders meetings. Meetings of the Board of Directors shall be convened at least quarterly and at least six times every year. The management of the Company reports the operating performance to the Board of Directors, and the Board of Directors resolves the future operation guidelines,

(II) Operation of the Audit Committee: to enhance the corporate governance, the Company has established the Audit Committee in 2017. The Audit Committee consists of the three independent directors of the Company, and the independent director, Wen-Bin Wu is selected as the convener. The Audit Committee shall meet at least quarterly, and convenes meeting any time if required. At the Annual General Meeting on June 10, 2020, the Company re-elected all of its Board members, along with the 2nd Audit Committee established, and 3 independent directors re-appointed. The Audit Committee held 8 meetings (A) in 2021. The attendance of each independent director is described below:

Title	Name	Actual attendance (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A)	Note
Independent Director	Wen-Bin Wu	8	0	100%	
Independent Director	Chuen-Rong Leu	8	0	100%	
Independent Director	Min-Kai Lin	8	0	100%	

Other details to be documented:

I. In case of any following situation during the operation of the Audit Committee, the date, term of the meeting, content of the proposal as well as the objection or qualified opinion or material suggestions of the independent directors, the Audit Committee's resolutions, and the Company's resolution on the opinions of the Audit Committee shall be specified.

(I) Matters specified in Paragraph 5, Article 14, Securities and Exchange Act:

Meeting date of the Board of Directors & Audit Committee/term of the Audit Committee	Content of proposal	Objection, qualified opinion or material suggestions of the independent directors	Resolutions of the Audit Committee The Company's resolution on the Audit Committee's opinions

2021 1st meeting of the Board of Directors/5th meeting of the 2nd Audit Committee (01.25.2021)	1. Proposal of the Company's acquisition of the shares from T Company and indirect acquisition of the shares from H Company in accordance with the Company's Procedures for Acquisition or Disposal of Assets.	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of bank financing	None	
2021 2nd meeting of the Board of Directors/6th meeting of the 2nd Audit Committee (03.10.2021)	1. Proposal of delegation of CPAs and assessment of their independence and suitability.	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of the 2020 annual business report and financial statements	None	
	3. Proposal of the 2020 earnings distribution	None	
	4. Proposal of cash distribution from capital reserve	None	
	5. Proposal of 2020 internal control effectiveness evaluation and internal control system statement	None	
	6. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 3 rd Domestic Unsecured Convertible Bonds"	None	
	7. Proposal of the Company's 2020 earnings distribution for remuneration to directors.	None	
	8. Proposal of the first issuance of secured ordinary corporate bonds	None	
	9. Proposal of the joint guarantee for issuance of the Company's secured ordinary corporate bonds	None	
	10. Proposal of amendments to the Procedures for Acquisition or Disposal of Assets.	None	
2021 3rd meeting of the Board of Directors/7th meeting of the 2nd Audit Committee (04.28.2021)	1. Proposal of the Company's financial report, Q1 2021	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of the endorsement/guarantee to SIRIZE Technology (Suzhou)Corp.	None	
2021 4th meeting of the Board of Directors/8th meeting of the 2nd Audit Committee (06.10.2021)	1. Proposal of common share conversions requiring new share issuance, pursuant to the "Guidelines of the 3 rd Domestic Unsecured Convertible Bonds"	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of the endorsement/guarantee to Sigurd UTC Corp.	None	
2021 5th meeting of the Board of Directors/9th meeting of the 2nd Audit Committee (07.15.2021)	Proposal of additional capital expenditure	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
2021 6th meeting of the Board of Directors/10th meeting of the 2nd Audit Committee (08.04.2021)	1. Proposal of additional endorsement/guarantee amount to invested companies	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of cash capital increase for UTC Holdings Corporation	None	
	3. Proposal to issue the 4th domestic unsecured convertible bonds	None	
2021 7th meeting of the Board of Directors/11th	1. Proposal of the Company's financial statement for Q3, 2021	None	The proposal was passed with consents of

meeting of the 2nd Audit Committee (11.03.2021)	2. Proposal of common share conversions requiring new share issuance, pursuant to the “Guidelines of the 3rd Domestic Unsecured Convertible Bonds”	None	all the attending members and approved by all the Board members in attendance.
2021 8th meeting of the Board of Directors/12th meeting of the 2nd Audit Committee (12.22.2021)	1. Proposal of the audit plan for 2022	None	The proposal was passed with consents of all the attending members and approved by all the Board members in attendance.
	2. Proposal of the material capital expenditure in 2022	None	
	3. Proposal of the endorsement/guarantee to invested companies	None	
	4. Proposal to establish the Company’s “Corporate Governance Best Practice Principles”	None	

(II) Other than the aforementioned matters, other resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors: none.

II. For the enforcement of recusal upon conflicts of interest among independent directors, the independence and name of the director, content of the proposal, reason for the recusal, and participation in the voting process or not shall be described: none.

III. Descriptions of the communications between the independent directors, The Company’s Chief Audit Executive, and the independent auditors (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(I) The Company’s Chief Audit Executive communicates with the independent directors regularly on the results of audit findings, and reports to the Audit Committee quarterly to present internal audit matters. The Chief Audit Executive may also report to the Audit Committee immediately if any material matters occur. The Company’s Chief Audit Executive maintains clear and open communication with the Audit Committee.

(II) The accountant reports to the members of the Audit Committee irregularly on matters relating to the audit of the Company's financial position. The accountant reports to the independent directors at least twice a year on the results and findings of the financial statements audits, financial accounting standards, and changes in relevant securities and tax regulations. The accountant will also report to the members of the Audit Committee immediately if any material matters occur. The Company’s certified accountant maintains clear and open communication with the Audit Committee.

(III) Deviations between the Company’s Corporate Governance and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
I. Does Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance practices principles?	✓		The Company established the “Corporate Governance Best Practice Principles” on December 22, 2021.	In compliance with the “Corporate Governance Best Practice Principles”
II. Shareholding Structure & Shareholders’ Equity				
(I) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	✓		The Company has established the review standards and guidelines of the operational process for the annual general meeting accepting shareholders’ proposals, and a speaking system to handle the recommendations, questions, disputes of shareholders, and implement the procedure.	Pursuant to the spirit of the procedures, the shareholders’ interests are protected and shareholders are treated fairly; there is no deviance.

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
(II) Does the Company possess a list of major shareholders and beneficial owners of these major shareholders?	✓		Through the interactions with major shareholders, the Company is able to grasp the lists of major shareholders controlling the Company de facto, and the ultimate controllers of these shareholders.	In compliance with the "Corporate Governance Best Practice Principles"
(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	✓		The Company has clearly divided the authorities and responsibilities for personnel and properties from the affiliates. There is no irregular transaction, and the proper firewall is built.	The "Corporate Governance Best Practice Principles" are conformed to without deviation.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	✓		The Company has established measures and regulations to prevent insider trading, which prohibits company insiders from using information that is unavailable on the market to obtain improper benefits for themselves or others. The Company disseminates this information internally on an annual basis. Aside from regular announcements, the Company discloses guidelines on its website for managers and employees to check at their convenience. We also inform internal stakeholders on significant matters that should be noted on an irregular basis. The Company provided educational courses to directors, managers, and employees from October 15-24, 2021 and on December 22, 2021. The content of the courses included the confidentiality of important information, the causation of insider information, the identification process and examples of such transactions. Presentation slides from the courses are sent to directors, managers, and employees for reference.	In compliance with the "Corporate Governance Best Practice Principles"
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board of Directors establish and implement a policy of diversification and specific management objectives?	✓		For the composition of the Company's Board of Directors, the diversity of the members are considered from various aspects. They have the required knowledge and capacities of different fields to enable them perform their duties, and the capability to implement. The Chairman Shin-Yang Huang, the Director Tsan-Lien Yeh, Hsu-Tung Kuo, Min-Hung Wu, Wen-Yuan Lin, Ming-Chun Chiu, and the Independent Directors, Wen-Bin Wu, Chuen-Rong Leu, and Min-Kai Lin, all have the capabilities of operational judgement, accounting and finance, operating and managing, risk handling, as well as the industrial knowledge, views of international markets,	In compliance with the "Corporate Governance Best Practice Principles" without deviation.

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			leadership, and decision-making ability.	
(II) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		✓	The Company has currently established the Remuneration Committee and the Audit Committee; other committees may be established based on evaluations in the future.	The Remuneration Committee and the Audit Committee have been set up pursuant to laws, and thus The "Corporate Governance Best Practice Principles" are conformed.
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reports the results of performance to the Board of Directors, and uses the results as reference for directors' remuneration and renewal?		✓	<p>The Company's Board of Directors have approved the "Guidelines for Evaluating Performance of the Board of Directors," on August 7, 2019, which require the Board of Directors to evaluate the performance of the Board of Directors, directors, the Remuneration Committee and the Audit Committee at least once a year. An external institution shall be commissioned to evaluate the performance of the Board of Directors once every three years. At the end of 2021, Taiwan Institute of Ethical Business and Forensics was commissioned as an external institution to evaluate the performance of Board of Directors in the current year pursuant to the Guidelines. The following five major aspects are covered in the measurements of the evaluations against the performance of the Board of Directors:</p> <ol style="list-style-type: none"> (1) The participations to the Company's operation (2) The enhancement of the quality of the Board of Directors' decision-making. (3) The composition and structure of the Board of Directors. (4) The professional and continuing educations of directors (5) Internal controls. <p>The following items are covered in the measurements of the evaluations against the performance of the directors:</p> <ol style="list-style-type: none"> (1) The understanding to the goals and missions of the Company (2) The awareness to the functions of directors (3) The participations to the Company's operation (4) The operations and communications of the internal operating relationship (5) The professional and continuing 	In compliance with the "Corporate Governance Best Practice Principles"

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			<p>educations of directors</p> <p>(6) Internal controls.</p> <p>The following items are covered in the measurements of the evaluations against the performance of the Remuneration Committee and the Audit Committee:</p> <p>(1) The participations to the Company's operation</p> <p>(2) The awareness to the functions of functional committees</p> <p>(3) The enhancement of the quality of the functional committees' decision-making.</p> <p>(4) The composition and member selection of the functional committees.</p> <p>(5) Internal controls.</p> <p>The secretary unit is responsible for the implementation of the evaluation, and internal questionnaire surveys are conducted for the performance evaluation of the Board members and functional committees. Based on the four parts including the appraisal to the Board of Directors' performance, the appraisal to the directors (self or by peer), and the appraisal to the two functional committees, the Remuneration Committee and the Audit Committee, the Directors evaluate themselves, and the members of the Remuneration Committee and the Audit Committee evaluate the committees they belong to, respectively. The outcomes of such performance evaluations will be referred to when selecting or nominating directors; the outcomes of evaluations against the performance of the directors and the members of the functional committees are referred for their remuneration.</p> <p>The Company has completed the performance evaluation of the Board of Directors (by an external institution), the directors, the Remuneration Committee, and the Audit Committee in February 2022. After receiving the questionnaires, the Company's secretary unit will analyze the previous data and present the self-evaluation results and directions for continuous improvement to the 1st Board meeting on March 8, 2022. Through these questionnaires, the directors may strengthen the effectiveness of the board, which in turn enhances the overall competitiveness of the Company and builds the confidence of</p>	

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
			market investors.	
(IV) Does the Company regularly evaluate its external auditors' independence?	✓		<p>The Audit Committee of our Company evaluates the independence and competency of the CPAs annually, and submits the assessment results to the Board of Directors for further approval. Our evaluation methods regarding the CPAs' independence are as follows:</p> <ol style="list-style-type: none"> 1. The Company's CPAs shall not be related or engage in any form of employment with the Company or any director. 2. The Company's CPAs shall have no other interest or business dealings with the Company except for audit or tax assurance engagements. 3. The Company handles the rotation of the CPAs in accordance with relevant regulations. 4. In accordance with the respective regulations, the Company conducts an annual assessment of the suitability and independent nature of the certified public accountant who signs off on the annual report. The indicators to assess the CPA firm include the scale and reputation of the CPA firm, the number of years that the CPA firm has continuously provided audit services, the nature and scope of non-audit services provided, audit fees, peer reviews, not engaged in any legal action or under investigation by the relevant authorities, quality of audit services, status of regular continuous training, interaction with management and internal audit supervisors etc. The CPA and firm must provide the respective information and the CPA Declaration of Independence and submit the audit result to the Board for resolution. In the past two years, the dates in which the audit results were resolved were March 8, 2022 and March 10, 2021, respectively. On March 8, 2022 and March 10, 2021, The Audit Committee and the Board of Directors of the Company evaluated the independence of the CPAs for the 2021 and 2020 financial statements. Both CPAs Chih-Cheng Hsieh and Tsai-Yen Jiang met the independence criterion. 	In compliance with the "Corporate Governance Best Practice Principles"

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
IV. Has the Company allocated suitable and sufficient corporate governance staff and appointed corporate governance manager responsible for corporate governance matters (including, but not limited to, furnishing information required for business execution by directors, assisting directors in complying with laws and regulations, handling matters related to board and shareholder meetings in accordance with the laws, producing meeting minutes of board and shareholder meetings, etc.)?	✓		The Board of Directors of the Company has adopted the appointment of a corporate governance manager and setup of a concurrent unit on June 10, 2021. The designated manager and unit will be responsible for corporate governance related matters (including, but not limited to, furnishing information required for business execution by directors, handling matters related to board of directors and shareholder meetings in accordance with the laws, handling company registration and alteration registration, producing meeting minutes of board and shareholder meetings, etc.).	In compliance with the "Corporate Governance Best Practice Principles"
V. Has the Company established a means of communicating with its Stakeholders None (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	✓		The Company has set up several reporting channels such as employee mailboxes, spokesperson mailboxes, and direct lines for shareholders, customers, suppliers and the general public to get in touch with. Stakeholders may reach out and communicate with the Company's responsible personnel at all times should the need arises. In addition, the Company has established sections for "Stakeholders" on its website for investors' further reference. The Company seeks to actively maintain open communication with its stakeholders to understand their needs and expectations through several reporting lines. These actions may also serve as an important reference for the Company to establish its corporate social responsibility policies and other relevant projects.	In compliance with the "Corporate Governance Best Practice Principles"
VI. Has the Company appointed a professional shareholders affairs agency for its Shareholders'	✓		The Company commissions the Transfer Agency Department of KGI Securities Co., Ltd. to deal with the matters related to the	In compliance with the "Corporate Governance Best Practice Principles"
VII. Information Disclosure				
(I) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	✓		The Company has the "Investors" section set up at the Company's website to disclose the information on the financial business and corporate governance of the Company.	In compliance with the "Corporate Governance Best Practice Principles"
(II) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing	✓		The "Investors" section set up at the Company's website, and the information regarding its financials, business and corporate governance status may also be accessed through the MOPS. Dedicated personnel have been appointed to take charge of information collection and	In compliance with the "Corporate Governance Best Practice Principles"

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
spokespersons, webcasting investors conference etc.)?			disclosure, to disclose the information of decisions affecting the shareholders and stakeholders fairly and timely. Competent personnel are appointed as the spokespersons and the deputies.	
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?		✓	The Company disclosed its financial statements for the fiscal year ending 2021 on March 8, 2021, earlier than the specified deadline required by law. The Company will disclose its Q1, Q2, Q3 financial statements and monthly performance reports as soon as possible within the specified timeline, so as to provide transparency with company information and enable investors to understand the Company's performance results.	In compliance with the "Corporate Governance Best Practice Principles". The Company will set the announcement and reporting of the annual financial statements within two months after the end of the fiscal year as the goal.
VIII. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?		✓	<p>1. The Company has established the working rules of employees, and the content is enforced thoroughly, to protect the employees' interests.</p> <p>2. The Company has established the guidelines of employee retirement, with contributions to the pension funds pursuant to requirements, to provide them stable retirement lives.</p> <p>3. The Company has established the guidelines of prevention from the sexual harassment in workplaces, and handling the complaints, to provide good workplaces to the employees.</p> <p>4. Employees' interests and care for them: the Company has always taken the approaches of mutual benefits and win-win for harmonious labor relations. The managerial systems are handled pursuant to the labor related laws and regulations.</p> <p>5. Investor relationship: the Company has the spokespersons and deputy spokespersons system in place, to maintain the investor relationship.</p> <p>6. When communicating with employees, suppliers, investors, and stakeholders, the Company always takes the good faith approach, to communicate with them sincerely, and addresses issues in the most reasonable ways. Never once dispute or quarrel occurs.</p> <p>7. Continuing education taken by the directors: please refer to the following.</p> <p>8. The implementation of risk management policies and measure standards of risks: The</p>	In compliance with the "Corporate Governance Best Practice Principles"

Assessment Items	Implementation Status			Deviations to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			<p>Company focuses on the major business, and promoting each policies by accommodating related laws and regulations, while establishing</p> <p>9. Implementation of client policies: the Company has professional customer service personnel in place to provide good services and a channel to address clients' questions.</p> <p>10. Insurances bought for directors and supervisors by the Company: the Company buys liability insurances for the directors, supervisors, and key personnel.</p> <p>11. The Company also has established the quality policies, to continuously enhance the product quality. Also the Company's principle of operation is good faith, to take care interests of both shareholders and employees.</p>	
<p>IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved: Enhancing the corporate governance, the Ethical Management Principles, Procedures for Ethical Management and Guidelines for Conduct have been established; the English version of the financial reports and annual reports, the Investors section of the external website, and the disclosures of financial and business information are enhanced.</p>				

Continuing Educations Taken by the Directors:

Date	Courses taken	Study hours (Hour)	Participant
110.08.18	Securities and Future Institute: Advanced seminar for the practices of directors and supervisors (independent directors included) as well as the head of corporate governance - key 5G Technologies, Applications, and Opportunities	3	Independent Director, Wen-Bin Wu
110.09.01	Financial Supervisory Commission - The 13th Taipei Corporate Governance Forum	3	Independent Director Chuen-Rong Leu
110.09.08	Securities and Future Institute: Advanced seminar for the practices of directors and supervisors (independent directors included) as well as the head of corporate governance - Opportunities in the Semiconductor Foundry, Advanced Packaging Technology and Supply Chain	3	1. Independent Director Wen-Bin Wu 2. Independent Director Chuen-Rong Leu 3. Independent Director Min-Kai Lin
110.12.22	Taiwan Corporate Governance Association - Early Deployment for Inherence of Wealth	3	1. Chairman Shin-Yang Huang 2. Director Tsan-Lien Yeh 3. Director Hsu-Tung Kuo 4. Director Min-Hung Wu 5. Director Wen-Yuan Lin 6. Director Ming-Chun Chiu 7. Independent Director Min-Kai Lin
110.12.22	Taiwan Corporate Governance Association – Ethical Management and Legal Compliance	3	1. Chairman Shin-Yang Huang 2. Director Tsan-Lien Yeh 3. Director Hsu-Tung Kuo 4. Director Min-Hung Wu 5. Director Wen-Yuan Lin 6. Director Ming-Chun Chiu

(IV) Where the Remuneration Committee is established, the composition, responsibilities, and operations shall be disclosed

1. Information on the members of the Remuneration Committee

December 31, 2021

Identity		Condition	Name	Professional qualifications and experience	Independence status	Number of other public companies where the member concurs as a member of the Remuneration Committee
Independent director (convener)	Wen-Bin Wu			<ol style="list-style-type: none"> MBA, College of Management, National Taiwan University Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. None of the independent director or his spouse or relatives within the second degree of kinship holds (or holds in the name of others) any shares of the Company and the shareholding is zero. The independent director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 6 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	1
Independent Director	Chuen-Rong Leu			<ol style="list-style-type: none"> Bachelor of Communication Engineering, College of Engineering, National Chiao Tung University Have work experience for more than 25 years in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 992 shares (0%) of the Company and his spouse holds 427 shares (0%) of the Company. The independent director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 6 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	0

Independent Director	Min-Kai Lin	<ol style="list-style-type: none"> MBA of the Department of Accounting, College of Management, National Taiwan University Have work experience for more than 20 years in the areas of finance, accounting, investment and wealth management, or otherwise necessary for the finance or accounting matters of the company None of the conditions indicated under Article 30 of the Company Act. 	<ol style="list-style-type: none"> None of the director or his spouse or relative within the second degree of kinship is a director, supervisor or employee of the Company or an affiliate. As for the number of Company's shares held by the director and his spouse and relatives within the second degree of kinship (or held in the name of others), the director holds 35,000 shares (0.01%) of the Company and his spouse or relatives within the second degree of kinship (or holds in the name of others) holds the shareholding is zero of the Company. <ol style="list-style-type: none"> The independent director is not a director, supervisor or employee of any company having special relationship with the Company (in reference to Subparagraphs 5~8, Paragraph 1, Article 6 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). The amount of the remuneration in the most recent two years for providing the Company or affiliates with commercial, legal, financial, accounting or related services is zero. 	0
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2. Responsibilities of the Remuneration Committee: The extent of the committee's authority includes developing and reviewing the performance assessments of directors and managers, as well as the policies, system, structure, and standards of compensation periodically. The Committee have evaluated and determined the salary of board directors and managers regularly.

3. Operation status of the Remuneration Committee: The members of the Remuneration Committee of the Company is appointed upon the resolution of the Board of Directors. There are a total of three members and one of whom is the convener.

4. Operation of the Remuneration Committee

(1) The Remuneration Committee of the Company is comprised of three members.

(2) Term of the Members in the Intake: From June 23, 2020 to June 9, 2023. In 2021, the Remuneration Committee had convened three meetings (A).

The qualifications and attendance of each members are as following:

Title	Name	Actual attendance (B)	Frequency of attendance through proxy	Actual attendance rate (%) (B/A)	Note
Convener (Independent Director)	Wen-Bin Wu	3	0	100%	None
Member (Independent Director)	Chuen-Rong Leu	3	0	100%	
Member (Independent Director)	Min-Kai Lin	3	0	100%	

Other details to be documented:

- I. Shall there be any recommendation of the Remuneration Committee not accepted or modified by the Board of Directors, the date, meeting, description of proposal, resolutions of the Board of Directors, and the Company's treatment to the Remuneration Committee (e.g. the remunerations passed by the Board of Directors are better than the Remuneration Committee's recommendation; the deviations and causes shall be specified): None.
- II. Any resolution of the Remuneration Committee objected by any member, or with reserved opinions, recorded or by written statements, the date, meeting, description of proposal, and the opinions of all members, and the treatment to members' opinions shall be specified: none.
- III. The discussion and resolution results of the Company's Compensation Committee, and the Company's handling of the committee members' opinions for 2021 are as follows:

Date	Content of proposal	Resolution
The 2nd meeting of the 4th Remuneration Committee (03.10.2021)	<ol style="list-style-type: none"> 1. Proposal of the Company's 2020 earnings distribution for remuneration to managers and employees 2. Proposal of the Company's 2020 earnings distribution for remuneration to directors 3. 2020 performance evaluation outcomes of the Board of Directors and functional committees and improvement plan 	The proposal was passed with consents of all attending members and approved by all the Board members present at the 2nd meeting in 2021 held on March 10, 2021. Implementation was conducted pursuant to the resolution and the matters were reported to the competent authority in accordance with laws and regulations.
The 3rd meeting of the 4th Remuneration Committee (06.10.2021)	<ol style="list-style-type: none"> 1. Proposal of the Company's earnings distribution for remuneration to managers 2. Proposal of the remuneration to the Company's head of corporate governance 	The proposal was passed with consents of all attending members and approved by all the Board members present at the 4th meeting in 2021 held on June 10, 2021. Implementation was conducted pursuant to the resolution and the information on the Company's head of corporate governance was reported to the competent authority within the deadline in accordance with laws and regulations.
The 4th meeting of the 4th Remuneration Committee (11.03.2021)	Proposal of the Company's earnings distribution for remuneration to managers.	The proposal was passed with consents of all attending members and approved by all the Board members present at the 7th meeting held on November 03, 2021. Implementation was conducted accordingly.

5. Information on the members and operations of the nomination committee:

N/A

(V) Deviations between the implementation of the Company's sustainable development and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes

Item	Implementation (Note 1)			Deviations to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Y e s	N o	Summary	
I. Does the Company have a governance structure that promotes sustainable	✓		1. The Company implemented sustainable development (ESG) projects in 2021 and	The Company set up the governance

<p>development, and establish a special unit or designate an existing unit for the task of sustainable development promotion? Does the Board of Directors of the Company authorize the management to handle relevant matters and how does the Board of Directors supervise relevant matters?</p>		<p>announced to all the employees that it was the first year of sustainability and the Company established the Sustainable Development Committee this year. The Committee is formed with the Chairman of the Company as the chair and comprised of the subordinate “Environmental and Occupational Safety Group”, “Green Operation Group”, “Human Resources Group”, “Innovation Management Group”, Corporate Governance Group”, and “Social Relation Group”. All of these groups are subject to the leadership of senior managers.</p> <p>2. The groups deal with respective ESG issues, develop short-term, med-term and long-term strategies, and define measurable sustainable environment goals. The groups report these to the Sustainable Development Committee on a regular basis so that it can have adequate real-time information. After the Sustainable Development Committee have made resolutions, the groups implement them accordingly within their respective authority.</p> <p>3.The Sustainable Development Committee holds meetings on a regular basis and the issues discussed and the resolutions are recorded in the meeting minutes as evidence and for subsequent follow-up actions. After the General Manager and Chairman give their approval by affixing their signatures, the Sustainable Development Committee shall report the result of the meeting to the Board of Directors.</p>	<p>structure for the promotion of the sustainable development in December 2021 and established a special unit or designate an existing unit for the task of sustainable development promotion. We will make plans to authorize the management to handle relevant matters and the Board of Directors will supervise relevant matters.</p>
<p>II. Does the Company follow materiality principles to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy?</p>	<p>✓</p>	<p>1. The Company makes risk assessment of orders. The Board members and senior managers participate in the discussion on any activates involved in the business operation of the Company.</p> <p>2.As the ESG issues become more important, the Company plans to establish complete systems for the standards, processes, and results of the risk assessment. Risk management policies and strategies must also be available. For these, a dedicated committee must be obligated to raise and review relevant proposals and submit them to the Board of Directors for supervision.</p>	<p>The Company will put forward an optimization plan for the risk assessment and review the risk in the respective material ESG issues.</p>
<p>III. Environmental Issues (I) Has the Company set an environmental management system designed to industry characteristics?</p>	<p>✓</p>	<p>1. All the plants and subsidiaries of the Company act in compliance with the ISO 14001 Environmental Management Systems, adopt the PDCA management methodology, and establish an environmental management system. The</p>	<p>The Company and subsidiaries implemented sustainable development projects in 2021 and</p>

		<p>actual practices include setting up organizations, arranging personnel, establishing and implementing environmental management regulations, conducting internal inspection at the Group level, and taking corrective, preventive, follow-up and improvement actions based on the findings and proposals.</p> <p>2. In addition, as for the daily implementation result of the management system referred to in 1, the information shall be collected and assessment shall be made with respect to the impact of the operating activities on the natural environment at least once a year, and a report shall be submitted to the management so that it can have adequate real-time information, confirm the effectiveness, and review and modify concrete schemes or action plans to realize the spirit of the continuous improvement.</p> <p>3. All the plants and subsidiaries of the Company have passed the certification of ISO 14001 Environmental Management Systems and maintain the effectiveness of the certificate on an ongoing basis.</p> <p>4. The Company implemented sustainable development (ESG) projects in 2021 and announced to all the employees that it was the first year of sustainability and the Company established the Sustainable Development Committee this year. The Committee is formed with the Chairman of the Company as the chair and comprised of the subordinate “Environmental and Occupational Safety Group” with a senior manager as the leader. He/she summarizes the matters referred in 1~3 and the issues on the sustainability of the environment, and help the Sustainable Development Committee have adequate real-time information. The Environmental and Occupational Safety Group prepares short-term, med-term and long-term strategies, concrete schemes or actions in advance, defines measurable sustainable environment goals, submits them to the Sustainable Development Committee, and carries out the implementation after the Sustainable Development Committee gives its approval.</p>	<p>established the Sustainable Development Committee. As for the measurable sustainable environment goals, we are summarizing the international trends, national laws and customer’s requirements and expectations. Hence, the measurable sustainable environment goals are currently under continuous optimization.</p>
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<p>(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?</p>	<p>✓</p>	<p>1. The Company takes energy reduction measures, uses the equipment of high energy efficiency in design, reduce the energy consumption of the Company and products, and increases the use of the renewable energy to optimize the energy efficiency.</p> <p>2. The Bureau of Energy sets forth a reduction of the energy consumption by 1% as the annual goal. The consumption of the energy in 2021 was reduced by 302.9Mwh (1.93%) and the annual goal was achieved as planned. In the future (2022~2024), we will follow the regulations of the Bureau of Energy and plan to install the generation equipment of renewable energy (solar panels) and procure green electricity to improve the efficiency of the renewable energy every year.</p> <p>3. The Company has established the HSF management system and acquired the QC080000 certificate to ensure that packaging materials comply with international regulations, including the EU RoHS, REACH, Halogen Free directives, and customer's requirements, to reduce the impact on the environment.</p> <p>4. As for green manufacturing, we reduce unnecessary waste of resources, dedicate ourselves to the reduction of the waste, and develop recycling technologies. We work with our upstream and downstream partners to recover and share packaging materials, such as the recycle of the cartons/cushion materials/bubble wraps/wafer cassettes/trays, to maximize the benefit of the circular economy.</p> <p>Actual performance: The goal in 2021 was set to NT\$40,000 thousand and the actual total amount was NT\$41,698 thousand with an achievement rate of 104.25%.</p> <p>The goal of this year: The goal of 2022 is set to NT\$42,000 thousand.</p> <p>5. The waste generated from the production lines (D-0299), such as aluminum foil bags and tape-on-reel, is treated and recovered by professional waste treatment plants under commission. They are converted to RDF (Refuse Derived Fuel) to maximize the benefit of recycling.</p>	<p>The Company is dedicated to the sustainable development and there is no significant deviation.</p>
<p>(III) Does the Company evaluate current and future climate change potential risks and opportunities and take related measures?</p>	<p>✓</p>	<p>1. The Company implemented sustainable development (ESG) projects and took climate change (TCFD) assessment measures in 2021. In the meantime, we established the Sustainable Development</p>	<p>The Company and subsidiaries implemented sustainable development projects</p>

		<p>Committee with the Chairman of the Company as the chair. It is the highest governance unit of the Company and subsidiaries with respect to the issues of climate change.</p> <p>2. The Sustainable Development Committee has subordinate implementation units and assists them with their responsible affairs, products and processes with reference to the suggestions of the TCFD, an international organization, on the climate-related financial disclosures. In addition to the risk and opportunity, it assesses the overall circumstances of the Company using situation analysis tools to validate the stress testing and its result, such as the impact on finance.</p> <p>3. The Company identifies the annual risk and opportunity with respect to the climate change as follows: (The first two points are subject to the TCFD methodology while the rest is subject to situational identification.)</p> <p>(1) Risk:</p> <p>①Policy and regulation: The pricing of the GHG emissions leads to increase of the payment to the government.</p> <p>②Immediateness: The frequency and severity of the typhoon and flood are increased.</p> <p>(2) Opportunity:</p> <p>①Source of energy: Use of low-carbon technology.</p> <p>②Toughness, energy alternative/diversification</p> <p>(3) Others</p> <p>①Climate abnormality leads to shortage of energy or resources. For example, draught leads to tight water supply and high temperature leads to unstable power supply or power rationing. All of these affect the daily operation and production of the Company. And, the increasing price of the energy and material leads to soar-up of the operating cost.</p> <p>②As for the supply chain management and other risks arising from force majeure, the Company will make adjustment from time to time for the deficiency in our emergency response plan, business continuity strategy, and insurance planning.</p> <p>4. To reduce the risk factors referred to in the preceding point, the Company and subsidiaries will assess the result of the situation analysis, develop short-term, med-term and long-term strategies, formulate management measures, define</p>	<p>and established the Sustainable Development Committee in 2021. As for the risk and opportunity of the Company with respect to the climate change, we will make supplements continuously, conduct risk assessment and management, and further optimize the indicators with reference to the international trend, national laws and customer's requirements and expectations.</p>
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		<p>frameworks and indicators, and submit them to the Sustainable Development Committee for resolutions.</p> <p>5. As for the opportunity, the Company will establish strategies on renewable energy, equipment and relevant measures to achieve the goal in the proportion of the renewable energy and reduce GHG expenditure. The Company will take the following countermeasures:</p> <p>(1) The Company reports greenhouse gas inventory information on a regular basis, confirms the sources of emissions, increases green equipment and implements green procurement strategies to improve the competitive strength.</p> <p>(2) The Company implements energy saving and carbon reduction plans on an ongoing basis. We have a plan on the direction for the reduction of emissions and reduce the cost expenditure on electricity and water consumption. We also increase our operating revenue, fulfill our social responsibility, and implement sustainable development strategies to reduce the impact on the environment.</p> <p>6. The risk and opportunity of the Company with respect to the climate change will be disclosed in our 2021 sustainability report.</p>													
<p>(IV) Does the Company collect data for greenhouse gas emissions, water usage, and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction, and other waste management policies?</p>	<p>✓</p>	<p>1. GHG emissions: The inventory and verification data that all the plants of the Company acquired were the results of the internal calculation. There was no Scope 3 calculation or any third-party verification. GHG emissions in the most recent two years: (The Scope 1 and Scope 2 information covers Beixing, Zhongxing and Hukou plants. Unit: tonCO₂e)</p> <table border="1" data-bbox="735 1536 1142 1753"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> <th>Unit product Emission (TonCO₂e/k die (Note))</th> </tr> </thead> <tbody> <tr> <td>109</td> <td>144.73</td> <td>72805.57</td> <td>0.013555</td> </tr> <tr> <td>110</td> <td>148.42</td> <td>79413.99</td> <td>0.012746</td> </tr> </tbody> </table> <p>Note: A unit product stands for 1,000 dies; each piece of wafer stands for 1,000 dies.</p> <p>The total GHG emission of Scope 1 and Scope 2 in 2021 was 7.95 tonCo₂e and the emission of a unit product was about 0.0127kgCO₂e/k die. The primary source was the electricity emission in Scope 2, occupying 99.8% of the aforesaid</p>	Year	Scope 1	Scope 2	Unit product Emission (TonCO ₂ e/k die (Note))	109	144.73	72805.57	0.013555	110	148.42	79413.99	0.012746	<p>The Company is dedicated to the sustainable development and there is no significant deviation.</p>
Year	Scope 1	Scope 2	Unit product Emission (TonCO ₂ e/k die (Note))												
109	144.73	72805.57	0.013555												
110	148.42	79413.99	0.012746												

		<p>emission, followed by the mobile source of emissions in Scope 1 (transportation) such as oil and fuel. It occupied 64% of the Scope 1 emission and 0.18% of the aforesaid emission.</p> <p>To keep up with the international reduction trend, the Company established the Sustainable Development Committee in 2021 to take the responsibility for the reduction and follow-up actions.</p> <p>Greenhouse gas inventory as a short-term goal will be conducted continuously in 2022 pursuant to ISO 14064.</p> <p>The GHG emission per product in 2021 was 0.0127 tonCO₂e/k die. This was less than the emission of 0.0141 tonCO₂e/k die in 2020 and lower than the indicator of the previous year by 5.96%. Major reduction measures included replacing a great number of old air compressors with new ones, installing new energy-saving nitrogen generators and nitrogen efficiency monitoring systems, implementing UPS 800KVA ECO energy-saving plans, and washing and maintaining blowers at each floor to ensure energy saving and carbon reduction performance.</p> <p>To sum up, the absolute carbon reduction in 2021 (Scope 1 and Scope 2) increased by 9.07% YoY due to increase of the production volume. However, with effective carbon reduction measures, both the carbon emission per product and the absolute carbon emission will be reduced expectedly.</p> <p>To cope with the climate change and promote the sustainable operation of the Company, we will develop more in the solar panels and other green products and reduce GHG emissions based on the results of the inventory and footprint verification. It is expected that the GHG emission will be reduced by 10~15% by 2025 and more than 50% by 2030 in comparison with the base year to achieve the long-term goal of carbon neutrality.</p> <p>2. Water consumption: The Company has paid attention to the issues on the water saving and environmental protection many years. The water saving measures starts from the implementation in our daily life to maximize the benefit of the available water resource.</p> <p>Water consumption in the most recent two years:</p>	
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(All the plants and subsidiaries)Unit: million tons		
Year	Total water consumption	Water saving amount
109	357.5	3.64
110	325.9	4.03

The Company is engaged in testing business using domestic water instead of special process water. The water saving measures include recovering the condensate water from the air handling unit to the cooling tower on the 4th floor and replacing the auto sensing faucets of some washbasins with manual spraying ones to save water. In 2021, with the implementation of the water resource management and water saving plans, about 4.03 tons of water were conserved with a reduction rate of about 1.24%.

3. Waste:

The Company is dedicated to the protection of the environment. For this, we review the performance and conduct internal audit every year.

To realize the recycling of resources on a sustainable basis, the Company recovers carbons, cushion materials, bubble wraps, wafer cassettes, and other wastes generated from the production lines. In 2021, we found a supplier that can recover aluminum foil bags and tape-on-reel wastes. By doing so, we acquired more benefit from used plastics and reduce the generation of the waste.

Waste generated in the most recent two years:

(All the plants and subsidiaries)Unit: ton		
Year	Hazardous industrial waste	Non-hazardous industrial waste
109	5.27	289.20
110	53.04	270.26

Recovery in the most recent two years:

(All the plants and subsidiaries)Unit: ton	
Year	Recovery
109	345.44
110	379.06

270.26 tons of wastes were generated in 2021. Compared to 2020, the generation volume was reduced by 7% and the recovery volume was increased by 9.7%. The Company keeps controlling total wastes and conducting reclamation to reduce wastes effectively.

<p>IV. Social Issues</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	<p>✓</p>	<p>To implement the corporate social responsibility, the Company is committed to the protection of the employees' rights, and thus obtain the respect and integrity agreed by the international society. We emphasize the labor rights and occupational safety, and go toward the common vision. We take good faith and integrity, seek sustainable operation, value environment protections, produce green products, take energy-saving and greenhouse emission reduction measures, and emphasize the continuous improvement of performance. In pursuance of these commitments, in October 2015, the Company referred to the regulations of the largest alliance of the global electronic industry (Electronic Industry Citizenship Coalition; it changed its name to Responsible Business Alliance or RBA in October 2017) and adds, establishes and amends relevant internal regulations to persistently make effort for the rights and welfare of the companies and communities in the supply chain of the global electronic industry.</p> <p>In addition to using the RBA standards to measure our performance in the respects of society, environment and ethics, the Company applies these standards to our major suppliers and recommends RBA tools and standards to them. We also audit our suppliers based on the RBA standards to ensure that they act in compliance with the labor, ethics, environment, health and safety regulations.</p>	<p>The Company is dedicated to the sustainable development and there is no significant deviation.</p>
<p>(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>	<p>✓</p>	<p>1. The employee welfare measures include the following:</p> <p>(1) Annual salary adjustment/year-end and festival bonus: Dragon Boat Festival bonus, Mid-Autumn Festival bonus, Spring Festival bonus, high operational performance bonus, favorable profit sharing plan for employees.</p> <p>(2) Free regular health inspections for employees / favorable group insurance plan for family members</p> <p>(3) Birthday gifts/holiday vouchers/wedding and funeral subsidies/year-end party/recognition of long-term employees/various employee benefits and activities.</p> <p>(4) Providing meal allowance for lunch/employee cafeteria/convenient store/health center/nursing room/staff dormitory/staff lounge/ car and motorcycle parking space.</p> <p>(5) A staff welfare committee is</p>	<p>The Company is dedicated to the sustainable development and there is no significant deviation.</p>

		<p>established to carry out various types of employee welfare activities with the purpose of seeking maximum benefits for staff and creating a quality environment for work-life balance.</p> <p>(6) Labor insurance, affairs related to the health insurances, and the contributions of labor pensions are handled and maintained pursuant to the related laws and regulations; in addition, the occupational injury compensation and paid leaves are provided.</p> <p>2. The Company adjusts the salary with reference to the salary level on the market, economic development trend, and personal performance to maintain the overall competitiveness of the salary. The salary was adjusted to the extent of 4% in 2021.</p>	
<p>(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</p>	<p>✓</p>	<p>1. The Company establishes the occupational safety and health policies pursuant to the Occupational Safety and Health Act and the regulations of our customers and related organizations, and values the requirements of relevant stakeholders for the occupational safety and health to build a healthy workplace of happiness.</p> <p>All the plants of the Company have dedicated teams for prevention of accidents, occupational safety and health, occupational health nursing service, and factory administration. They integrate the matters related to occupational safety and health within the factory and put forward effective measures.</p> <p>Accident prevention measures: Infrared scanning of switchboards every week performed from 2021, inspection of storages within the factory before long weekends, inspection of internal and external surroundings before typhoons, and so on.</p> <p>Other routine prevention measures include enhancement of the protection management for the operators, provision of regular educational training and dissemination, and arrangement of professional occupational health doctors to enhance the prevention of occupational disease personally in the factory to build a zero-accident environment. The Company also creates quantified indicators, organizes more occupational safety and health activities, improves overall occupational safety and health performance, and control risk effectively.</p> <p>2. The Company's certification: The Company and the Beixing, Zhongxing</p>	<p>The Company is dedicated to the sustainable development and there is no significant deviation.</p>

		<p>and Hukou plants have passed the ISO 45001:2018 and ISO 14001:2015 certification. We also accept audit for the effectiveness of the certificates every year. All the certificates are currently effectiveness.</p> <p>3. The disabling injury frequency rate in 2021 (excluding the accidents occurring during the commute to and from the Company) was 0.92 and less than the disabling injury frequency rate of 1.51 in 2020, and achieved the goal of 1.4. There are a total of six occupational accidents occurring in the plants of the Company and six employees were affected, occupying 0.24% of the total employees at the end of 2021. The zero-accident goal was not achieved last year.</p> <p>The Company establish improvement measures for every accident occurring in the plant, such as inspection of the safety interlock components of machines, post-up of warning labels, enhancement of dissemination and educational training, to ensure the safety of the employees during the work. The purpose of monitoring the work environment is to protect workers from being exposed to the hazards at the workplace and provide them with a healthy and comfortable work environment. Monitoring of the work environment is conducted twice a year to understand the actual exposure status of the workers.</p> <p>The Environment & Security Department of the Company prepares work plans every year. The head of the Environment & Security Department acts as the convener within the respective plants. The annual plan audit and the statistical performance evaluation of the occupational safety and health and environmental protection are conducted at the end of the year. The annual goals and plans for the occupational safety and health as well as environmental protection are defined at the same time.</p> <p>The construction conducted by the contractor is inspected and recorded every day. The personnel responsible for the occupational safety and health within the respective plants shall provide a weekly report and submit it to the Environment & Security Department every week, and shall conduct review with respect to the improvement suggestions at the monthly meeting.</p>	
(IV) Has the Company established effective career development training plans?	✓	Based on the indicators and requirements of the Workforce Development Agency's Talent Quality-management System	The Company is dedicated to the sustainable

		<p>(TTQS), the Company has made the “Talent Quality-management Manual” as the highest principle for the training. Each year, the annual education and training plan is formulated according to the business objectives of annual strategy plan, the employees and the customers’ product demands, and covers the following:</p> <ol style="list-style-type: none"> 1. Orientations for new employees: Supporting the new employees to rapidly understand the corporate culture, adapt themselves to the workplace and get familiar with their future tasks; such as the Company’s profile and regulations, occupational safety and health awareness, concept of quality, information about ISO documents, etc. 2. On-the-job training: With the system of mentorship adopted, letting the junior or new employees increase their professional knowledge and personal productivity within a short time through the demonstration by senior personnel; such as training based on the training system form of each position system. 3. Management training: Enhancing the managerial personnel’s leadership and management skills, so that they have both the knowledge of theories and experience of practices and continuously apply the knowledge and improve during the practices; such as training based on the training system form of the managerial personnel’s position. 4. Quality-related training: Increasing the internal awareness of quality and improving the audit methods to reduce the failure rate of quality control, and assisting the employees in meeting the specific quality requirements of customers and complying with relevant regulations; such as training based on the training system form of the category of quality. 5. General knowledge training: Strengthening the internal personnel’s awareness of the relevant regulations and policies, customer requirements and factory needs, so that they can have the basic knowledge and skills; such as training regarding the corresponding general knowledge based on each training system form. 6. Training for internal lecturers: Enhancing the teaching effects and 	<p>development and there is no significant deviation.</p>
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		<p>skills of internal lecturers to satisfy the actual requirements of employees at work, carry out the internal talent training plan, and further reach the objectives of internal experience sharing and corporate sustainable operation.</p> <p>7. Training in public safety: Increasing the employees' familiarity with the basic style, strategies, policies and regulations related to public safety at work in Taiwan, making the employees acquire the basic knowledge and skills regarding public safety management, and firming the employees' understanding on the equipment and related routes of the Company to ensure the safety of employees at work.</p> <p>8. Environmental, safety and health training: Understanding the local regulations related to environmental protection, safety and health as well as the relevant requirements of the agreements that the Company has signed, thereby enhancing the energy and resource efficiency in production activities, promoting energy saving, reducing waste of resources, and achieving the safe work environment and the objectives of zero accidents.</p>	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect rights of the consumers and customers and for their appeal procedures?	✓	<p>1. All the products and services of the Company are subject to related regulations and international rules.</p> <p>2. As for the customer service and its quality, the sales unit creates a customer rights protection system through communication to ensure responding to the requirements of the customer instantly.</p>	The Company is dedicated to the sustainable development and there is no significant deviation.
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor rights, and their implementation status?	✓	<p>1. The Company establishes the "External Supplier Management Procedure" and requests new suppliers to sign a supplier RBA commitment letter (containing labor rights, code of ethics, environmental protection, occupational safety, company's commitments, and risk management) and occupational safety and health commitment letter (ISO45001) during the selection. The Company implements ethics and integrity as the basis of the cooperation in the supply chain management through strict supplier selection process, on-site evaluation and quarterly ranking, and requires that all the suppliers must meet the aforementioned conditions.</p> <p>2. Selection of new suppliers: A supplier</p>	The Company is dedicated to the sustainable development and there is no significant deviation.

		<p>questionnaire and an environmental management questionnaire must be completed. The supplier RBA commitment letter, occupational safety and health commitment letter (ISO45001), and hazardous substance free declaration must be signed or stamped and returned.</p> <p>3. Evaluation and audit of suppliers: The Company forms an audit team. the QA department prepares an audit plan and provide guidance every year, and take follow-up and improvement measures for the deficiencies of the suppliers.</p> <p>4. Quarterly ranking: This is conducted for key suppliers. The performance is supervised based on the quality, delivery time, price, service and technique. The results are used as a basis for evaluation and placement of orders.</p> <p>5. Risk assessment of suppliers: The suppliers in the supplier list are reassessed to determine their low, medium and high risk and make adjustment every year based on the quality audit, ISO certification, BCP, quarterly ranking result, and transaction amount. An on-site audit is conducted pursuant to the level of risk and relevant regulations.</p>	
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquired 3rd certification party verification or statement of assurance?	✓	<p>1. The Company will publish the 2021 Sustainability Report in 2022 pursuant to the GRI Standards, TCFD and SASB.</p> <p>2. The Company will commission British Standards Institution for verification of our 2021 Sustainability Report and issuance of a verification report in 2022.</p>	The Company is dedicated to the sustainable development and there is no significant deviation.
<p>VI. If the Company has its own established according to the Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the established Principles:</p> <p>The Company established the Sustainable Development Committee in December 2021 and adopted the “Sustainable Development Best Practice Principles” of the Company at the 1st meeting of the Board of Directors on March 8, 2022 in order to enhance the CSR practices, promote the improvement of the economy, environment and society, and achieve the goals of sustainable development. The Company reviews the implementation of the Principles on a regular basis and there is no significant deviation up to now.</p>			

VII. Other important information to facilitate better understanding of the company's implementation of the sustainable development:

(I) Environment

1. The Company defines the environmental policies pursuant to environmental protection regulations.
2. A preventive system has been established for the products and processes to avoid environmental hazards.
3. The Company has established an integrated management system and designated units and personnel for the management. In addition, the Company has passed the ISO14001 Environmental Management System certification and kept the certificate effective in order to incorporate energy saving and carbon reduction in the operations of the Company.
4. The Company has established training and dissemination systems and dedicated to the enhancement of the environmental awareness and accountability of the employees.
5. The Company has established an internal audit system to review internal operation processes, legal compliance and internal regulations. Follow-up actions and corrective or preventive measures are taken properly for any violations identified.
6. The Company sponsors local governments for their environmental equipment.

(II) Society

1. The Company has established human right policies. All the employees have the same work rights without discrimination in gender, race, religion and political party.
2. A good work environment has been established to protect employees from discrimination or harassment.
3. The Company is dedicated to creation of health and safe work environment. All the plants have been certificated by the Health Promotion Administration as outstanding healthy work environment. The Company is the only entity in the technology industry that received the "Healthy Senior Citizens Award", an award to the company that has a friendly environment for middle-aged and aged employees, in 2020. The average seniority of the employees over 45 years of age was 13.7 years. 274 employees have served for more than 10 years, occupying 68% of the total employees.
4. The Company has established training and dissemination systems, dedicated to the enhancement of the labor rights protection awareness and accountability of the supervisors, and communicated labor rights and interests to the employees properly.
5. Communication channels, such as labor-management meetings, are available at the workplace.
6. The Company received the national excellent healthy workplace award in 2017, 2019 and 2020 for our friendly work environment. We persist in taking care of the employees both physically and mentally, provide health-related lectures, and arrange occupational health doctors for on-site medical service. Employees can receive medical advice free of charge and the doctors can inspect the production lines and give safety-related suggestions. Dedicated occupational health nurses were appointed for each plant and they provide the most convenient and timely personal health care for employees.
7. The Company donates to social welfare institutions from time to time.
8. The Company actively participates the activities of academic groups.
9. The Company has partnership between industries and academics to provide the internships for the students, which in turn giving the assistance to these interns' paper topics, researches, and future careers. For example:
 - (1) The Company worked with colleges and the Ministry of Education starting in 2011 to implement various industry-academia collaboration projects, including practical training for different learning programs, special industry-academia classes, collaborative teaching of industry experts, machine donations, and scholarship. The Company has collaborated with more than 15 colleges and 39 departments. About 700 (or 689) students have participated in the projects.
 - (2) The Company has collaborated with many schools to provide special classes for foreign and expatriate students in line with the New Southbound Policy. A total of about 200 students from Vietnam, Indonesia, and the Philippines have participated in the classes. We have also worked with Institutes of technology to train technical talents that can meet the requirements of the semi-conductor industry, and form a training mode in consideration of the "study" and "employment" of the students.
10. Diversity in promotion:
 - (1) The Company implements projects for training of new employees and performance-based adjustment of salary. The projects aim to help new employees understand the comprehensive training programs and enhance their awareness of stable employment. We applied to the Workforce Development Agency for the Youth's Employment Ultimate Program and assigned mentors to new young employees under 29 and help them adapt to the work environment and learn skills as soon as possible under the guidance of the mentors. A total of about 500 employees have been trained up to now.
 - (2) The Company works with government agencies to hire employees with different specialties on a long-term basis, such as employment center, Council of Indigenous Peoples, and labor affairs department.

(3) The Company participates in the Training and Experiencing Program for Indigenous College Graduates and arranges visit for the middle-aged, aged and indigenous job seekers to help them have a quick understanding of the work in the semi-conductor industry.

(4) A high hourly pay project was provided in 2021 to cope with the COVID-19 pandemic and encourage the specific people who lost their jobs during the pandemic to come back to the workplace as soon as possible.

(5) Participation in the employment projects of the government: Labor Shortage Employment Incentives, Job Training And Readjustment Program, Employment Subsidies for Job-seekers, Employment Explore Supporting Program for High School Graduates, and Employment Stabilization Program

(6) The Company invites the guidance team of the government to visit the plants for specific employees, help redesign the tasks for middle-aged, aged employees, and disabled employees, improve the work environment, and assist the employees in the stabilization of their employment.

11. The Company invites the physicians from medical centers to take care of the health of the employees and establishes epidemic prevention policies and measures depending on the change of the pandemic. The COVID-19 prevention team monitors the epidemic and implements prevention measures strictly. The Company provides quick test kits for the employees having suspected symptoms or contact records and gives epidemic prevention and isolation leave with pay to encourage employees to report the epidemic comfortably. The nurse cares for the employees by phone and provides correct health education of epidemic prevention.

12. The Company provides suitable physical examination combinations for the employees at different ages and gives health promotion programs depending on their health classification to improve their personal health and vitality. The Company also works with external consultant companies that provide Employee Assistance Program (EAP), and have professional consultant provide free counseling services in the respect of personal relationship, marriage, gender relation, finance, law, and psychology.

13. A Wish at Christmas and Heartwarming Charity Activity: The online shopping and electronic invoice carriers developed rapidly due to less direct contact during the epidemic period. The sheltered workshop of the Children Are Us Foundation, a disadvantaged organization, that relies on collection of invoices suffered much less sales of their products and the amount of subsidies from the prize-winning invoices to the foundation was affected, too. With the contribution to the society in mind, the Company called on the employees to organize the "A Wish at Christmas and Heartwarming Charity Activity". With the spirit of mutual help, the employees supported the activity and collected about 3,000 invoices for the Children Are Us Foundation.

14. Supports of Sigurd for you during the epidemic: To protect the epidemic prevention personnel for vaccination in other locations, the Company donated epidemic prevention resources and showed our appreciation to them for their selfless contributions.

(III) The Company's operation makes all possible efforts to enhance the competitiveness and the health growth of profit, to feedback the shareholders, clients, as well as take care of employees, protect human rights and consumers' rights, while valuing the health and safety of employees, and thus the Company contribute positively to the society.

(VI) Deviations between the Company’s ethical management implementations and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and their Causes

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and programs				
(I) Has the Company established its ethical corporate management policies and procedures passed by the Board of Directors, as well as the commitment of its Board of Directors and executives to implementing the management policies in its rules and external documents?	✓		The Company has established the “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct” to actively fulfill the commitment of ethic management made by the Board of Directors and management.	Conformed to
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis, at least covering the preventive measures to the behaviors specified in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies“?	✓		In the “Procedures for Ethical Management and Guidelines for Conduct” established by the Company, it is specified the guides regarding offering and acceptance of bribes; illegal political donations; improper charitable donations or sponsorship; offering or acceptance of unreasonable presents or hospitality, or other improper benefits; misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights; engaging in unfair competitive practices; and damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.	Conformed to
(III) Has the Company established the operational procedures, guidelines of conduct, punishment for violation, rules of complaint in the program preventing unethical conduct, implemented precisely, and reviewed and/or amended the aforementioned program?	✓		Based on the principles of fairness, honesty, trustworthiness, and transparency, the Group conducts the business activities. To implement the Group’s operating policies, the Company has established the “Ethical Corporate Management Best Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct,” to regulate the notable issues when	Conformed to

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and their Causes
	Yes	No	Summary	
			conducting business by the Group's personnel, specifies operating procedures and guidelines for conducts, disciplinary actions to violations and the appealing system. All these are implemented, and the aforesaid programs are regularly reviewed and amended, with implementation, review, and amendment.	
II. Consolidation of Ethical Corporate Management				
(I) Has the Company evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	✓		The Company has evaluated the ethical records of parties it does business with and stipulated ethical conduct clauses in business contracts?	Conformed to
(II) Has the Company established a dedicated unit that is under the board of directors, report the ethical corporate management policies, prevention proposals for unethical behaviors, and their supervision to the implementation, to the board of directors on a regular basis (at least once a year)?	✓		The RBA Promotion Committee is the dedicated unit taking charge of promotion, and reports the implementation to the Board of Directors on a regular basis.	Conformed to
(III) Has the Company established policies to prevent conflict of interests, provided appropriate channels for filing related complaints and implemented the policies accordingly?	✓		In the "Procedures for Ethical Management and Guidelines for Conduct," the related parties with conflict of interests shall recuse and not participate in the discussion and resolution.	Conformed to
(IV) Has the Company established effective accounting systems and internal control systems, and the internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans to examine accordingly the compliance with the prevention programs, or engage a certified public accountant to carry out the audit?	✓		The Company has established the effective accounting system and internal control system; the internal auditors conduct the audits based on the annual audit plan as the implementation.	Conformed to
(V) Does the Company hold internal and external educational training on operational integrity regularly?	✓		The Company holds internal and external educational training on operational integrity regularly?	Conformed to
III. Reporting System of the Company				
(I) Has the Company created substantial reporting and incentive systems and convenient reporting channels and assigned suitable dedicated personnel to investigate parties being reported?	✓		The Company provides the undisrupted channel of complaint, and a dedicated unit is set to handle the related affairs pursuant to the official process.	Conformed to
(II) Has the Company established any standard operating procedures or related confidentiality	✓		The communication and responses within the Company shall be	Conformed to

Assessment Items	Implementation Status			Deviations to the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and their Causes
	Yes	No	Summary	
mechanisms for handling reported matters?			handled pursuant to the required process, and it is specified that the related managers are responsible for keeping the concerned parties' information confidential.	
(III) Does the Company adopt measures to protect reporters from being treated inappropriately because of their reports?	✓		All the whistle-blowing process is confidential, and the whistleblower is protected from any disciplinary actions due to whistle-blowing.	Conformed to
IV. Reinforced Information Disclosure				
(I) Has the Company disclosed information regarding its ethical corporate management principles and implementation status on its website and the MOPS?	✓		The Company has established the Chinese and English website, and appoints the dedicated personnel in charge of the collection and disclosure of the Company's information, and implements the spokesperson system.	Generally conformed to
V. If the Company has its own Ethical Corporate Management Best Practice Principles established according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the differences between its implementation and the principles: the Company has established the "Ethical Corporate Management Best Practice Principles," and the "Procedures for Ethical Management and Guidelines for Conduct" pursuant to regulations; the implementations are not deviant to these principles.				
VI. Other important information to help understand ethical corporate management and operation (such as the status of reviews/amendments to the Ethical Corporate Management Best Practice Principles):				
(I) The Company complies with the Company Act, the Securities and Exchange Act, the Commerce Accounting Act, and the laws and regulations related to the TWSE or TPEx listed Companies, as the base to implement the ethical management.				
(II) In the Rules of Procedure for Board of Directors Meetings of the Company, the recusal system of the Directors is established. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of this Corporation, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.				
(III) The Company has established the "Managerial Operation to Prevent Insider Trading," and clearly specifies that no director, manager, or employee with knowledge of material inside information of the Company may divulge the information to others, inquire about or collect any non-public material inside information of the Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their duties.				

(VII) If the Company has established Corporate Governance Principles and related regulations, the inquiry methods shall be disclosed: the Company has the "Ethical Corporate Management Best Practice Principles," and the "Procedures for Ethical Management and Guidelines for Conduct," among the related regulations, to effectively supervise the functions of the higher

management. In addition, the information, pursuant to the regulations set forth by the competent authorities, is disclosed at the Company's website and the MOPS for external inquiries. The spokesperson system is also established to respond to the investors' inquiries.

(VIII) Other important information that is sufficient to boost knowledge of corporate governance shall be disclosed as well

1. Continuing education for directors in the most recent year (2021): please refer to the aforementioned continuing education for directors of 2021.
2. Status of purchasing liability insurance for the Company's directors and managers: the Company continues to purchase liability insurance for the Company's directors and managers in 2021.

(IX) Implementation of the Internal Control System:

1. If CPA was engaged to conduct a special audit of the internal control system, provide its audit report: none
2. Internal Control System Statement

Sigurd Microelectronics Corporation
Internal Control System Statement

Date: March 8, 2022

Based on the findings of a self-assessment, Sigurd Microelectronics Corporation states the following with regard to its internal control system during the year 2021:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- 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 stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TSMC takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its 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 five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes several items. These aforementioned items are set forth in the "Regulations."
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 8, 2022, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Sigurd Microelectronics Corporation

Chairman: Shin-Yang Huang

General Manager: Tsan-Lien Yeh

(X) Any legal sanctions against the Company or its internal personnel, or any disciplinary action taken by the Company against its own personnel for violating internal control requirements, in the most recent year up to the publication date of this annual report; where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and improvement status: none.

(XI) Important decision reached in shareholders' meetings and made by the Board of Directors and the Remuneration Committee in the latest year and up to the date this Annual Report was printed:

1. Shareholders Meeting

Date	Resolution	implementation
07.15.2021 Annual general shareholders' meeting	Proposal for ratification of the 2020 Business Report and financial statements	Handled based on the ratified matters in the AGM
	Proposal for ratification of the 2020 earning distribution	Handled based on the ratified matters in the AGM The meeting of the Board of Directors was convened on July 15, 2021, for the matters related to the dividend decision/distribution/completion. The ex-dividend transaction date was decided on August 16, 2021; the period of transfer suspension was August 18, 2021 to August 22, 2021. Base date of dividend distribution: August 22, 2021 Pay date of cash dividends: September 3, 2021 Period of conversion suspension of CB3 in 2021: July 28 to August 22, 2021. II. Proposal to adjust the shareholders' cash bonus distribution percentage for 2020 (adjusted to NT1.98021712 per share) III. Proposal to adjust the price of the 3rd domestic unsecured convertible bond. (Adjusted from 34.8 to 33.2 per share for CB3 from August 22, 2021)
	Proposal of cash distribution from capital reserve.	The cash distributed from earnings and capital reserve was made at the same time. The cash distribution percentage of capital reserve was adjusted for distribution (to NT\$0.891096770 per share). The cash was distributed on September 3, 2021.
	Proposal of amendments to the Procedures for Acquisition or Disposal of Assets	After receiving approval from the shareholders' meeting on July 15, 2021, the Company updated and disclosed the revised Procedures for Acquisition or Disposal of Assets to the MOPS and the Company's official website on July 29, 2021. Relevant matters are processed in accordance with the revised procedures.

	<p>Approved the proposal to revise the rules of procedure for shareholders' meeting</p>	<p>After receiving approval from the shareholders' meeting on July 15, 2021, the Company updated and disclosed the revised Rules of Procedure for Shareholders' Meetings to the MOPS and the Company's official website on July 29, 2021. Relevant matters are processed in accordance with the revised rules.</p>
	<p>Proposal of amendments to the Articles of Association.</p>	<p>The proposal was adopted at the shareholders' meeting on July 15, 2021. The Company conducted the alteration registration with the Ministry of Economic Affairs prior to July 29, 2021 and acquired the approval of registration from the Ministry of Economic Affairs on August 12, 2021. Relevant matters are processed in accordance with the revised rules.</p>

2. Board of Directors

Board of Directors (year and date)	Key Contents
1st Meeting of the Board of Directors in 2021 (01.25.2021)	The Board of Directors adopted the acquisition of shares from Sigurd UTC Corp. and indirect acquisition of the shares from UTC Holdings Corporation in cash.
2nd Meeting of the Board of Directors in 2021 (03.10.2021)	<ol style="list-style-type: none"> 1. Proposal of 2020 consolidated & individual financial statements 2. Proposal of dividend distribution 3. Proposal of holding 2021 annual general shareholders' meeting 4. Proposal of the first issuance of secured ordinary corporate bonds
3rd Meeting of the Board of Directors in 2021 (04.28.2021)	Proposal of the Company's financial report, Q1 2021
4th Meeting of the Board of Directors in 2021 (06.10.2021)	<ol style="list-style-type: none"> 1. The Board of Directors adopted the resolution to appoint a head of corporate governance. 2. Change of the date of the 2021 annual general shareholders' meeting
5th Meeting of the Board of Directors in 2021 (07.15.2021)	<ol style="list-style-type: none"> 1. Proposal of additional capital expenditure in 2021 2. The Board of Directors adopted the base dates for distribution of dividends and cash distribution from capital reserve 3. Proposal to issue the 4th domestic unsecured convertible bonds 4. Announcement of the major resolutions of the 2021 annual general shareholders' meeting
6th Meeting of the Board of Directors in 2021 (08.04.2021)	<ol style="list-style-type: none"> 1. 2021 Q2 consolidated financial statement 2. 4th domestic unsecured convertible bonds 3. Proposal of cash capital increase for UTC Holdings Corporation
7th Meeting of the Board of Directors in 2021 (11.03.2021)	<ol style="list-style-type: none"> 1. The Company's cyber security incidents report 2. Proposal of the Company's financial statement for Q3, 2021
8th Meeting of the Board of Directors in 2021 (12.22.2021)	Proposal of the material capital expenditure in 2022
1st Meeting of the Board of Directors in 2022 (03.08.2022)	<ol style="list-style-type: none"> 1. Proposal of dividend distribution 2. Proposal of holding 2022 annual general shareholders' meeting 3. Proposal of 2021 consolidated & individual financial statements

(XII) During the most recent fiscal year up to the date of publication of the annual report, any director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the Board of Directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: none.

(XIII) A summary of resignations and dismissals, during the most recent fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer

Aggregated table of resignation or discharge of the Company related persons

December 31, 2021

Title	Name	Date of inauguration	Date of discharge	Reason of resignation or discharge
Head of corporate governance	Chiao-Ling Kuan	110.06.10	-	-

Note: Company related persons refer to the chairman, general manager, head of accounting, head of finance, head of internal audit, head of corporate governance, and head of R&D

V. Information Regarding Independent Auditors

Unit: NTD Thousand Dollars

Name of Accounting Firm	Name of CPA	Audit period by the CPAs	Fees for Audit	Fees for Non-Audit	Total	Note
PwC Taiwan	Chih-Cheng Hsieh	110.01.01~110.12.31	9,900	1,081 (Note)	10,981	None
	Tsai-Yen Jiang					

Note: Business registration 341, tax consultations 490, merger and acquisition consultations 150, CPA's opinions on issuance of convertible bonds 100.

- (I) When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: none
- (II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefore shall be disclosed: none.

VI. Information regarding independent auditor replacement

Not applicable

VII. Chairman, General Manager, and managers in charge of financial or accounting affairs of the Company that held a post in the firm that the CPA is affiliated with or its associated enterprise:

Not applicable

VIII. Any transfer of equity interests and/or pledge of or change in shares by any director, supervisor, manages, or shareholder in the most recent fiscal year up to the printing date of the annual report.

(I) Transfer of shares

Unit: share

Title	Name	2021		The year up to Up to April 11, 2022	
		Number of shares held Increase (decrease)	Shares pledged Increase (decrease)	Number of shares held Increase (decrease)	Shares pledged Increase (decrease)
Director/General Manager	Shin-Yang Huang	0	0	0	0
Director/General Manager	Tsan-Lien Yeh	0	0	0	0
Director and General Manager of the Business Group	Hsu-Tung Kuo	0	0	0	0
Director/Chief Financial Officer	Min-Hung Wu	0	0	0	0
Director	Wen-Yuan Lin	0	0	0	0
Director	Ming-Chun Chiu	0	0	0	(3,000,000)
Independent Director	Chuen-Rong Leu	0	0	0	0
Independent Director	Wen-Bin Wu	0	0	0	0
Independent Director	Min-Kai Lin	0	0	35,000	0
Senior Vice General Manager	Kuang-Shun Yang	5,000	0	0	0
Vice General Manager	Chin-Te, Kuo	0	0	0	0
Senior Vice General Manager	Ja-Hung Hsieh	0	0	0	0
Vice General Manager	Hsu-Ming Tsou	0	0	0	0
Vice General Manager	Wen-Hao Su	0	0	0	0
Vice General Manager	Ching-Cheng Tien	(72,000)	0	0	0
Senior Assistant General Manager	Jui-Jen Feng	0	0	0	0
Senior Assistant General Manager	Shih-Hsin Hsu	0	0	0	0
Assistant General Manager	Wei-Hua, Hsiung	0	0	0	0
Assistant General Manager	Wen-Hsien Lee	4,000	0	0	0
Assistant General Manager	Chia-Chieh Liu (Note 2)	—	—	0	0
Assistant General Manager	Chien-Chung Lin (Note 2)	—	—	0	0
Head of Accounting and Controller	Chi-Chang Chen (Note 1)	0	0	0	0
Head of Corporate Governance and Chief of Finance Department	Chiao-Ling Kuan (Note 3)	—	—	0	0

Note 1: Mr. Chi-Chang Chen was appointed as the new Head of Accounting on March 11, 2020.

Note 2: Mr. Chia-Chieh Liu and Mr. Chien-Chung Lin were promoted to assistant general managers on May 01, 2021.

Note 3: Miss. Chiao-Ling Kuan was appointed as the Company's head of corporate governance on June 10, 2021

Note 4: Shareholders holding 10% or more shares of the Company shall be specified as major shareholders, and listed individually: Not applicable.

(II) Information of stock trade and stock pledge counterparts as related parties: Not applicable.

(III) Information of stock pledge counterparts as related parties: None.

IX. Top Ten Shareholders in Terms of Shareholding, and their inter-relationships

Name	Shares held by him/herself		Share held by the spouse or any minor children		Shares held under others' names Total shares held		The title or name and relationship among shareholders in the top ten shareholding list who are related, spouse to each other, or relatives within the second degree of kinship		Note
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (Or name)	Relation ship	
Yann Yuan Investment Co., Ltd.	14,200,000	3.14	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Shin-Yang Huang	7,215,771	1.59	503,495	0.11	Not applicable	Not applicable	None	None	None
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan	6,134,546	1.36	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership under the custody of HSBC	6,124,000	1.35	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Ming-Chun Chiu	5,791,769	1.28	1,031,976	0.23	Not applicable	Not applicable	None	None	None
Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan	5,686,585	1.26	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Taiwan Cooperative Bank, Ltd.	4,455,000	0.98	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Union Bank of Taiwan	4,050,000	0.89	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
IShares Core MSCI Emerging Markets ETF under the custody of Standard Chartered Bank (Taiwan) Ltd.	3,737,700	0.83	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None
Ensign Peak Advisors Inc. under the custody of HSBC	3,467,318	0.77	Not applicable	Not applicable	Not applicable	Not applicable	None	None	None

X. Shares Held by the Company, Directors, Supervisors, Managers of the Company, and
Businesses Controlled Directly or Indirectly by the Company of Same Reinvested
Business and Consolidated Calculation of Comprehensive Shareholding Ratio

December 31, 2021
Unit: thousand shares, %

Re-invested business	The Company's investment		Investments by the directors, supervisors, managers, and the directly/indirectly controlled businesses		Consolidated investments	
	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio	Number of shares	Shareholding Ratio
Sigurd International Co., Ltd.	30,254	100%	—	—	30,254	100%
SIGURD MICROELECTRONICS (CAYMAN) CO.,LTD.	—	—	35,503	78.33%	35,503	78.33%
Sigurd Micro Electronics (Wuxi) Co.,Ltd	—	—	Note	100%	Note	100%
TEST-SERV Inc.	80,200	100%	—	—	80,200	100%
Flusol Co., Ltd.	Note	96.66%	Note	3.34%	Note	100%
Burgurd Co., Ltd.	Note	100%	—	—	Note	100%
SIRIZE Technology (Suzhou)Corp.	—	—	Note	100%	Note	100%
Bloomeria Limited	2,202,218	100%	0	0	2,202,218	100%
UTC Holdings Corporation	331,561	100%	—	—	331,561	100%
Sigurd UTC Corp.	—	—	101,930	100%	101,930	100%
Winstek Semiconductor Co., Ltd.	—	—	70,769	51.93%	70,769	51.93%
Winstek Semiconductor Technology Co., Ltd.	—	—	310,000	100%	310,000	100%
AMBERSAN Medical Technology Co., Ltd..	3,630	55%	—	—	3,630	55%
Ge-Shing Cooperation	200	0.65%	30,737	99.35%	30,937	100%
Flatek, Inc.	10,000	58.77%	—	—	10,000	58.77%
OPS Electronics Limited	—	—	10	100%	10	100%
OPS Electronic(ShenZhen) Limited	—	—	Note	100%	Note	100%
TPFUSION, INC.	—	—	1,125	75%	1,125	75%
TPfusion Corp.	—	—	98	98%	98	98%
Valuenet International Limited	—	—	50	100%	50	100%

Note: No shares are issued.

Four. Status of Fundraising

I. Source of Share Capital

(I) Source of Share Capital

April 11, 2022

Month/ Year	Issue Price	Approved Share Capital		Paid-up Share Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of Share Capital (NTD)	Subscripti on is paid with property other than cash	Other
109.09	10	700,000,000	7,000,000,000	423,513,732	4,235,137,320	The domestic convertible bonds converted to common stock amounted to \$20,033,380	None	Note 1
110.01	10	700,000,000	7,000,000,000	430,444,727	4,304,447,270	The domestic convertible bonds converted to common stock amounted to \$69,309,950	None	Note 2
110.05	10	700,000,000	7,000,000,000	442,611,334	4,426,113,340	The domestic convertible bonds converted to common stock amounted to \$121,666,070	None	Note 3
110.08	10	1,000,000,000	10,000,000,000	444,479,142	4,444,791,420	The domestic convertible bonds converted to common stock amounted to \$18,678,080	None	Note 4
110.12	10	1,000,000,000	10,000,000,000	451,758,883	4,517,588,830	The domestic convertible bonds converted to common stock amounted to \$72,797,410	None	Note 5
111.04	10	1,000,000,000	10,000,000,000	452,668,514	4,526,685,140	The domestic convertible bonds converted to common stock amounted to \$9,096,310	None	Note 6

Note 1: On September 02, 2020, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10901167310.

Note 2: On January 06, 2021, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 10901249680.

Note 3: On May 05, 2021, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 11001072830.

Note 4: On August 12, 2021, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 11001135220.

Note 5: On December 21, 2021, the change to the paid-up capital amount was approved by Letter Jing-Shang-Shou-Zhi No. 11001224380.

Note 6: As of April 11, 2022, the alteration has not been registered with the Ministry of Economic Affairs

Categories of Issued Shares

April 11, 2022

Categories of Shares	Approved Share Capital			Note
	Outstanding Shares (Listed Company)	Unissued shares	Total	
Common Shares (share)	452,668,514	547,331,486	1,000,000,000	Listed Shares

Information related to the shelf registration system: not applicable

(II) Structure of Shareholders

April 11, 2022

Structure of Shareholders Quantity	Governmental agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	13	364	76,162	245	76,784
Shares held (share)	0	13,541,000	29,000,207	314,266,648	95,860,659	452,668,514
Shareholding ratio	0%	2.99%	6.41%	69.43%	21.17%	100.00%

Note: Shareholding ratio of Mainland Chinese shareholders: 0

Note: Disclosure of the shareholding ratio of Mainland Chinese shareholders: "Mainland Chinese shareholders" refer to people, legal persons, organization, other institutions from Mainland China, or the companies invested by them in a 3rd place, set forth in Article 3 of the "Regulations for the Investment Permits to the Mainland Chinese in Taiwan."

(III) Distribution of Shares

April 11, 2022

Range of shareholding	Number of shareholders	Number of shares held	Shareholding ratio
1 ~ 999	30,472	1,431,809	0.32%
1,000 ~ 5,000	36,118	73,251,437	16.18%
5,001 ~ 10,000	5,330	41,852,526	9.25%
10,001 ~ 15,000	1,656	20,462,000	4.52%
15,001 ~ 20,000	991	18,285,543	4.04%
20,001 ~ 30,000	809	20,381,849	4.50%
30,001 ~ 40,000	361	12,894,978	2.85%
40,001 ~ 50,000	242	11,160,471	2.47%
50,001 ~ 100,000	440	30,999,000	6.85%
100,001 ~ 200,000	169	23,489,752	5.19%
200,001 ~ 400,000	82	22,988,926	5.08%
400,001 ~ 600,000	32	15,286,181	3.38%
600,001 ~ 800,000	16	10,805,985	2.39%
800,001 ~ 1,000,000	14	12,506,454	2.76%
Over 1,000,001	52	136,871,603	30.22%
Total	76,784	452,668,514	100.00%

Note: No preferential share issued by the Company

(IV) List of major shareholders: Up to the date of transfer suspension for the AGM 2022, no shareholder holds share of 5% or more; the top ten shareholders are as follows:

April 11, 2022

Name of the Major Shareholders	Shares	Shares held (share)	Shareholding Ratio (%)
Yann Yuan Investment Co., Ltd.		14,200,000	3.14
Shin-Yang Huang		7,215,771	1.59
Investment Account of Vanguard Emerging Markets Stock Index, under custody of Taipei Branch, JP Morgan		6,134,546	1.36
Dedicated Account of LSV Emerging Market Equity Fund Limited Partnership under the custody of HSBC		6,124,000	1.35
Ming-Chun Chiu		5,791,769	1.28
Investment Account of PGIA Advanced Comprehensive International Stock Index, under custody of the Taipei Branch, JP Morgan		5,686,585	1.26
Taiwan Cooperative Bank, Ltd.		4,455,000	0.98
Union Bank of Taiwan		4,050,000	0.89
IShares Core MSCI Emerging Markets ETF under the custody of Standard Chartered Bank (Taiwan) Ltd.		3,737,700	0.83
Ensign Peak Advisors Inc. under the custody of HSBC		3,467,318	0.77

(V) The share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information

Item		Year		
		2020	2021	
Market price per share	Highest	48.50	72.70	
	Lowest	27.20	43.65	
	Average	38.89	56.07	
Market price Net value	Before distribution	34.63	39.96	
	After distribution	32.55	Note	
Market price per share	Weighted average shares (in thousand shares)	422,912	446,115	
	Earning per share	4.22	6.25	
Market price per share	Cash dividend (for 2020, each share is distributed for NT\$2.0 from cash earnings and N\$0.9 from the capital reserve; for 2021, each share is distributed for NT\$3.0 from cash earnings and N\$1.1 from the capital reserve)		2.90	4.10
	Issuance of bonus share	Stock dividend from retained earnings	—	—
		Stock dividend from capital reserve	—	—
	Accumulated unpaid dividend		—	—
ROI analysis	Price to earning ratio	10.72	9.41	
	Price to dividend ratio	15.60	14.34	
	Yield of cash dividend	6.41%	6.97%	

Note: The Company has not yet convened the AGM to decide whether to distribute the capital reserve in cash for 2021.

(VI) Company's dividend policy and implementation:

1. The policies set forth in the Articles of Association

The Company will continue to expand the scale and profitability based on the operating and investment environment and demands of funds, while taking into account the shareholders' interests and capital adequacy ratio, and applies the residual dividend policy.

Conditions and timing of distribution: in case of profit at the end of fiscal year, the Company shall first compensate the accumulated losses with profits after tax, before contributing 10% of the remaining net profits as legal reserve; however, if the legal reserve has reached the total amount of the capital, it is not subject to the previous requirement, and the special reserve may be contributed or reversed. The remaining profits together with the previously retained net profits, based on the operation of the Company, shall be proposed to be used for distributing shareholders' dividends and bonus by the Board, and submitted to the

shareholder's meeting for its resolution.

Distribution of earnings may be done in cash dividends or stock dividends. Cash dividends are prioritized but stock dividends are an option, too. The shareholder dividends to be distributed for the current year shall be 10%~80% of the annual distributable earnings. The ratio of cash dividends to be distributed, in particular, may not be less than 10%.

2. Shall the Company be profitable for a fiscal year, based on the earnings, 8% to 12% shall be contributed as the remunerations to employees, and no more than 3% as the remunerations to directors and supervisors. Provided, when there are accumulated losses, such losses shall be firstly off-set before the aforesaid contributions.

The remunerations to employees may be distributed in cash or stocks; the eligible receivers are the employees in services and on the payroll of the Company, and the domestic/overseas subsidiaries where the Company holds 50% or more shares.

3. Proposal of dividend to the Shareholders' Meeting this year: to distribute NT\$4.1 cash dividend per share in 2021, including NT\$3.0 from earnings and N\$1.1 from the capital reserve as proposed at the shareholders' meeting this year.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: not applicable; no stock dividend is proposed to the Shareholders' Meeting this year.

(VIII) Remunerations to employees, directors, and supervisors

1. The percentages or ranges with respect to employee, director, and supervisor remunerations, as set forth in the Company's articles of incorporation: please refer to (VI)-2.
2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee remunerations, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: there is no discrepancy from the estimated employee and director remunerations, so no other accounting treatment needed.

- (1) The estimated earning distribution for 2021 is based on the conditions

and timing of distribution set forth in the Articles of Association.

- (2) The Board of directors approved the proposal of shareholders' dividend as distributing NT\$4.1 cash dividend per share, including NT\$3.0 from earnings and N\$1.1 from the capital reserve.
 - (3) The accounting treatment to the discrepancy between the actual amount of distribution and the estimation: shall there be any discrepancy between the actual amount of distribution resolved by the shareholders meeting next year and the estimation, the accounting treatment to be taken is the changes of accounting estimation, and the income will be adjusted in the year when the shareholders' meeting resolves such.
3. Distribution of remuneration approved by the Board of Directors: on March 08, 2022, the Board of Directors of the Company approved to issue employee remuneration of NT\$353,000,000, and Directors' remuneration of NT\$40,000,000 and for 2021. The total amount will be paid in cash. The amount resolved is identical to the amount recognized.
 4. Actual remunerations for employees and for directors and supervisors distributed for the previous year:

Distribution	Previous year (2020)				
	Decisions of the Board of Directors Actual distribution	Distribution proposed by the Board of Directors	Number of differences	Reason for difference	Action
1. Cash bonus to employees	NTD 218,000,000	NTD 218,000,000	—	—	—
2. Stock bonus to employees					
(1) Number of shares	—	—	—	—	—
(2) Amount	—	—	—	—	—
(3) Share price	—	—	—	—	—
3. Remunerations to directors and supervisors	NTD 30,000,000	NTD 30,000,000	—	—	—

(IX) Buyback: none

II. Corporate bond handling

(I) Outstanding and pending corporate bonds

Type of corporate bonds	3 rd Unsecured Convertible Bond	2021 1st Secured Ordinary Corporate Bond (Domestic)	4th Domestic Unsecured Convertible Bond
Issue Date	October 15, 2019	March 29, 2021	October 13, 2021
Face value	One Hundred Thousand New Taiwan Dollars	\$1,000,000 NTD	One Hundred Thousand New Taiwan Dollars
Place of Issuance and Trading	Issued in Republic of China; listed at TPex	Issued in Republic of China; listed at TPex	Issued in Republic of China; listed at TPex
Issue Price	The face value of each bond is One Hundred Thousand New Taiwan Dollars, and issued with the full amount of the face value.	Issued at par value	NTD 106.2 (issued at a premium; auction)
Total amount:	Total issued amount: NTD 1,206,000,000 Face value of each bond: NTD 100,000 (issued at 100.5% of the face value)	Total amount: \$3 billion NTD Number of issued bonds: 3,000	Total amount: \$1.5 billion NTD Number of issued bonds: 15,000
Interest rate:	Coupon rate is 0%	The coupon rate is a fixed rate of 0.58%	Coupon rate is 0%
Term	Three years Expired on: October 15, 2022	Five years Mature on: March 29, 2026	Three years Mature on: October 13, 2024
Guaranteed by:	Not applicable	Not applicable	Not applicable
Trustee	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.	CTBC Bank Co., Ltd.
Underwriter	KGI Securities Co., Ltd.	Mega Securities Co., Ltd.	KGI Securities Co., Ltd.
Attesting lawyer	Not applicable	Not applicable	Not applicable
Attesting accountant	Not applicable	Not applicable	Not applicable
Method of repayment	<ol style="list-style-type: none"> Duration: three years Method of repayment: other than the conversion to the Company's common shares by the convertible corporate bond holders pursuant to Article 10 of the Guidelines, or the Company's buyback from securities companies to cancel, at the expiration, the Company will repay in cast at once based on the bond's face value. 	<ol style="list-style-type: none"> Maturity: 5 years Repayment: Bullet repayment on the 5th year of the issued date Principal and interest repayment agency: The Company has entrusted Mega International Commercial Bank Co., Ltd. Hsinchu Branch as an agent for the repayment of bond principal and interest. The agency also handles the transfer of principal and interest payments by preparing and sending out the withholding payment vouchers to bondholders based on the registered securities holder list provided by the Taiwan Depository and Clearing Corporation. 	<ol style="list-style-type: none"> Duration: three years Method of repayment: other than the conversion to the Company's common shares by the convertible corporate bond holders pursuant to Article 10 of the Guidelines, or the Company's buyback from securities companies to cancel, at the expiration, the Company will repay in cast at once based on the bond's face value.
Outstanding principals	\$126.60 million NTD	\$3 billion NTD	\$1.5 billion NTD
Clause about redemption and early repayment	Not applicable	Not applicable	Please refer to the Company's Guidelines of Issuance and Conversion.
Restrictive terms	Not applicable	Not applicable	Not applicable
Name of the rating agency, date of rating, and outcome of the corporate bond rating	Not applicable	Not applicable	Not applicable

Type of corporate bonds		3 rd Unsecured Convertible Bond	2021 1st Secured Ordinary Corporate Bond (Domestic)	4th Domestic Unsecured Convertible Bond
With other rights	Up to the printing date of the annual report (March 31, 2022), the amount of the converted common shares	Converted CB3: 10,734 Converted common shares: 31,152,096 shares Converted NTD 1,073,400,000	The Company's bonds are calculated and paid once a year based on the simple coupon rate from the date of issuance. A joint bank guarantee is provided, with Mega International Commercial Bank acting as the lead bank and a total of 11 banks, which are Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank, Yuanta Commercial Bank, Shin Kong Commercial Bank, Agriculture Bank of Taiwan, Taishin International Bank, Chang Hwa Commercial Bank, and the Shanghai Commercial & Savings Bank, jointly guaranteeing 15%, 10%, 10%, 10%, 10%, 10%, 10%, 8.33%, 6.67%, 5% and 5% of the total issued amount respectively under the joint appointment contract and obligations contract for bond guarantees.	Converted CB4: 0 Converted common shares: 0 NT\$0
	Guidelines of Issuance and Conversion (Exchange or Subscription)	Please refer to the Guidelines of Issuance and Conversion for this time.	Please refer to the Guidelines of Issuance and Conversion for this time.	Please refer to the Guidelines of Issuance and Conversion for this time.
Guidelines of issuance, conversion, exchange, and subscription; the potential dilution and impacts to the current shareholders' interest from the issuance conditions.		This batch of unsecured convertible corporate bonds were issued to purchase machines and equipment, deemed as a positive boost to the EPS of the coming years, and thus there is no concern of earning dilution. Meanwhile, the Company has taken the outlook of the Company's development and preservation of shareholders' interests into account when determining the issuance conditions; it is not deemed to have any material impact to the potential dilution of shares.	The purpose of these funds is to repay loans from financial institutions and to increase working capital. Raising funds through ordinary corporate bonds can provide a long-term source of capital and avoid dilution of earnings per share, which will help improve the competitiveness of our business and reduce operational risks. Since the interest rate is at a relatively low level, the burden of interest is insignificant and will not have a material impact on earnings per share.	This batch of unsecured convertible corporate bonds were issued to purchase machines and equipment, deemed as a positive boost to the EPS of the coming years, and thus there is no concern of earning dilution. Meanwhile, the Company has taken the outlook of the Company's development and preservation of shareholders' interests into account when determining the issuance conditions; it is not deemed to have any material impact to the potential dilution of shares.
Custodian where the underlying exchange is trusted		Not applicable	Not applicable	Not applicable

(II) The status of the convertible corporate bonds with rights of conversion to common shares, overseas depository receipts, or other exchangeable securities: as of March 31, 2022, the information on the 3rd and 4th domestic unsecured convertible bonds issued by the Company is as follows:

Unit: NT\$

Type of corporate bonds		3 rd Domestic Unsecured Convertible Bond		4th Domestic Unsecured Convertible Bond	
Year		2021	The year up to March 31, 2022	2021	The year up to March 31, 2022
Market value of convertible bonds	Highest	205	184	120.5	119
	Lowest	130	168	105.9	2024
	Average	160.53	173.67	110.75	116.13
conversion price		33.2	33.2	65.4	65.4
Issued (Processed) date and the conversion price at issuance (\$NTD)		The conversion price at issuance on August 2, 2020: NT\$34.8. The conversion price was adjusted to NT\$33.2 on August 22, 2021.	Conversion price NT\$33.2	The conversion price at issuance on October 13, 2021: NT\$65.4	Conversion price NT\$65.4
Method to perform the conversion obligation		New share issued	New share issued	New share issued	New share issued

(III) Information of issued exchangeable corporate bonds: none

(IV) Common corporate bonds raised and issued through shelf registration: none.

(V) Information of issued corporate bonds with warrant: none

(VI) Handling of private-placed corporate bonds in the last three years: none:

III. Handling of preferential shares

None.

IV. Handling of overseas depository receipt

None.

V. Handling of employee stock options

None.

VI. Handling of employee restricted shares

None.

(I) For the employee restricted shares that have not all met the conditions, the handling shall be disclosed to the publishing date of the annual reports, as well as the effects to the shareholders' interests: not applicable.

(II) Name and status of managers and to Top 10 employees granted with

employee restricted shares: not applicable.

VII. Status of new share issuance in connection with mergers and acquisitions

Not applicable

(I) If, during the most recent fiscal year up to the date of publication of the annual report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall specify the following matters:

1. In the case of a company whose shares are listed on the TWSE ("TWSE listed company") or listed on the TPEX in accordance with the provisions of Article 3 or Article 3-1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX ("TPEX listed company"), the annual report shall include a clear opinion prepared by the managing underwriter concerning any issuance of new shares in connection with any merger or acquisition or with any acquisition of shares of any other company within the past quarter: not applicable
2. In addition to requirements set forth in the preceding item, the annual report shall also disclose the state of implementation of any of the aforementioned matters during the most recent quarter. If the progress or benefits of such implementation were not as good as expected, the annual report shall explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: not applicable.

(II) Where the Board of Directors has, during the most recent fiscal year up to the date of publication of the annual report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the annual report shall disclose the state of the plan's implementation together with the impacts to the company (or companies) to be merged or acquired or to the shareholders' interests: not applicable.

VIII. Financing plans and implementation

(I) Analysis of previous financing plans for cash capitalization, merge and acquisition, acquisitions of shares of other companies, or issuance of corporate bonds:

The 2019 plan for issuance of new shares through cash capital increase and issuance of the 3rd domestic unsecured convertible bonds, and an overview of its estimated potential benefits:

1. The exchangeable securities issuance

(1) Total amount of funds required for the plan: NT\$1,665,000,000.

(2) Source of funds:

① New share issuance for cash capital increase

17,000,000 common shares were issued for cash capital increase, with face value of NT\$10 per share. The issuance price was NT\$26.5, for a total NT\$450,500,000 raised.

② Issuance of the 3rd domestic unsecured convertible bond

Issuing 12,000 3rd Domestic Unsecured Convertible Bonds, with a face value of One Hundred Thousand New Taiwan Dollars each; the issuance was made at 100.5% of the value for a three-year term; the total issuance amount was NT\$1,200,000,000.

③ Another NT\$8,500,000 will be borrowed from banks or paid with funds on hand.

2. Summary of issuance plan and the potential effects:

(1) Issuance plans and expected progress:

Unit: NTD Thousand Dollars

Project item	Expected time of completion	Total required amount of funds	Progress of the expected fund use					
			2019	2020				2021
			Q4	Q1	Q2	Q3	Q4	Q1
Purchase of machinery equipment	Q1 2021	1,665,000	78,390	303,598	347,088	423,486	446,492	65,946
Total		1,665,000	78,390	303,598	347,088	423,486	446,492	65,946

(2) Expected generated effects

Unit: thousand pieces; thousand NTD

Year	Product item	Production volume	Sales volume	Operating revenue	Operating gross profit	Operating net profit
109	IC and wafer testing	68,442	68,442	102,663	27,614	19,423
110		481,075	481,075	663,447	169,530	119,243
111		511,142	511,142	648,519	157,430	110,732
112		511,142	511,142	596,638	137,594	96,780
113		511,142	511,142	548,907	130,714	91,941
114		511,142	511,142	504,994	124,178	87,344

(3) In 2020 Q3, the Company estimated to spend \$1,152,562 thousand NTD on the purchase of machinery and equipment. Since the procurement and payment progress was moving ahead of schedule, the actual cumulative spending in 2020 Q3 amounted to \$1,688,596 thousand NTD, with the execution progress reaching 101.4%. The plan to raise funds for the purchase of machinery and equipment was completed in 2020 Q3 due to an early payment and procurement schedule. No changes to the plan occurred.

(II) The plan of cash capital increase, corporate bond issuance, employee stock option issuance, or employee restricted shares issuance:

1. The plan for offering and issuance of marketable securities (1st secured ordinary corporate bonds in 2021) and an overview of its estimated potential benefits:

(1) The exchangeable securities issuance

- ① Total required amount of funds: \$3 billion NTD.
- ② Source of funding: Issued the 1st secured ordinary corporate bonds in 2021; the required amount of funds and the predestinated fund usage are as follows:

Unit: NTD Thousand Dollars

Project item	Scheduled completion date	Total required amount of funds	Progress of the expected fund use			
			2021			
			Q1	Q2	Q3	Q4
Loan repayment to financial institutions	2021 Q2	2,230,000	1,845,000	385,000	-	-
Replenishments of working capital	2021 Q2	770,000		770,000		
Total		3,000,000	1,845,000	1,155,000	-	-

(2) Progress of execution: The progress of actual fund usage was executed completely pursuant to the plan in 2021 Q1 and no alteration of the plan was involved.

2. The plan for offering and issuance of marketable securities (4th domestic unsecured convertible bonds) and an overview of its estimated potential benefits:

(1) The exchangeable securities issuance

- ① Total amount of funds required for the plan: issuing 15,000 4th Domestic Unsecured Convertible Bonds, with a face value of NT\$100 thousand only and a total face value of NT\$1,500,000,000; the coupon rate was 0% and the issuance was made at 106.20% of the value for a three-year term; the total issuance amount was NT\$1,592,946,000.

The part of the actually issued unsecured convertible bonds that was not fully issued was made up using funds on hand or bank borrowings. These bonds were issued in a way of open auction. If the actual amount of the funds raised was higher than the expected amount, the excess will be incorporated in the working capital.

- ② Source of funding: Issued the 4th domestic unsecured convertible bounds; the required amount of funds and the predestinated fund usage are as follows:

Unit: NTD Thousand Dollars

Project item	Expected Completion date	Total required amount of Total funding amount	Progress of the expected fund use				
			2021	2022			
			Q4	Q1	Q2	Q3	Q4
Purchase of machinery equipment	Q4 2022	1,515,000	197,250	424,850	329,400	367,500	196,000
Replenishments of working capital	Q4 2021	77,946	77,946	0	0	0	0

Source: Provided by the Company

- (2) Progress of execution: For replenishments of the working capital, NT\$77,946,000 was used up on Q4 2021, NT\$1,515,000,000 used for purchase of machinery and equipment was executed as follows up to Q1 2022:

Unit: NTD Thousand Dollars

Project item	Total funding amount	Status of execution		As of 2022 Q1
Purchase of machinery equipment	1,515,000	Spending amount	Expected	622,100
			Actual	994,761
		Progress of the fund used	Expected	41.06%
			Actual	65.66%
Total	1,515,000	Spending amount	Expected	622,100
			Actual	994,761
		Progress of the fund used	Expected	41.06%
			Actual	65.66%

- (III) If the funds are used to merge, acquire, or purchase another company through share acquisition, to expand fixed assets, or to acquire new property, plant and equipment, the annual report shall compare and explain property, plant and equipment, operating revenues, operating costs, and operating income: not applicable.
- (IV) If the funds are invested in another company, the annual report shall describe the condition of the invested company and explain the effect of the investment upon gain or loss from investments: not applicable.
- (V) If the funds are used to strengthen the company's working capital or pay off debts, the annual report shall note any increase or decrease in the company's current assets, current liabilities, and total liabilities; compare and explain the company's interest expenses, operating revenues, and earnings per share; and analyze the company's financial structure: not applicable.

Five. Overview of Operation

I. Description of Business

(I) Scope of Business

1. The major businesses operated by the Company

- (1) Designing, processing, testing, packaging, pre-burn treating, manufacturing, and transacting of various types of ICs.
- (2) The export/import trading of the materials and finished products of the previous paragraph.

2. Operating weights

Unit: NTD Thousand Dollars

Item \ Year	2020		2021	
	Net amount of operating revenue	Weight %	Net amount of operating revenue	Weight %
Packaging	2,662,669	21.42	3,218,138	19.29
IC	9,716,367	78.18	13,336,488	79.95
Other	49,513	0.40	126,638	0.76
Total	12,428,549	100.00	16,681,264	100.00

3. Current products (services) offered by the Company

- (1) Testing services for various IC and wafers.
- (2) RF module testing.
- (3) Packaging technologies related to Eight- and 12-inch Wafer Level Chip Scale Package (WLCSP), solder bumping, and Cu-pillar.
- (4) wBGA packaging service.

4. New products (services) to be developed

- (1) Improvement of the SoC IC testing techniques for 5G mobile phones.
- (2) Improvement of the IC testing specifications for 5G related equipment.
- (3) R&D of the 5G millimeter wave (mmWave) and antenna package AiP testing technology.
- (4) With the expanding application and growing demand for AI (Artificial Intelligence), the Company is working with various research institutions and companies in the related industry to enhance its packaging and testing technology.
- (5) R&D of the Metaverse-related IC packaging and testing technology.
- (6) Development of the integrated IC test technologies relevant to the IoT (Internet of Things).
- (7) Development of the RF related packaging and testing technology such as Wi-Fi 6/6E, WLAN SoC ICs, NFC (Near Field Communication) and Wireless Power (wireless charging).
- (8) Development of related image IC integrated packaging and testing technology: moving towards 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies, based on the existing 4K2K (3840x2160 resolution) package test.
- (9) Exploration of 3 nm test technologies.
- (10) Deepening the 4nm testing capability and scaling up mass production.
- (11) Enhancement of WLCSP, increase of the integrated backend

production capacity of WLCSP and improvement of relevant technological capabilities.

- (12) Enhancement of the GaN-related packaging and testing technology.
- (13) R&D of the SiC-related packaging and testing technology.
- (14) Enhancement of the low-earth-orbit satellite testing capability and increase of the mass production.
- (15) Increase of automotive electronics and vehicle-to-everything-related IC packaging test volume and maximization of the scope of certification.
- (16) Promotion of a smart factory and the width and depth of equipment automation and maximization of intelligent production.
- (17) R&D of the logic and mixed-signal testers, and timely mass production as scheduled.

(II) Overview of the Industry

1. Current circumstance and development

- (1) The status and developments of the global semiconductor industry:

In 2021, the global economy was affected by the pandemic and various variants of virus. Various countries implemented border controls and lock-down measures to control the spread of the virus. The increasing vaccination rate further reduced the adverse factors in the growth of the economy. According to IMF, the global economic growth rate in 2021 was estimated at 5.9%. Fortunately, the pandemic has driven the rise of remote working, teleconferencing and distant learning, creating a new economic effect from the stay-at-home economy. Coupled with the impact of the U.S.-China trade war, regional changes in the semiconductor supply chain has led to further demands for semiconductor.

Looking ahead to 2022, stimulated by the increasing vaccination rate and more fiscal stimulus, IMF estimated in January 2022 that the economic growth rate in 2022 will be 4.4%, a decrease in comparison with the growth rate in 2021. This is because the growth forecast of the two greatest economies is adjusted downward. The growth forecast of the USA is adjusted downward by 1.2% because the assumptions for the baseline forecast are altered and a basket of financial policies and measures of the “Build Back Better Act” are eliminated. The other reasons are that the administration withdraws from the easy money policy earlier and the shortage in the supply chain remains. China’s “zero tolerance” policy against the epidemic affects the economic activities and property developers are still facing financial pressure, leading to a downward adjustment of China’s growth forecast by 0.8%. This forecast requires a substantial better health condition in most of the countries at the end of 2022. It is based on the assumption that the vaccination rate of these countries is increased significantly and the treatment is more effectiveness.

- (2) While the economy has begun to recover, the strategy of coexistence with the virus that many countries adopts may facilitate the spread of the epidemic. The China-US trade war has not mitigated, the supply shortage remains in the semi-conductor industry, and the war between Russia and Ukraine is also a concern.

Looking ahead to 2022, a higher penetration rate of 5G mobile phones, more popular Windows 11, and increased opportunities in the vehicle electronics field are expected. IC Insights predicts that the scale of the global IC market in 2022 may grow by about 11% YoY to an amount of US\$565.1 billion. Memory, automotive chips and embedded microprocessors (MPUs) are expected to be among the top five strong growing products in the global IC market in 2021. However, due to the severe shortage of automotive chips, whether or not there will be a spillover effect will become a phenomenon worthy of attention in the semiconductor market in 2021.



Source: IC Insights

Source: IC Insights, January 18, 2022

- (3) The status and developments of the semiconductor industry in Taiwan: The IC industry in Taiwan has a unique vertical division of works for up- and downstream, differentiating from the world. From the upstream wafer materials to IC design, manufacturing, packaging, and testing, the industry value chain is divided into many small segments with a complete structure. Based on the data from research institutions, the production value of IC wafer OEM and of IC packaging/testing are both ranked No. 1 in the world, while IC design production value is ranked No. 2. This demonstrates the importance of the Taiwan IC industry in the world.

ITIR points that for the future market development trends, with the emerging semiconductor applications, such as 5G, AI, high performance calculation, and for Car-application, the AI acceleration and cooperative chips needed for the Cloud to the ends are suggested. Therefore, the chip development trend with the future new framework will affect the direction of the semiconductor industry and the shift of the semiconductor application block.

According to the Industrial Technology Research Institute, the production value of Taiwan's semiconductor industry is expected to have a shot at reaching \$4.8 trillion NTD in 2022 with a growth rate of 17.7% in comparison with the amount of \$4.08 trillion in 2021, and is better than the growth rate 8.8% of the global semi-conductor market.

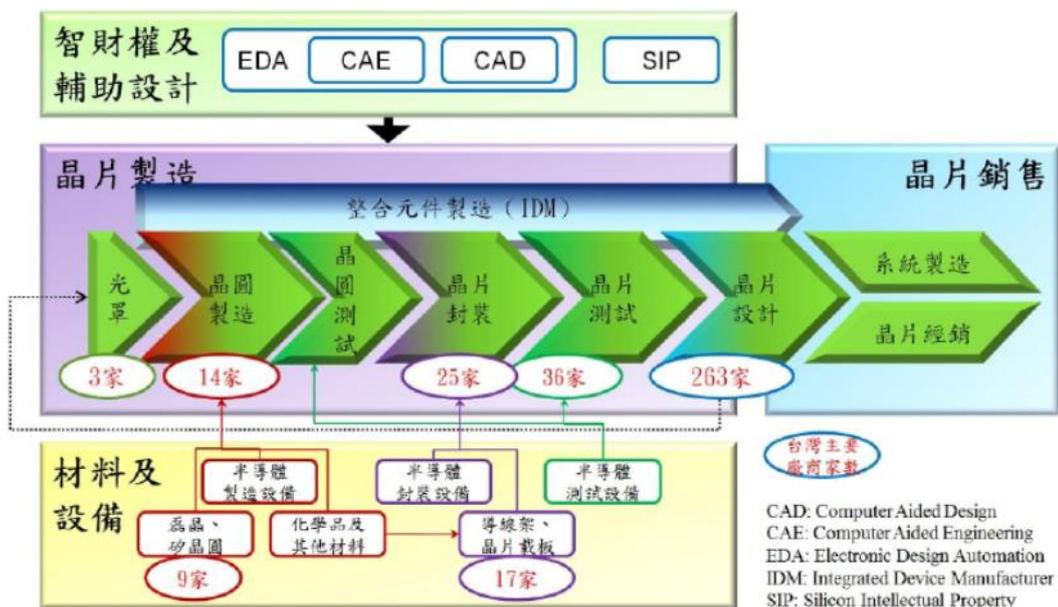
Production Value of IC Industry in Taiwan, 2018-2022

NTD 100 million	2018	2018 Growth rate	2019	2019 Growth rate	2020	2020 Growth rate	2021	2021 Growth rate	2022(e)	2022(e) Growth rate
Production Value of IC Industry	26,199	6.4%	26,656	1.7%	32,222	20.9%	40,820	26.7%	48,062	17.7%
IC design	6,413	3.9%	6,928	8.0%	8,529	23.1%	12,147	42.4%	13,848	14.0%
IC manufacture	14,856	8.6%	14,721	-0.9%	18,203	23.7%	22,289	22.4%	27,264	22.3%
Wafer OEM	12,851	6.6%	13,125	6.6%	16,297	24.2%	19,410	19.1%	24,076	24.0%
Memory and other fabrications	2,005	23.7%	1,596	-20.4%	1,906	19.4%	2,879	51.0%	3,188	10.7%
IC packaging	3,445	3.5%	3,463	0.5%	3,775	9.0%	4,354	15.3%	4,750	9.1%
IC testing	1,485	3.1%	1,544	4.0%	1,715	11.1%	2,030	18.4%	2,200	8.4%
Production Value of IC Products	8,418	8.0%	8,524	1.3%	10,435	22.4%	15,026	44.0%	17,036	13.4%
Global semiconductor market (100 million USD) and growth rate	4,688	13.7%	4,123	-12.0%	4,404	6.8%	5,559	26.2%	6,046	8.8%

Source: TSIA; ISTI (Feb 2022)

2. Relationship between the upstream, midstream, and downstream in the industry: The IC industry in Taiwan has a unique vertical division of works for up- and downstream, differentiating from the world. From the upstream wafer materials to IC design, manufacturing, packaging, and testing, the industry value chain is divided into many small segments with a complete structure. The Company and the subsidiaries are the professional packaging and testing vendors; the wafers are mainly provided by internationally recognized semiconductor companies, and they have good relationships with the Company and the subsidiaries for long term. The following chart specifies the relationship between the upstream, midstream, and downstream in the industry in Taiwan.

Structure Chart of Taiwan Semiconductor Industry



Intellectual property rights and auxiliary design	EDA	CAE	CAD	SIP		
Chip manufacturing						Chip sales
	Integrated device manufacturing (IDM)					
Illumination	Wafer manufacturing	Wafer testing	Chip packaging	Chip testing	Chip design	System manufacturing
						Chip distribution
3 manufacturers	14 manufacturers		25 manufacturers	36 manufacturers	263 manufacturers	
Materials and equipment	Semiconductor manufacturing equipment		Semiconductor packaging equipment	Semiconductor testing equipment		Number of major manufacturers in Taiwan
Epitaxy, silicon wafer		Chemicals and other materials		Wire rack, chip carrier		
9 manufacturers				17 manufacturers		

Source: MIC, January 2017

3. The development trends of products: The end electronic products have greatly penetrated from PC in the past to the smartphone, and thus the growth momentum slows down. Smart electronics have become a trend. As the latest development shows, it is a common view that the applications of the Metaverse combining the physical and virtual worlds will be the mainstream of the electronic industry. It will combine smart phones, 5G devices, vehicle electronics, high-speed computing, high-speed transmission, wireless communication, VR, and AR, and affects our life in many respects including the jobs for the new generation, social relations, games, consumption, and financial platforms.
4. Competition status of products: the global packaging and testing industry may be divided into integrated device manufacturers (IDM hereafter), such as Intel, Samsung, and TI; and outsourced semiconductor assembly and test (OSAT hereafter), such as ASE Technology, AMKOR, and Siliconware. The Company and the subsidiaries are professional OSAT. However, as the costs of IDM have been increasing, and the new type of packaging and testing technologies emerge, IDMs are not at the position to bear such investment. As they prefer to focus on their core competitiveness, the outsourcing of packaging and testing from IDM to OSAT accelerates. In addition, as the packaging and testing business requires continuous investment every year, to satisfy the customer needs and maintain the competitiveness, the industry tends to be the pattern where the larger getting greater. However, many Taiwanese packaging and testing SME also obtain their position in this red sea with niche products and their core competitiveness.

(III) Overview of technology and R&D

1. The R&D expenses input during the recent year up to the printing date of the annual report (April 11, 2022): in 2021, the expenses were NT\$416,714,000; up to March 31, 2022, the expenses were NT\$97,509,000.

2. Technologies or product successfully developed:

Year	Outcomes of R&D
2017	<ol style="list-style-type: none">1. Establishment of production processes for DPS multi die2. Establishment of production processes for DSP multi bin3. Development and design of packaging structure of COL4. Establishment of production processes for 3 mil slim chips5. The paper regard the dynamic adjusting the self-screening during the testing process was published on ITC
2018	<ol style="list-style-type: none">1. MIS baseboard structure design and development2. R&D of the new type RF switch module
2019	<ol style="list-style-type: none">1. Development and deployment of the GaAs 5G DPS P&P technology2. Development of the Skeleton wafer auto inspection machine and introduction to mass production3. 24GHz radar IC testing scheme
2020	<ol style="list-style-type: none">1. 5G digital schemes for smart production line MR inspection and AGV2. Development of 5G RFIC test module for Sigurd SG9000 test machine3. Introduction of the auto scheduling system in Beixing Plant4. Introduction of the big data analysis system in the Zhongxing Plant
2021	<ol style="list-style-type: none">1. Development of 5G mmWave S parameter test technology2. Introduction of auto packaging machine in the Zhongxing Plant3. Introduction of the big data analysis system in Beixing Plant and Hukou Plant4. Introduction of auto process and parameter control system (EAP&RMS) in Beixing Plant for CP process via SECS/GEM interface
2022	<ol style="list-style-type: none">1. Development of 5G mmWave RFIC test module and logic test system for Sigurd SG9000 test machine2. Introduction of CP AMHS auto transport system in Hukou Plant3. Introduction of auto process and parameter control system (EAP&RMS) in the Zhongxing AWI Plant for DPD process via SECS/GEM interface4. Introduction of auto scheduling system in the Zhongxing Plant and AIT Plant5. Introduction of FT AMR in the Zhongxing Plant

(IV) Business development for long- and short term

1. Short-term business development plans

(1) Packaging: Since the foundation of the Company, we have successfully

grasped the movement of the advanced packaging market. Other than meeting the clients' needs in terms of quality and delivery time, we also enhance the capabilities of the production processes to address the clients' issues. In the short-term, based on the existing product lines, we will exclude these lines without competitiveness, and enhance the competitiveness of the niche products (e.g. 5G, internet, automotive electronics, memory, WLCSP, and DPS).

- (2) Testing: Other than providing more complete testing services (eg. logic, mixed signal, power, RF, or memory) by the Company and subsidiaries, for many years, we also provide outstanding services to the clients in the regards of existing logic and mixed-signal testing. Not only providing testing to program development, program transfer, chip testing to address their issues, the Company also offers the turnkey services to provide the best solutions to the delivery of clients' products and their cost-saving. In the short-term, except to improve the efficiency of the current testing machines, we will introduce and strengthen the partnership with the overseas fabless clients, to continuously expand the machines for mix-signal and RF.

2. Long-term business development plans

- (1) Packaging: As the electronic products are getting smaller, slimmer, shorter and lighter, the packaging technologies are also miniaturized. As a result, the Company and its subsidiaries have upgraded its packaging technology in WLCSP (Wafer Level Chip Scale Package), bumping and DPS (Die Processing Service) in response to the current trend. WLCSP packaging not only offers small size and high production yields, but also provides better planarity and thermal dissipation for high-speed and power management circuits.

(2) Testing:

① Integration and Specialty Testing

Sigurd has acquired the technologies and experience in Mixed Signal, Logic, Sensor, Memory, RF, and Power testing over years of hard work. Based on its effort, Sigurd is moving towards integration and specialty products in line with the market trend.

② Integrated Testing Technology

As IC products become more and more complex, it can no longer be simply divided into Mixed Signal, Logic, Sensor, Memory, RF, and Power. The current trend has been moving toward the integrated IC. Sigurd has accumulated years of testing experience with confidence in products such as SoC (mobile phone, 3G, 4G; Wi-Fi SoC), and has built a solid foundation for the future of 5G-related IC packaging and testing technology.

③ Niche Testing

- A. High speed computation ICs: Bitcoin, graphics processing unit, and server chip.
- B. Communication ICs: ICs related to 5G communication devices, GPS, Wi-fi 6/6E SoC (Bluetooth and MCU integrated).
- C. Audio/Video ICs: Blu-ray disc, 3D, 4K2K and 8K4K image decoding ICs, HDMI, and HDTV controlled ICs.
- D. Mobile phone ICs: 5G related ICs, AI, AP, Baseband SoC, GPS, Bluetooth, Touch Pad, touch panel ICs, power management, etc.

- E. Computer ICs: Such as graphics processing unit, USB3.2/USB4.0, Type C, WLAN, touch panel ICs, power management, etc.
- F. Automotive ICs: Such as Internet of Vehicles, related sensors, microprocessors, etc.
- G. In addition, Sigurd is also strengthening its developments in overseas clients with hopes of seeing results in the future.

(V) Overview of the macro economic environment and the trend of the industry where the Company operates

1. Macroeconomic environments: Control of the COVID-19 pandemic, shortage in the semiconductor supply chain and production expansion of related manufacturers will become the focus of observation in 2022. For the product applications, it is expected that 5G, communications, high speed calculation, AI applications, car-loaded IC and IoT, are still the key factors to drive the continuous growth of the semiconductor industry.
2. Overview of the trend of the industry where the Company operates: OSATs will face the trend of the larger getting greater; and the vertical or horizontal integration will increase, which in turn helpful to the health of the industry. However, such large-scale OSATs also face the criticisms as slow decision-making and being not flexible enough. Therefore, the mid-sized OSATs, like our Company, have the opportunities to get more orders with the edges like fast decision-making, flexibility, and outstanding services.

II. Overview of markets, productions, and sales

(I) Market analysis

1. Analysis of the geographic areas where the main products (services) of the Company are provided (supplied)

Unit: NTD Thousand Dollars; %

Sales region \ Year		2020		2021	
		Amount	%	Amount	%
Domestic		7,529,163	60.58	12,259,134	73.49
Export	Asia	3,273,279	26.34	2,930,997	17.57
	Americas	767,606	6.18	660,237	3.96
	Others	858,501	6.91	830,896	4.98
Subtotal of export		4,899,386	39.42	4,422,130	26.51
Total		12,428,549	100.00	16,681,264	100.00

2. Market share: The Company and the subsidiaries are the professional OEM providing niche packaging and testing services to semiconductor clients. Based on the statistics of IEK, the packaging and testing industry in Taiwan grew 16.28% in 2021, and the Taiwan market share of Sigurd and the subsidiaries grew marginally from 2.26% in 2020 to 2.61% in 2021.

Year	Operating revenue (NT\$ 100 million)	Production value of Taiwanese IC packaging/testing industry (NT\$ 100 million)	Market share
109	124.28	5,490	2.26%
110	166.81	6,384	2.61%

3. Future supply, demand and growth in the market: According to the Industry, Science and Technology International Strategy Center, the demand and growth will continue in 2022 due to the semiconductor shortage and the demand in the economy; the production value of Taiwanese packaging/testing industry in 2022 is estimated to exceed NT\$695 billion with a growth of 10.6% compared to 2021.

4. The Company's competitive niche:

(1) Experienced team: The management of the Company and the subsidiaries all have professional background. The heads of all departments have experience in the related industry for more than two decades, and their average tenures are more than ten years. They are very experienced in the change of industrial environment, trends of product development, production and manufacture, and sales and marketing, which is positive to the overall competitiveness and the sustainable operation of the Company.

(2) Niche product lines: The Company and the subsidiaries have been

dedicated to the IC packaging and testing industry for more than a decade. Currently, although we are SME packaging and testing plant among the Taiwanese peers, we have many leading machines in terms of testing in Taiwan.

- (3) Excellent quality: Since the foundation, the Company and the subsidiaries have endeavored to enhance the product quality. In addition to continuing the introduction of automated production equipment and QA testing equipment, we also obtained the TS16949 QA certification in 2007. We apply the ISO-regulated production processes with a strict quality management system and well-trained employees to improve the stableness of our products. In 2014, Authorized Economic Operator (AEO) was introduced, and the quality of our products have been recognized by the clients. The loyalty of our clients are high. To enhance the quality, the more difficult certifications for automotive electronics, such as VDA 6.3 and ISO26262, have also been introduced. In November 2020, our first packaging and testing facility in Taiwan was certified by SGS TÜV for the ISO 26262: 2018 ASIL D process (Part 2, 7, 8). This ensured that our testing and manufacturing services could meet the safety and integrity requirements of the automotive industry. We are committed to developing testing services that meet the strictest requirements for road safety and becoming a leading international packaging and testing foundry for functional safety verifications.
- (4) Good control over materials: The Company and the subsidiaries have the partnership for more than ten years with our vendors, so we secure the low-priced and high quality materials to greatly enhance our competitiveness in the market. We also thereby ensure the stable supply of materials, which solves the concerns of supply shortage when the capacities expand.

5. Positive and negative factors for future development, and the Company's response to such factors:

(1) Favorable factors

- ① Politics has gradually stabilized in most regions of the world.
- ② The undergoing mergers of global semiconductor manufacturers have been prevalent, which is beneficial to Sigurd in securing more orders from its now merged customer entities.
- ③ Under the impacts of the US-Sino trade war, China still has the economic growth rate over 5% for 2022 with rather strong domestic market demands, driving a wave of demand for electronics (such as mobile phones, LCD TV, and so on).
- ④ Chinese cell phone brands such as OPPO, VIVO, and Xiaomi are gradually gaining a foothold in the global cell phone market. The Company is expected to grow significantly with access to emerging markets outside of China such as India, Russia, and Brazil, etc., and impacts under the Huawei Ban.
- ⑤ The cost of packaging and testing houses of Mainland China is increasing and getting closer to their counterparts' in Taiwan.
- ⑥ After the financial tsunami, many IDM companies abroad have reduced their packaging and testing capacity or terminated

production lines, which is beneficial for Sigurd to secure more orders from IDM companies.

- ⑦ New applications such as the metaverse, 5G, high-speed computing, deep learning, edge computing, AI, AR/VR, and so on, require high-level processes. Many large international companies choose to place orders in Taiwan, which is beneficial for Sigurd to secure more orders.
 - ⑧ The wearable devices which will bring forth new ideas and the extensive use of IoT will give rise to the demand for electronic components.
 - ⑨ The new fuel consumption regulations will lead to the gradual development of energy-saving (hybrid or electric vehicles) and self-driving vehicles, which is beneficial to the growth of automotive electronics ICs.
 - ⑩ After the commercialization of 5G, the demand for 5G mobile phones and related equipment has gradually grown, with the market penetration rate exceeding expectations.
- (2) Unfavorable factors
- ① Due to the rapid spread of new virus variants, the control over COVID-19 remains ineffective. The global supply chain has not yet resumed its normal operations, which in turn affects the end-user demand.
 - ② With the U.S.-China trade war still underway, even with China's claims of economic growth reaching more than 5% in 2022, there are still problems such as the COVID-19, capital outflows, soaring bad debts, declining housing demand, and production overcapacity. Any mistaken decision will result in a severe deterioration of the economics, and Taiwan and the whole world will be impacted.
 - ③ As the U.S.-China trade war has not yet finished, the uncertainty of the global economic growth has heightened. The domestic demands and external demands are affected.
 - ④ Cross-strait relations between Taiwan and Mainland China are full of variables.
 - ⑤ Under the influence of geopolitics and semiconductor shortages, European countries and the U.S. are thinking about building their own semiconductor supply chain to avoid the destabilization of their economy caused by semiconductor shortages.
 - ⑥ The outbreak of war between Russia and Ukraine, which in turn affects the supply of raw materials and the U.S. chip sanctions against Russia, remains to be observed.
- (3) Countermeasures to the development vision
- ① We continue to develop the overseas market. In the North America market, the number of clients increased in 2021 from 2020. Thus, other than expanding the North America market, we also actively expand the markets in Asia, China, Europe, and Japan in 2022.
 - ② We enhance the partnership between the upstream and downstream, such as wafer plants and equipment plants.

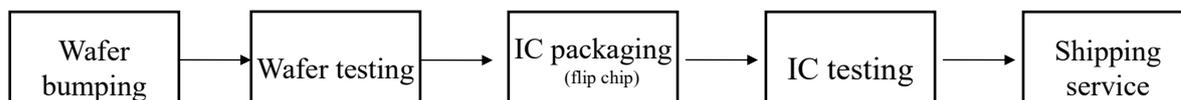
- ③ By using big data and high-speed computing equipment, the Company seeks to improve the production efficiency and quality to enhance its operational performance.

(II) Major usages and production process of the key products

1. Major usages of the key products

Products or services	Major usages or functions
Testing services for various IC and wafers	Wafer testing: implement after wafers are done. The purpose is to distinguish the good and ill wafers, to avoid the unnecessary waste of costs at the later stages. Finished product testing: implemented after packaging, to check if the properties, including functions, speed, tolerance, power consumption, and heat dissipation, are normal.
Advanced Wafer Level Package, such as WLCSP and bump	IC related to mobile phones, cars, and high-speed calculations

2. Production process



(III) Status of key material supplies

Key material	Name of suppliers	Domestic	Foreign	Status of supply
Lead frame	Advanced, Hong Kong			Normal
	Advanced Assembly Materials Singapore Pte Ltd. (Renamed in November 2020)		V	
	Shunde	V		
	Li-Fan	V		
	Possehl		V	
Substrate	ASE	V		Normal
	Nan Ya PCB		V	Normal
Gold wire	Nimao	V		Normal
	TAIWAN TANAKA KIKINZOKU KOGYO CO., LTD		V	Normal
	M.K.Electron		V	Normal
Compound	Chang-Hua	V		Normal
	Showa Denko (Taiwan)		V	Normal
Adhesive	Chang-Hua	V		Normal
	Ablestik/Henkel		V	Normal
	Hitachi		V	Normal
	Showa Denko Materials(HK)			
Tape	MITSUI & CO. (Taiwan), LTD.	V		Normal
	LINTEC Corporation	V		Normal
	Taiwan Nitto Corporation	V		Normal

	Tape Pro Co., Ltd.	V		Normal
Solder ball	BANNER-EVER	V		Normal
	DUKSAN		V	Normal
	Telegent Technology Corp.	V		Normal

(IV) Any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

1. Information of the key suppliers in the two most recent fiscal years

Unit: NTD Thousand Dollars

Item	2020				2021			
	Title	Amount	Proportion in the whole year purchase net amount (%)	Relationship with the Issuer	Title	Amount	Proportion in the whole year purchase net amount (%)	Relationship with the Issuer
1	B	74,591	10.79	None	AB	139,051	13.31	None
2	K	52,597	7.61	None	AF	122,402	11.72	None
3	A	44,991	6.51	None	J	72,316	6.92	None
4	AB	43,686	6.32	None	K	62,999	6.03	None
5	Other	475,389	68.77	None	Other	647,892	62.02	None
	Purchase Net Amount	691,254	100.00		Purchase Net Amount	1,044,660	100.00	

Reasons for increase or decrease: The change in supplier is mainly due to subsidiary companies adding new suppliers for the purchase of materials.

2. Information of the major sales clients and the reason of increase/decrease

Unit: NTD Thousand Dollars

Item	2020				2021			
	Title	Amount	Proportion in the whole year sales net amount (%)	Relationship with the Issuer	Title	Amount	Proportion in the whole year sales net amount (%)	Relationship with the Issuer
1	A	2,248,136	18.09	None	A	4,768,643	28.59	None
2	B	1,354,237	10.90	None	D	1,749,295	10.49	None
3	E	1,317,872	10.60	None	B	1,400,022	8.39	None
4	Other	7,508,304	60.41	None	Other	8,763,304	52.53	None
	Sales Net Amount	12,428,549	100.00		Sales Net Amount	16,681,264	100.00	

Reasons for increase or decrease: Mainly due to the incorporation of the UTAC revenue.

(V) Table of Production Volume and Value for the Most Recent Two Years
Unit: thousand pieces; thousand NTD

Year Production Volume and Value	2020			2021		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Major Products						
Packaging	1,890,296	1,512,237	2,082,523	2,088,370	1,670,696	2,536,634
Testing (Note)	5,254,794	4,203,835	6,675,245	7,882,187	6,305,749	9,116,926
Other			61,428			79,246
Total			8,819,196			11,732,806

Note: wafer and IC testing included

Reasons for increase or decrease: Mainly because the increase/decrease of the market demands changed the total production volume and production value.

(VI) Table of Sales Volume and Value for the Most Recent Two Years
Unit: thousand pieces; thousand NTD

Year Sales Volume and Value	2020				2021			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major Products								
Packaging	775,271	794,254	736,966	1,868,415	286,861	1,575,296	274,472	1,642,842
Testing (Note)	3,794,115	6,734,909	1,037,363	2,981,458	5,163,662	10,579,837	1,584,164	2,756,651
Other	-	-	-	49,513	-	104,001	-	22,637
Total	4,569,386	7,529,163	1,783,292	4,899,386	5,450,523	12,259,134	1,858,636	4,422,130

Note: wafer and IC testing included

Reasons for increase or decrease: The impact of COVID-19 has driven the effect of the stay-at-home economy, reflecting the surging demand for end-use applications such as cellphones, computers, internet, video game consoles, automotive electronics, artificial intelligence, etc. As a result, the growth of customers in Taiwan has significantly increased.

III. Employees

The number of employees employed during the 2 most recent fiscal years and up to the date of publication of the annual report, and their average years of service, average age, and education levels:

Year		2020	2021	The year and up to March 31, 2022 (Note)
Number of employees	Direct employees	1,997	2,488	2,495
	Indirect employees	1,652	2,112	2,184
	Managerial personnel	354	408	410
	Total	4,003	5,008	5,089
Average age		37.1	36.7	36.8
Average tenure (month)		61.4	63.0	64.9

Distribution of education background in ratio	PhD	0.1%	0.1%	0.1%
	Masters	5.1%	5.0%	4.9%
	College	62.6%	63.7%	63.0%
	Senior high school	29.3%	27.9%	28.4%
	Under senior high school	2.8%	3.3%	3.6%

Note: Consolidated number of employees of the Company and the subsidiaries

IV. Information of environmental expenditures

Any loss and penalty suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid), and disclosing the countermeasures (including improvement measures) to be taken in the future and the possible expenses (including the estimated amount that could be incurred due to any possible loss, penalty and compensation if not taking the countermeasures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided):

(I) Any loss and penalty suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid):

1. Date of penalty: May 19, 2021 (date of violation: January 6, 2021)

The dedicated personnel for wastewater (sewage) disposal at Zhongxing Plant resigned on December 21, 2020. However, the Company issued the Letter Xi-Zi No. 110013 on January 22, 2021 and the Zhongxing Plant applied to the County for the establishment and cancellation of dedicated wastewater (sewage) treatment personnel online on January 29, 2021. Failing to make the written report for reference within 15 days from the actual date of occurrence and appoint substitute personnel to handle the disposal, the Company violated Paragraph 2, Article 21 of the Water Pollution Control Act and Paragraph 1, Article 19 of the Regulations Governing the Establishment and Management of Dedicated Wastewater (Sewage) Treatment Units or Personnel, which led to a fine of NT\$10,000. Also, a compulsory 1-hour environmental lecture was given.

2. Date of penalty: November 11, 2021 (date of violation: May 29, 2020)

The sludge produced during the wastewater disposal of Zhongxing Plant was inspected by the Northern Branch of Bureau of Environmental Inspection, Environmental Protection Administration, Executive Yuan on July 17, 2019 and found to have a leaching concentration of Cu of 135mg/L, which exceeded the toxicity characteristic leaching standard (15mg/L) of hazardous industrial waste and should be regarded as hazardous industrial waste. The Company cleared the sludge waste produced in the plants on May 22, 2019 and stored the hazardous sludge waste from that day. The storage shall be limited to one year, meaning the storage deadline was May 22, 2020. However, the Company applied to the Department of Environmental Protection for an extension of the storage period of the said hazardous industrial waste on May 29, 2020 (date of document acceptance). Failing to apply to the Department of Environmental Protection for the extension two months prior to the deadline and thus storing the produced hazardous industrial waste for

more than one year, the Company violated Paragraph 1, Article 36 of the Waste Disposal Act and Article 7 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste, which led to a fine of NT\$60,000. Also, a compulsory 2-hour environmental lecture was given.

(II) Countermeasures in the future (improvement measures included)

1. Wasted water (sewage) disposal

(1) Improvement measures:

The Company hired a new employee on January 18, 2021 and changed the dedicated wastewater disposal personnel online on January 29, 2021.

(2) Future countermeasures:

The (former) dedicated wastewater disposal personnel gave notice on December 21, 2020 and directly resigned on the same day, not following the Company's resignation procedures of giving notice earlier (at least one month) for enough time to recruit new personnel and apply for the changes in documents. The Company was punished accordingly. As a result, the Company has appointed substitute personnel for wastewater disposal and completed the application for changes and online report within 15 days as per the regulations.

(3) The Company actively works with the professional environmental engineers to improve the performance of the current equipment conditions, and makes efforts and research for the saving of resources and waste, seeking the enhancement for both environment and economic effectiveness. Also, the discharge of wastewater and sewage by the Company complies with the water quality standards of the environment laws and regulations.

2. Disposal of the industrial wastes

(1) Improvement measures:

The Company immediately stopped the clearance and storage of the sludge produced from the wastewater in the plants, submitted the waste disposal plan and changes in environmental assessment, and found another qualified clearance and disposal company to dispose of the waste.

(2) Future countermeasures:

The Company conducts regular inspections of wastewater sludge every year and commissions qualified clearance and disposal companies for the waste disposal.

(3) Implementation of resource-saving and waste reduction: Externally, we strive to recycle the packing materials (e.g. carton, chip box, styrofoam, and IC tube) with the upstream and downstream vendors. Internally, the electronic forms are applied to reduce paper waste. Water is also recycled to reduce the utilization of natural water resources. The operators actively adapt to the resources recycle, and categorize and grade wastes.

(4) Hazardous industrial wastes (E-0217 wasted IC and C-0110 copper sludge), general industrial wastes (D-0299 mixture of wasted plastic, D-0799 mixture of wasted timbers, and D-1801 general wastes generated from industrial activities): Qualified disposal vendors are

engaged to properly dispose of these wastes, and the Company files the operation to the website of Environment Protection Administration to comply with the environmental laws and ensures the final disposal of the wastes.

3. The current pollution status, the impacts of improvement on the Company's earning and competitive position, and the possible capital expenditures of the coming years: The Company strictly follows the environmental laws and regulations and rigorously keeps the gate of wastewater disposal, thereby minimizing the impact on the natural waters. To avoid possible violations to the environmental laws and regulations, the professional personnel training is conducted aggressively, and the education to the equipment maintenance personnel is enhanced as well. Based on the philosophy of environment protection and sustainable operation, the Company continuously promotes the resources and waste saving program, and thus there is no material impact to the Company.

V. Labor relations

- (I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests.
 1. Employee benefits policies (measures) and the implementation: We are committed to the welfare of our employees:
 - (1) Annual raise/holiday bonus (Dragon Boat Festival, Mid-Autumn Festival, Spring Festival) /high operational performance bonus /favorable profit sharing plan for employees.
 - (2) Free regular health inspections for employees / favorable group insurance plan for family members (spouse/children/parents).
 - (3) Birthday gifts/holiday vouchers/wedding and funeral subsidies/travel subsidies/year-end party/recognition of long-term employees/various employee benefits and activities.
 - (4) Providing meal allowance for lunch/employee cafeteria/health center/private nursing room/staff dormitory/staff lounge/ car and motorcycle parking space/convenience store/basketball court/gym.
 - (5) Well-developed education and training system and performance-oriented promotion.
 2. Continuing education, training, and the implementation:
 - (1) Based on the indicators and requirements of the Workforce Development Agency's Talent Quality-management System (TTQS), the Company has made the "Talent Quality-management Manual" as the highest principle for the training. Each year, the annual education and training plan is formulated according to the business objectives of annual strategy plan, the employees and the customers' product demands, and covers the following:
 - ① Orientations for new employees: Supporting the new employees to rapidly understand the corporate culture, adapt themselves to the workplace and get familiar with their future tasks. such as the Company's profile and regulations, occupational safety and health awareness, concept of quality, information about ISO documents, etc.

- ② On-the-job training: With the system of mentorship adopted, letting the junior or new employees increase their professional knowledge and personal productivity within a short time through the demonstration by senior personnel. such as training based on the training system form of each position system.
 - ③ Management training: Enhancing the managerial personnel's leadership and management skills, so that they have both the knowledge of theories and experience of practices and continuously apply the knowledge and improve during practice. such as training based on the training system form of the managerial personnel's position.
 - ④ Quality-related training: Increasing the internal awareness of quality and improving the audit methods to reduce the failure rate of quality control, and assisting the employees in meeting the specific quality requirements of customers and complying with relevant regulations. such as training based on the training system form of the category of quality.
 - ⑤ General knowledge training: Strengthening the internal personnel's awareness of the relevant regulations and policies, customer requirements and factory needs, so that they can have the basic knowledge and skills. such as training regarding the corresponding general knowledge based on each training system form.
 - ⑥ Training for internal lecturers: Enhancing the teaching effects and skills of internal lecturers to satisfy the actual requirements of employees at work, carry out the internal talent training plan, and further reach the objectives of internal experience sharing and corporate sustainable operation.
 - ⑦ Training in public safety: Increasing the employees' familiarity with the basic style, strategies, policies and regulations related to public safety at work in Taiwan, making the employees acquire the basic knowledge and skills regarding public safety management, and firming the employees' understanding on the equipment and related routes of the Company to ensure the safety of employees at work.
 - ⑧ Environmental, safety and health training: Understanding the local regulations related to environmental protection, safety and health as well as the relevant requirements of the agreements that the Company has signed, thereby enhancing the energy and resource efficiency in production activities, promoting energy saving, reducing waste of resources, and achieving the safe work environment and the objectives of zero accidents.
- (2) In 2021, for the quality training, general knowledge training, orientations for new employees, employee growth and occupational health and safety training, and professional training of each department, there were a total of 205 courses provided, for a total of 506 hours with 26,565 employees trained.

Course item	Times of course	Total hours	Persons trained
Management training	12	84	487

Department expertise training	127	227	4,848
Quality training	30	138	7,318
General knowledge training	5	25	7,131
Employee growth and occupational health and safety training	4	6	140
Orientations for new employees	27	26	6,641
Total	205	506	26,565

3. Pension system and the implementation:

- (1) Pursuant to the "Labor Standard Act," the Company has established the paid retirement guidelines, applicable to all the tenures of the permanent employees before the enforcement of the "Labor Pension Act" on July 1, 2005, and the tenures of these who opted to apply the "Labor Standard Act," after the enforcement of the "Labor Pension Act." For the employees qualified for retirement, the payment of the pension is based on the tenure and the average salaries of the six months prior to the retirement. Within 15 years, two bases are given for a full year tenure; the tenure exceeding 15 years is one base per year, and the maximum is 45 bases. The Company contributes the pension funds of 2% of the total salaries, and deposits the funds in the dedicated account in Bank of Taiwan, under the name of the Labor Pension Reserve Supervisory Committee.
- (2) From July 1, 2005, the Company established the retirement guidelines of defined contribution and the applicable targets, pursuant to the "Labor Pension Act." For the pension systems defined by the "Labor Pension Act" applied by employees, the Company contributes the monthly labor pension to the personal accounts of employees in the Labor Insurance Bureau with no less than 6% of their salaries. The payment of the employee pensions may be selected from either monthly pension payment from their pension account with the cumulative incomes, or receiving all the pension at once. The Company contributes the employee pensions to the pension accounts based on the statement sent by the Labor Insurance Bureau.
- (3) For the pensions of the employees in the reinvested Chinese companies, the pension insurances contribute a certain percentage of the total salaries of the local employees, pursuant to the pension insurance system required by the local government. The contribution percentages are all between 13% to 20%. Other than the monthly contributions, these employee pensions are managed and arranged by the governments.

4. The labor negotiations and the protection measures of employee interests:

- (1) Agreements between employers and employees: Regular labor-management meetings are held, where representatives of both employers and employees discuss relevant issues between employers and employees and set up suggestion boxes and complaint boxes to

allow sufficient communication between employers and employees; consensus is achieved on work life, production, and working conditions to achieve harmonious labor-management objectives.

- (2) The protection measures of employee interests:
 - ① Labor insurance, affairs related to the health insurances, and the contributions of labor pensions are handled and maintained pursuant to the related laws and regulations; in addition, the occupational injury compensation and paid leaves are provided.
 - ② A staff welfare committee is established to carry out various types of employee welfare activities with the purpose of seeking maximum benefits for staff and creating a quality environment for work-life balance.
 - ③ The Company upholds the training policy of “Knowledge inheritance, professional training, and diversified development,” and strives to improve the overall knowledge, skills, and work attitude of its staff through diversify methods of teaching. Every year, in addition to new staff orientation, on-the-job training, and professional skills training, we also arrange training courses on different topics (such as language and conversation courses, quality enhancement courses, etc.) to align with the Company’s business objectives. Employees may arrange adequate external training according to their job requirements.
 - ④ Professional Specialists of medical center level with public health background are arranged to offer on-site services, which is better than what the regulations require. The Sigurd Pandemic Prevention Group has been organized to develop responsive measures for pandemic prevention at workplace according to the changes of the pandemic. Also, the nighttime counseling clinic is additionally provided so that those who work the night shift can also get convenient health services.
 - ⑤ The Sigurd Pandemic Prevention Group has been formed according to the “Guidelines for workplace safety and health protection measures in response to Coronavirus Disease-2019” established by the Occupational Safety and Health Administration, Ministry of Labor to keep in line with the regulations concerning occupational safety and health and effectively prevent the spread of pandemic at the workplace by reinforcing the capability of preventing the exposure to hazardous pathogens at the workplace. The responsive measures are adjusted in a rolling manner based on the COVID-19 pandemic, and the employees are provided with paid pandemic prevention quarantine leave, personal pandemic prevention supply, medical face masks, etc.
 - ⑥ Multiple resources for the employee assistance program are available, with professional psychologist, physician, lawyer, etc. providing counseling services for mental health, medical care, law, management, and financial management. In addition, various convenient counseling channels are offered to the employees, including the toll-free telephone numbers, counseling e-mail address, physical and mental care platform, etc.

5. Fulfillment to the CSR:

- (1) The Company sets policies and procedure in compliance with regulations and internationally recognized human rights principles: We abide by labor regulations and respect internationally recognized basic labor human rights principles, and is committed to protecting the legitimate rights and interests of employees and upholding the non-discriminatory employment policies, etc. We have established appropriate management methods, procedures and regulations with actual implementations; internal appointment methods are established to regulate the personnel employment principles to safeguard employee rights.
 - (2) The regular communication mechanism has been established, and the employees are informed of any operational changes possibly affecting them materially in reasonable ways: Other than the meetings convened by the employee benefit committee from time to time to discuss the employee benefit activities, the labor meetings are convened every three months, and the interaction between labors and the employer is good. In addition to the announcements to the whole employees, the announcements are also published on the website for employees to check at any time. The General Manager and the General Manager of each business group also issue letters to employees quarterly so that they may understand the changes of operations or other issues.
 - (3) The promotion of industry-academic cooperation: Sigurd has long been committed to industry-academic cooperation. By collaborating with the Ministry of Education through the Industry-Academia Collaboration Program and the government's New Southbound Policy, we are working with universities and colleges to offer special classes in collaboration with the industry, courses for foreign students and expatriate students, and internship opportunities and mentorships, etc. With the Company's resources, we have donated and established scholarships, donated equipment for teaching, and cultivated students' professional abilities to bridge the gap between academia and industry. The Ministry of Education has also recognized our industry-academia cooperation on a press conference for our outstanding achievements in cultivating practical talents for the industry.
 - (4) Community involvement and public welfare: Apart from creating a quality work environment, the Company actively participates in community and public welfare activities. In addition to making donations to various public welfare organizations and disaster-relief funds, we have donated police cars, cleaning vehicles and cars for charity organizations to help improve the environment of the community, with an accumulated donation of over \$10 million NTD. In combination with our welfare activities, we have also led children from remote areas to participate in activities to fulfil their dreams.
6. Specific improvement measures for the employees' benefits or interests compared to the previous year (in 2021 and up to the date of printing of the annual report): The Company continuously promotes the Code of Conduct - Responsible Business Alliance (RBA) and stays committed to the protection of the employees' rights, thus obtaining the respect and integrity agreed by the international society. We emphasize the labor

rights and occupational safety, and go toward the common vision. We take good faith and integrity, seek sustainable operation, value environment protections, produce green products, take energy-saving and greenhouse emission reduction measures, and emphasize the continuous improvement of performance.

7. Adjustment of average remuneration: The salary adjustment in 2022 is expected to be 3%.
8. Reason of not adjusting the average remuneration: not applicable

(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

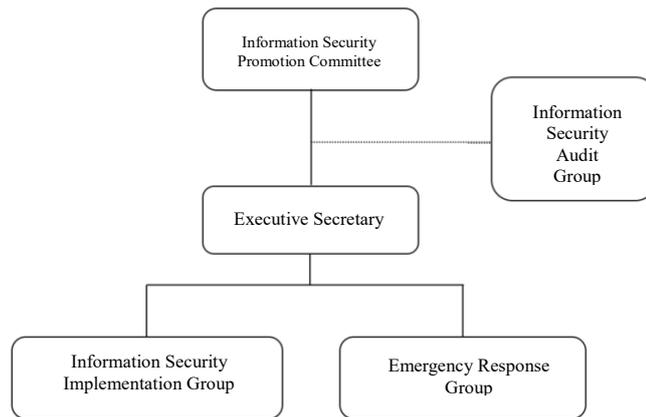
1. The Company always values the employees' benefits significantly, and provides outstanding workplace. The two-way communications with the employees is emphasized. Therefore, in the most recent two fiscal years and up to now, all the labor disputes have been finalized successfully.
2. The reinvested company, Flatek, Inc., laid off an employee improperly and thus faced a labor dispute. The company got accused by the employee, and was defeated in the first instance in mid September 2021. Accordingly, the company tried to reach an agreement with the employee, reinstating the person and paying the person's wage of the period from the layoff to the reinstatement with interest included. The labor dispute was thus settled.

VI. Cyber security management

(I) Specifying the cyber security risk management structure, cyber security policy, specific management plans and resources invested in cyber security management:

1. Cyber security risk management structure

The Company has established the "Information Security Promotion Committee" to work on the promotion of information security policy. In terms of the committee's structure, the head of each department serves as the members while the General Manager (the Company's Chief of Information Security) acts as the convener. The committee handles the promotion of, coordination for and supervision over the information security policy, holds information security management review meetings annually, reviews the matters related to information security management, reviews and resolves the strategies and policy regarding information security and protection, and ensures the effectiveness of information security management measures.



2. Cyber security policy

The information security control measures of the Company's information system are aimed at protecting the confidentiality, Integrity and availability of the data of important customers and the Company's personnel. Meanwhile, the Company strengthens the information security management and ensures the security of data, system, equipment and network by establishing a reliable information environment, deploying innovative information security protection technology, and implementing information security management. These endeavors are made to enhance our service quality and provide excellent services. We move towards digitalized service with the spirit of pursuing continuous improvement and renovation.

In order to maintain the confidentiality, Integrity and availability of the Company's data assets and protect the security of the customers and the personal data and privacy, the Company makes efforts to fulfill the following objectives:

- (1) Safeguarding the security of the Company's services by ensuring that the information can only be accessed by the authorized personnel, thereby protecting the customers' interests, data and confidentiality of such data.
- (2) Safeguarding the security of the Company's services by avoiding unauthorized changes to ensure the correctness and integrity of the data.
- (3) Establishing the business continuity plan regarding the information processing of the Company to ensure the continuous operation of the Company's services.
- (4) Making sure the operation of the Company's services are in line with the requirements of relevant laws or regulations established by the government.

3. Specific management plans

- (1) Security management related training for personnel and constant development and promotion of information safety awareness for employees to boost the information security
 - ① Sending irregular e-mails with the notification related to information security.
 - ② Giving mandatory dissemination of information security to new employees.

- ③ Carrying out annual social engineering and e-mail drills.
 - ④ Providing annual training courses on information security for the employees in the Company.
- (2) Network security management for improving the security of network connection
- ① Establishing secure network firewall to prevent the invasion of viruses and hackers.
 - ② Conducting regular server vulnerability scanning every year to fix the known security vulnerability and reinforce the operational security of server.
 - ③ Blocking the connection to the Company's network from any information appliances that don't belong to the Company to avoid data leakage and virus infection.
- (3) Computer system security management
- ① Installing antivirus software and enabling the auto-update for every computer system.
 - ② Upgrading and updating the Company's computers and important information systems according to the major security updates announced by the original manufacturers.
 - ③ Controlling the access of external connection devices such as USB to the Company's computers to prevent data leakage and virus infection.
- (4) System access control
- ① Setting appropriate account permission control for every system access.
 - ② Establishing a file audit management system for file data access to control and record the access to confidential and sensitive data.
 - ③ For employees working outside the Company and needing to connect the Company's system for work, only allowing the connections through the VPN system with encrypted secure channel. Two-factor authentication required.
- (5) E-mail system security
- ① Establishing junk mail filtering and blocking system to prevent advertising junk e-mails and malicious phishing e-mails.
 - ② Controlling the e-mail outgoing by limiting the e-mails sent to private e-mail addresses that don't belong to the customers.
- (6) Backup and redundancy mechanism
- ① Developing data backup measures and local and remote redundancy mechanism.
 - ② Performing regular disaster recovery drills every year to ensure the availability of backup data and the appropriateness of the disaster recovery procedures.
- (7) Information security monitoring
- ① Commissioning an external information security vendor to set up a SOC information security monitoring, in order to establish an early warning and responsive mechanism and further reduce the possible threats to the network and the occurrence of information security incidents.

4. Resources invested in cyber security management

The Company provides all the employees with information security training on a regular basis. In recent years, the Company has also invested a great deal of resources to develop protection measures and policy related to information security. The server host vulnerability scanning is conducted twice a year, and the e-mail, social engineering and phishing e-mail drill is carried out every six months. A multi-factor authentication mechanism is adopted, the information security SOC monitoring is outsourced, and the ISO 27001 is implemented. These help enhance the availability of information resources, reduce the risks such as information security vulnerability, and enhance the Company's capability of information security risk control.

- (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to significant cyber security incidents, and the possible impacts and countermeasures thereof. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The infection attack of virus on the server in November 2021 didn't cause major impacts to the confidential data and business operation of the Company.

The Company's information security group worked with multiple information security companies to jointly deal with the said virus infection incident, and simultaneously reviewed and reinforced the existing system structure to enhance the information security on the network. An appropriate budget was also allocated to strengthen the information security technology, though this does not fully guarantee that the Company will be kept away from the attack of malicious software.

VII. Key contracts

(Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, which were either still effective as of the date of publication of the annual report, or expired in the most recent fiscal year)

Nature of Contracts	Contracting parties	Commencement dates and expiration dates	Key contents	Restrictive terms
Testing or packaging processes	Domestic and foreign clients, such as Intel, MURATAR, among other clients.	107.01.01~113.06.05	Testing or packaging processes for various IC	Confidential to third parties
Mid- and long-term loan contracts	E-Sun Bank and KGI Bank	107.10.17~115.01.08	Mortgage	Machinery equipment
	CTBC Bank	110.05.31~112.05.31	Mortgage	Lands and plants
	Mega Commercial Bank, Hwa-Nan Commercial Bank and CTBC Bank	108.05.21~115.10.12	Credit facilities	—
	Winstek Semiconductor Technology Co., Ltd. - Mega Commercial Bank and Bank SinoPac	109.12.02~115.04.15	Credit facilities	—
	SIRIZE Technology (Suzhou)Corp. - CTBC Bank	109.10.23~112.04.27	Sigurd guarantee	Machinery equipment
	SIRIZE Technology (Suzhou)Corp. - China Construction Bank	109.07.30~114.07.29	Credit facilities	Fixed asset loan
	SIRIZE Technology (Suzhou)Corp. - China Construction Bank	109.07.30~114.07.29	Credit facilities	Foreign exchange fixed asset loan
	SIRIZE Technology (Suzhou)Corp. - Agricultural Bank of China	110.02.22~114.01.19	Credit facilities	working capital loan
	TEST-SERV Inc. - E-Sun Bank	109.11.02~115.06.30	Credit facilities	—
	Sigurd UTC Corp. - Mega Commercial Bank, E-Sun Bank, Far Eastern International Bank and Taiwan Cooperative Bank	111.01.17~116.02.15	Mortgage	Machinery equipment
	Sigurd UTC Corp. - Mega International Commercial Bank	111.01.17~116.01.15	Credit facilities	Factory equipment and working capital
	Sigurd UTC Corp. - Far Eastern International Bank	111.02.16~115.02.13	Credit facilities	Factory equipment

Six. Overview of Finance

I. The condensed balance sheet and comprehensive statement of incomes over the past five years

(I) The condensed balance sheet and comprehensive statement of incomes

1. Condensed Balance Sheet (IFRS parent company only)

Unit: NTD Thousand Dollars

Item	Year	Information of finance over the past five years				
		2017	2018	2019	2020	2021 (Note 1)
Current assets		4,631,580	5,214,389	6,999,706	7,401,926	7,610,517
Property, plant and equipment		5,943,166	6,467,789	7,957,026	9,956,610	11,477,485
Intangible assets		12,788	25,508	22,878	23,900	28,667
Other assets		4,112,707	4,237,739	5,337,634	6,856,140	9,958,626
Total amount of assets		14,700,241	15,945,425	20,317,244	24,238,576	29,075,295
Current liabilities	Before distribution	3,027,160	3,222,293	5,417,482	7,171,073	5,163,486
	After distribution	3,712,436	3,625,869	5,881,162	8,051,238	Note 1
Non-current liabilities		3,249,436	2,856,138	3,646,108	4,371,186	8,469,273
Total amount of liabilities	Before distribution	6,276,596	6,078,431	9,063,590	11,542,259	13,632,759
	After distribution	6,961,872	6,482,007	9,527,270	12,422,424	Note 1
Equity attributable to shareholders of the parent		8,423,645	9,828,636	11,253,654	12,696,317	15,442,536
Share capital		3,600,162	3,899,558	4,206,834	4,316,114	4,520,782
Capital reserve		304,475	811,273	923,672	715,446	942,353
Retained per share	Before distribution	4,598,390	5,166,079	6,089,115	7,380,612	9,342,927
	After distribution	3,913,114	4,762,503	0	6,500,447	Note 1
Other equity		(44,788)	(48,274)	34,033	284,145	636,474
Treasury stocks		(34,594)	0	0	0	0
Non-controlling equity		—	—	—	—	—
Total of equity	Before distribution	8,423,645	9,828,636	11,253,654	12,696,317	15,442,536
	After distribution	7,738,369	9,425,060	10,789,974	11,816,152	Note 1

Source: Financial statements attested by the CPAs.

Note 1: The dividend distribution proposal for 2021 has been approved by the Board of Directors on March 8, 2022 with dividends remaining undistributed.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

Condensed Balance Sheet (IFRS consolidated)

Unit: NTD Thousand Dollars

Item	Year	Information of finance over the past five years				
		2017	2018	2019	2020	2021 (Note 1)
Current assets		9,561,235	9,659,268	12,975,111	13,038,629	14,848,084
Property, plant and equipment		8,294,962	9,078,438	10,643,730	14,629,289	18,479,301
Intangible assets		172,674	134,985	112,245	101,740	192,547
Other assets		631,158	598,058	1,021,977	2,044,253	3,083,041
Total amount of assets		18,660,029	19,470,749	24,753,063	29,813,911	36,602,973
Current liabilities	Before distribution	5,056,460	4,047,743	6,672,432	8,938,619	7,694,314
	After distribution	5,826,975	4,451,319	7,136,112	9,818,784	Note 1
Non-current liabilities		2,836,705	3,533,134	4,557,747	5,929,122	11,081,836
Total amount of liabilities	Before distribution	8,334,787	11,230,179	7,580,877	14,867,741	18,776,150
	After distribution	9,105,302	7,984,453	8,044,557	15,747,906	Note 1
Equity attributable to shareholders of the parent		8,423,645	9,828,636	11,253,654	12,696,317	15,442,536
Share capital		3,600,162	3,899,558	4,206,834	4,316,114	4,520,782
Capital reserve		304,475	811,273	923,672	715,446	942,353
Retained per share	Before distribution	4,598,390	5,166,079	6,089,115	7,380,612	9,342,927
	After distribution	3,827,875	4,762,503	5,625,435	6,500,447	Note 1
Other equity		(44,788)	(48,274)	34,033	284,145	636,474
Treasury stocks		(34,594)	0	0	0	0
Non-controlling equity		1,901,597	2,061,236	2,269,230	2,249,853	2,384,287
shareholders of the parent equity	Before distribution	10,325,242	11,889,872	13,522,884	14,946,170	17,826,823
	After distribution	9,554,727	11,486,296	13,059,204	14,066,005	Note 1

Source: Financial statements attested by the CPAs.

Note 1: The dividend distribution proposal for 2021 has been approved by the Board of Directors on March 8, 2022 with dividends remaining undistributed.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

2. Condensed Statement of Incomes (IFRS parent company only)

Unit: other than earning (loss) per share in NT\$, others in NT\$ thousand

Item	Year	Information of finance over the past five years				
		2017	2018	2019	2020	2021 (Note 1)
Operating revenue		5,355,706	5,874,100	6,130,926	8,404,291	10,364,704
Operating gross profit		1,376,372	1,670,061	1,811,754	2,801,125	3,696,199
Operating incomes		844,004	1,055,925	1,215,748	1,968,351	2,794,137
Non-operating incomes and expenses		307,595	362,483	360,371	114,366	511,264
Pre-tax net profit		1,151,599	1,418,408	1,576,119	2,082,717	3,305,401
Net profit of the term from continuing operation		989,364	1,155,307	1,294,520	1,783,299	2,787,446
Loss from discontinuing operation		—	—	—	—	—
Net profit of the term		989,364	1,155,307	1,294,520	1,783,299	2,787,446
Other comprehensive income (after-tax net amount) of the term		(36,698)	47,929	114,399	221,990	407,362
The total comprehensive income of the term		952,666	1,203,236	1,408,919	2,005,289	3,194,808
Net profit (loss) attributable to shareholders of the parent		—	—	—	—	—
Net profit (loss) attributed to non-controlling equity		—	—	—	—	—
The total comprehensive income attributed to shareholders of the parent company		—	—	—	—	—
The total comprehensive income attributed to non-controlling equity		—	—	—	—	—
Earning per share		2.76	3.01	3.26	4.22	6.25

Source: Financial statements attested by the CPAs.

Note 1: The dividend distribution proposal for 2021 has been approved by the Board of Directors on March 8, 2022 with dividends remaining undistributed.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

Condensed Statement of Incomes (IFRS consolidated)

Unit: other than earning (loss) per share in NT\$, others in NT\$ thousand

Item \ Year	Information of finance over the past five years				
	2017	2018	2019	2020	2021 (Note 1)
Operating revenue	6,831,740	9,541,489	10,046,619	12,428,549	16,681,264
Operating gross profit	1,874,977	2,657,090	3,039,462	3,609,353	4,948,458
Operating incomes	1,610,481	1,725,198	2,072,004	2,338,745	3,440,397
Non-operating incomes and expenses	(3,656)	66,537	(1,000)	(60,169)	222,415
Pre-tax net profit	1,606,825	1,791,735	2,071,004	2,278,576	3,662,812
Continuing operation Net profit of the term	1,192,626	1,347,253	1,563,561	1,926,589	3,036,248
Loss from discontinuing operation	—	—	—	—	—
Net profit of the term	1,192,626	1,347,253	1,563,561	1,926,589	3,036,248
Other comprehensive incomes of the term (Net amount after tax)	(83,249)	96,394	71,181	143,746	373,562
The total comprehensive income of the term	1,109,377	1,443,647	1,634,742	2,070,335	3,409,810
Net profit (loss) attributed to shareholders of the parent company	989,364	1,155,307	1,294,520	1,783,299	2,787,446
Net profit (loss) attributed to non-controlling equity	203,262	191,946	269,041	143,290	248,802
The total comprehensive income attributed to shareholders of the parent company	952,666	1,203,236	1,408,919	2,005,289	3,194,808
The total comprehensive income attributed to non-controlling equity	156,711	240,411	225,823	65,046	215,002
Earning per share	2.76	3.01	3.26	4.22	6.25

Source: Financial statements attested by the CPAs.

Note 1: The dividend distribution proposal for 2021 has been approved by the Board of Directors on March 8, 2022 with dividends remaining undistributed.

Note 2: For the financial statements of the most recent five fiscal years have not been required by the competent authorities for correction or restatement.

(II) Names of attesting accountants and audit opinions

Year	Name of Accounting Firm	Attesting accountant	Audit Opinion
2017	PwC Taiwan	Dian-Yi Lee, Kuo-Hua Tseng	Unqualified opinion
2018		Dian-Yi Lee, Tsai-Yen Jiang	Unqualified opinion
2019		Dian-Yi Lee, Tsai-Yen Jiang	Unqualified opinion
2020		Chi-Cheng Hsieh; Tsai-Yen Jiang	Unqualified opinion
2021		Chi-Cheng Hsieh; Tsai-Yen Jiang	Unqualified opinion

II. Analyses of finance over the past five years
(I) Finance analysis (IFRS unconsolidated)

Analysis Item (Note)		Analyses of finance over the past five years				
		2017	2018	2019	2020	2021
Financial structure	Debts ratio %	42.70	38.21	44.61	47.62	46.89
	Long-term Fund to Property, Plant and Equipment	196.41	196.12	187.25	171.42	208.34
Solvency (%)	Current Ratio (%)	153.00	161.82	129.21	103.22	147.39
	Quick Ratio (%)	145.05	155.00	123.93	96.76	136.24
	Times Interest Earned (Times)	17.49	27.14	27.49	27.65	31.48
Operating Performance	Receivable Turnover Rate (Times)	4.11	4.25	3.96	4.19	4.42
	Average Collection Days	89	86	92	87	83
	Inventory Turnover (Times)	50.41	55.47	61.04	69.4	67.52
	Average Payment Turnover (Times)	38.95	43.56	38.46	42.4	48.86
	Average Sales Days	7	7	6	5	5
	Property, Plant and Equipment Turnover (Times)	0.89	0.95	0.85	0.94	0.97
	Total Assets Turnover (Times)	0.38	0.38	0.34	0.38	0.39
Profitability	Return on asset (%)	7.45	7.84	7.42	8.31	10.8
	Return on Equity (%)	12.05	12.66	12.28	14.89	19.81
	Pre-tax Income to Paid-in Capital Ratio (%)	27.48	36.37	37.47	48.25	73.12
	Net Margin (%)	18.47	19.67	21.11	21.22	26.89
	Earning per share (NTD)	2.76	3.01	3.26	4.22	6.25
Cash Flow	Cash Flow Rate (%)	79.79	76.75	43.15	45.28	105.85
	Cash Flow Adequacy Ratio (%)	97.77	93.33	89.89	83.6	84.67
	Cash Reinvestment Ratio (%)	11.72	10.48	7.89	10.64	14.09
Leverage	Operating Leverage	6.21	5.44	4.97	4.22	3.68
	Financial Leverage	1.08	1.05	1.05	1.04	1.04
<p>Please specify the reasons of each change to the financial ratios in the recent two year. (No analysis required if such increase/decrease is less than 20%)</p> <ol style="list-style-type: none"> 1. Financial structure (long-term fund to fixed assets): The financial structure increased compared to the previous year, mainly due to the issuance of secured ordinary corporate bonds of NT\$3 billion and unsecured convertible bonds of NT\$1.5 billion. 2. Solvency (current ratio and quick ratio): The solvency increased compared to the previous year, mainly due to the early repayment of the long-term loans. 3. Different ratios of profitability: As the revenue had a year-on-year growth of 23%, the after-tax net profit of the term increased compared to the previous year. Thus, all the ratios of profitability increased compared to the previous period. 4. Cash flow (cash flow rate and cash reinvestment ratio): Due to the increase in profit, the net cash flow of operating activities increased, which increased the proportion of cash reinvested. 						

Finance analysis (IFRS consolidated)

Analysis Item (Note)		Analyses of finance over the past five years				
		Year	2017	2018	2019	2020
Financial structure	Debts ratio %	44.67	38.93	45.37	49.87	51.3
	Long-term Fund to Property, Plant and Equipment	164.00	169.89	169.87	142.7	156.44
Solvency (%)	Current Ratio (%)	189.09	238.63	194.46	145.87	192.97
	Quick Ratio (%)	182.79	229.96	187.83	136.33	179.33
	Times Interest Earned (Times)	23.39	25.87	26.71	20.06	23.17
Operating Performance	Receivable Turnover Rate (Times)	3.18	3.68	3.59	3.83	4.58
	Average Collection Days	115	99	101.67	95.3	79.69
	Inventory Turnover (Times)	42.68	45.64	41.67	46.33	46.08
	Average Payment Turnover (Times)	26.23	32.09	34.31	28.81	30.67
	Average Sales Days	9	8	9	8	8
	Property, Plant and Equipment Turnover (Times)	0.91	1.1	1.02	0.98	1.01
	Total Assets Turnover (Times)	0.43	0.5	0.45	0.46	0.5
Profitability	Return on asset (%)	7.76	7.35	7.35	7.43	9.56
	Return on Equity (%)	12.95	12.13	12.31	13.53	18.53
	Pre-tax Income to Paid-in Capital Ratio (%)	44.63	45.95	49.23	52.79	81.02
	Net Margin (%)	17.46	14.12	15.56	15.5	18.2
	Earning per share (NTD)	2.76	3.01	3.26	4.22	6.25
Cash Flow	Cash Flow Rate (%)	55.30	100.7	52.68	51.34	92.79
	Cash Flow Adequacy Ratio (%)	95.16	98.24	98.25	86.65	83.46
	Cash Reinvestment Ratio (%)	8.96	10.43	7.74	9.55	12.27
Leverage	Operating Leverage	4.15	5.35	4.75	5.2	4.74
	Financial Leverage	1.05	1.04	1.04	1.05	1.05
<p>Please specify the reasons of each change to the financial ratios in the recent two year. (No analysis required if such increase/decrease is less than 20%)</p> <ol style="list-style-type: none"> 1. Solvency (current ratio and quick ratio): The solvency increased compared to the previous year, mainly due to the early repayment of the long-term loans. 2. Different ratios of profitability: As the revenue had a year-on-year growth of 34%, the after-tax net profit of the term increased compared to the previous year. Thus, all the ratios of profitability increased compared to the previous period. 3. Cash flow (cash flow rate and cash reinvestment ratio): Due to the increase in profit, the net cash flow of operating activities increased, which increased the proportion of cash reinvested. 						

* If the Company prepares standalone financial reports, an analysis of the Company's standalone financial ratios should be prepared separately.

* If the financial information adopting International Financial Reporting Standards is compiled less than 5 years, then the financial information adopting R.O.C. Statements of Financial Accounting Standards should be prepared through table (2).

Note 1: The year for which the Company's financial statements are not audited by accountants should be indicated.

Note 2: Financial information of companies whose shares are listed or traded on the stock exchange as of the date of the annual report should be included in the analysis if it has been audited or reviewed by an accountant most recently.

Note 3: The following formula should be shown at the end of this table in the annual report.

1. Financial structure

(1) Debts ratio = total amount of liabilities/ total amount of assets.

(2) Long-term Fund to Property, Plant and Equipment = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Solvency

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

(1) Receivables (including accounts receivable and the notes receivable due to operation) = Net Sales / Average Trade Receivables (including receivable accounts and the notes receivable due to operation)

(2) Average Collection Days = 365 / Receivable Turnover Rate

(3) Average Inventory Turnover = Cost of Sales / Average Inventory

(4) Payable (including accounts payable and the notes payable due to operation) = Cost of Sales / Average Trade Payables (including accounts payable and the notes payable due to operation)

(5) Average Sales Days = 365 / Inventory Turnover

(6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover = Net Sales / Average Total Assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = After-tax Income / Average Equity

(3) Net Margin = Net Income / Net Sales

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding (Note 4)

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend.

(3) Cash Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital) (Note 5)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6)

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

Note 4: For the aforementioned formula of EPS, please note the following matters when measuring:

1. The basis shall be the weighted average common shares, but not the issued shares at the year end.
2. Shall there be any cash capital increase or treasury stock transaction, the calculation of weighted average shares shall take their outstanding period into account.
3. Shall there be capitalization of retained earnings or capitalization of capital reserves, when calculating the annual and semi-annual EPS for the previous years, the retrospective adjustment shall be made based on the proportion of capitalization, without considering the issuance period of such capitalization.

4. In cases where preferential shares are the non convertible cumulative preference shares, the dividends of the year (distributed or not), shall be deducted from the after-tax net profit, or added to the after-tax net loss. If the preferential shares are not cumulative in nature, in case there is after-tax net profit, the dividends of preferential shares shall be deducted from the after-tax net profit; no adjustment is required if there is loss.

Note 5: For the cash flow analysis, please note the following matters when measuring:

1. Net cash flow from operating activities refer to the net cash flows from operating activities indicated in the Statement of cash flow.
2. Capital expenditure means the annual cash outflows of the capital investments.
3. Increase of inventory is only accounted for when the balance at the end of the term is greater than the balance at the beginning of the term; if the inventory decreases at the end of the year, it is accounted as zero.
4. Cash dividends include the cash dividends of common and preferential shares.
5. Gross amount of property, plant, and equipment refers to the total amount of property, plant, and equipment before accumulated amortization.

Note 6: The operating costs and expenses shall be divided as fixed or variable by the Issuer; if the estimation or subjective judgment is involved, the reasonableness and consistency shall be maintained.

Note 7: If the Company's stock has no par value or the par value per share is not NT\$10, the calculation of the paid-in capital ratio should change to the ratio of equity attributable to the shareholders of the parent company in the balance sheet.

III. Audit report of the financial reports from the Audit Committee for the most recent year

Sigurd Microelectronics Corporation
Audit Committee's Review Report

The Board of Directors has prepared and submitted the Company's 2021 Business Report, Financial Statements, and earning distribution proposal, of which, the Company's Financial Statements have been audited and certified by CPAs Chih-Cheng Hsieh and Tsai-Yen Chiang of PwC Taiwan, and an audit report is issued. The Business Report, Financial Statements, and earning distribution proposal have been reviewed by the Audit Committee. We, the Audit Committee, have duly examined the aforementioned reports as correct and accurate. According to Article 14-4 of the Securities and Exchange Act, as well as Article 219 of the Company Act, we hereby submit this report.

To

2022 Annual General Shareholders' Meeting

Sigurd Microelectronics Corporation

Convener of the Audit Committee: Wen-Bin Wu

March 8, 2022

IV. Financial reports for the most recent year

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Sigurd Microelectronics Corporation (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Sigurd Microelectronics Corporation and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. In addition, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Sigurd Microelectronics Corporation does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,
Sigurd Microelectronics Corporation
By

Shin-Yang Huang, Chairman
March 8, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 21000354

To the Board of Directors and Shareholders of Sigurd Microelectronics Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Sigurd Microelectronics Corporation and subsidiaries (the “Sigurd 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 consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Sigurd Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

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

Key audit matters for Sigurd Group's consolidated financial statements of the current period are stated as follows:

Capitalisation of property, plant and equipment

Description

Sigurd Group increased its capital expenditure to meet its operational needs. Please refer to Note 4(15) for accounting policies on property, plant and equipment, and Note 6(7) for details of property, plant and equipment. Considering that capitalisation of property, plant and equipment is significant to Sigurd Group's consolidated financial statements, thus, we identified the audit of capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the effectiveness of the internal control system over additions to property, plant and equipment, as well as sample tested and examined respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were accurate. Sample tested and examined the acceptance documents to validate the appropriateness of the timing that assets are ready for use and capitalisation (timing of starting depreciation).

Merger transaction - Acquisition of UTC Group

Description

On April 14, 2021, the Group acquired 100% of share equity of UTC Holdings Corporation with US\$ 165,000 thousand (approximate NT\$ 4,701,842 thousand) and control over UTC Holdings Corporation and its subsidiary, starting from the day, the UTC Holdings Corporation was consolidated into financial statements. The preceding business combination was accounted by the acquisition method. Please refer

to Note 4(30) for the related accounting policies and Note 6(27) for the details of the purchase price allocation. Since the effect of merger transaction was material to consolidated financial statements and the purchase price allocation involved the assessment of management, thus, we consider the merger transaction as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Inquired of management about the decision procedure of the acquisition, including motivation of acquisition, the determination of acquisition price, and the approval of transaction.
2. Reviewed merger transaction contract and checked the voucher of payment.
3. The purchase price allocation was commissioned by Sigurd Group to external appraisers to perform a fair value evaluation of identifiable assets and liabilities of the acquiree. For the report of purchase price allocation, we assessed the reasonableness of valuation method, assumption, discount rate and the purchase price allocation which were used by the appraisers in measuring the fair value of identifiable assets and liabilities of the acquiree.

Other matter – Audited by other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries. Those financial statements were audited by other independent auditors, whose reports thereon have been consolidated furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements was based solely on the reports of other independent auditors. Total assets of those consolidated subsidiaries amounted to NT\$392,778 thousand and NT\$330,564 thousand, constituting 1.07% and 1.11% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and total operating revenues amounted to NT\$332,105 thousand and NT\$212,271 thousand, constituting 1.99% and 1.71% of the total operating revenues for the years ended December 31, 2021 and 2020, respectively.

Other matter – Parent company only financial statements

We have also expressed an unqualified opinion on the parent company only financial statements of Sigurd Microelectronics Corporation as of and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as the management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Sigurd 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 the management either intends to liquidate the Sigurd Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sigurd Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sigurd Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Sigurd 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 Sigurd Group to express an opinion on 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 controls that we identify during our audit.

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

From those matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 8, 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 report of independent accountants 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.

SIGURD MICROELECTRONICS CORPORATION 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						
1100	Cash and cash equivalents	6(1)	\$ 7,943,271	22	\$ 5,628,675	19
1110	Current financial assets at fair value through profit or loss	6(2)	481,282	1	532,109	2
1136	Current financial assets at amortised cost	6(4) and 8	1,011,455	3	2,524,164	9
1140	Current contract assets	6(18)	193,381	1	109,872	-
1150	Notes receivable, net	6(5)	720	-	396	-
1170	Accounts receivable, net	6(5)	3,866,733	11	3,303,912	11
1180	Accounts receivable - related parties, net	6(5) and 7	5,491	-	3,811	-
1200	Other receivables		97,947	-	32,833	-
1220	Current tax assets		32,791	-	12,532	-
130X	Inventories	6(6)	304,078	1	185,466	1
1410	Prepayments		746,019	2	667,396	2
1470	Other current assets		164,916	-	37,463	-
11XX	Total current assets		<u>14,848,084</u>	<u>41</u>	<u>13,038,629</u>	<u>44</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	1,576,506	4	878,100	3
1535	Non-current financial assets at amortised cost	6(4) and 8	69,887	-	159,813	1
1600	Property, plant and equipment	6(7) and 8	18,479,301	50	14,629,289	49
1755	Right-of-use assets	6(8)	826,733	2	822,847	3
1780	Intangible assets		192,547	1	101,740	-
1840	Deferred tax assets	6(25)	389,770	1	75,345	-
1900	Other non-current assets		220,145	1	108,148	-
15XX	Total non-current assets		<u>21,754,889</u>	<u>59</u>	<u>16,775,282</u>	<u>56</u>
1XXX	Total assets		<u>\$ 36,602,973</u>	<u>100</u>	<u>\$ 29,813,911</u>	<u>100</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Liabilities and Equity	Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	\$ 245,444	1	\$ 1,067,131	3
2130	Current contract liabilities	6(18)	106,290	-	19,127	-
2150	Notes payable		4,175	-	2,658	-
2170	Accounts payable		378,437	1	379,746	1
2219	Other payables	6(10)	3,383,018	9	2,650,287	9
2230	Current income tax liabilities		489,295	1	306,627	1
2250	Current provisions		9,817	-	12,321	-
2280	Current lease liabilities		263,461	1	488,684	2
2320	Long-term liabilities, current portion	8	2,423,169	7	3,786,572	13
2399	Other current liabilities, others		391,208	1	225,465	1
21XX	Total current liabilities		<u>7,694,314</u>	<u>21</u>	<u>8,938,618</u>	<u>30</u>
	Non-current liabilities					
2530	Bonds payable	6(11)	4,383,961	12	830,801	3
2540	Long-term borrowings	6(12) and 8	5,748,648	16	4,518,748	15
2570	Deferred tax liabilities	6(25)	52,366	-	40,931	-
2580	Non-current lease liabilities		560,131	1	305,872	1
2600	Other non-current liabilities	6(13)	336,730	1	232,770	1
25XX	Total non-current liabilities		<u>11,081,836</u>	<u>30</u>	<u>5,929,122</u>	<u>20</u>
2XXX	Total liabilities		<u>18,776,150</u>	<u>51</u>	<u>14,867,740</u>	<u>50</u>
	Equity					
	Equity attributable to owners of parent					
	Share capital	6(14)				
3110	Ordinary share		4,520,782	12	4,316,114	15
	Capital surplus	6(15)				
3200	Capital surplus		942,353	3	715,446	2
	Retained earnings	6(16)				
3310	Legal reserve		1,526,636	4	1,351,118	5
3350	Unappropriated retained earnings		7,816,291	21	6,029,494	20
	Other equity interest	6(17)				
3400	Other equity interest		636,474	2	284,146	1
31XX	Equity attributable to owners of parent		<u>15,442,536</u>	<u>42</u>	<u>12,696,318</u>	<u>43</u>
36XX	Non-controlling interests		<u>2,384,287</u>	<u>7</u>	<u>2,249,853</u>	<u>7</u>
3XXX	Total equity		<u>17,826,823</u>	<u>49</u>	<u>14,946,171</u>	<u>50</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the reporting period	11				
3X2X	Total liabilities and equity		<u>\$ 36,602,973</u>	<u>100</u>	<u>\$ 29,813,911</u>	<u>100</u>

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	Items	Notes	Year ended December 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(18) and 7	\$ 16,681,264	100	\$ 12,428,549	100
5000	Operating costs	6(6)(23)(24)	(11,732,806)	(70)	(8,819,196)	(71)
5950	Gross profit from operations		<u>4,948,458</u>	<u>30</u>	<u>3,609,353</u>	<u>29</u>
	Operating expenses	6(23)(24)				
6100	Selling and marketing expenses		(218,888)	(1)	(176,411)	(2)
6200	General and administrative expenses		(872,459)	(5)	(671,642)	(5)
6300	Research and development expenses		(416,714)	(3)	(422,555)	(3)
6000	Total operating expenses		<u>(1,508,061)</u>	<u>(9)</u>	<u>(1,270,608)</u>	<u>(10)</u>
6900	Operating profit		<u>3,440,397</u>	<u>21</u>	<u>2,338,745</u>	<u>19</u>
	Non-operating income and expenses					
7100	Interest income	6(19)	30,930	-	52,764	-
7010	Other income	6(20)(27)	157,193	1	66,315	1
7020	Other gains and losses	6(21)	199,497	1	(59,688)	-
7050	Finance costs	6(22)	(165,205)	(1)	(119,560)	(1)
7000	Total non-operating income and expenses		<u>222,415</u>	<u>1</u>	<u>(60,169)</u>	<u>-</u>
7900	Profit before income tax		<u>3,662,812</u>	<u>22</u>	<u>2,278,576</u>	<u>19</u>
7950	Income tax expense	6(25)	(626,564)	(4)	(351,987)	(3)
8000	Profit from continuing operations		<u>3,036,248</u>	<u>18</u>	<u>1,926,589</u>	<u>16</u>
8200	Profit for the year		<u>\$ 3,036,248</u>	<u>18</u>	<u>\$ 1,926,589</u>	<u>16</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Losses on remeasurements of defined benefit plans	6(13)	\$ 54,894	-	(\$ 31,484)	-
8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	415,297	3	322,368	2
8349 Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(25)	(11,543)	-	-	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		458,648	3	290,884	2
Components of other comprehensive loss that might be reclassified to profit or loss					
8361 Exchange differences on translation of foreign operations	6(17)	(85,086)	(1)	(147,137)	(1)
8360 Components of other comprehensive loss that might be reclassified to profit or loss		(85,086)	(1)	(147,137)	(1)
8300 Other comprehensive income		\$ 373,562	2	\$ 143,747	1
8500 Total comprehensive income		\$ 3,409,810	20	\$ 2,070,336	17
Profit, attributable to:					
8610 Owners of parent		\$ 2,787,446	17	\$ 1,783,299	15
8620 Non-controlling interests		248,802	1	143,290	1
Total profit		\$ 3,036,248	18	\$ 1,926,589	16
Comprehensive income attributable to:					
8710 Owners of parent		\$ 3,194,808	19	\$ 2,005,290	16
8720 Non-controlling interests		215,002	1	65,046	1
Total comprehensive income		\$ 3,409,810	20	\$ 2,070,336	17
Basic earnings per share (in dollars)	6(26)				
9750 Basic earnings per share		\$	6.25	\$	4.22
Diluted earnings per share (in dollars)	6(26)				
9850 Diluted earnings per share		\$	5.95	\$	3.87

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

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

	Notes	Equity attributable to owners of the parent								Non-controlling interests	Total equity
		Retained Earnings					Other equity interest				
		Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets at fair value through other comprehensive income	Total		
2020											
Balance at January 1, 2020		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ 11,253,654	\$ 2,269,528	\$ 13,523,182
Profit for the year		-	-	-	-	1,783,299	-	-	1,783,299	143,290	1,926,589
Other comprehensive (loss) income for the year	6(3)(17)	-	-	-	-	(28,122)	(72,255)	322,368	221,991	(78,244)	143,747
Total comprehensive income (loss)		-	-	-	-	1,755,177	(72,255)	322,368	2,005,290	65,046	2,070,336
Distribution of 2019 earnings	6(16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	132,661	-	(132,661)	-	-	-	-	-
Reversal of special reserve		-	-	-	(48,273)	48,273	-	-	-	-	-
Cash dividends		-	-	-	-	(463,680)	-	-	(463,680)	-	(463,680)
Cash distribution from capital surplus	6(15)(16)	-	(463,680)	-	-	-	-	-	(463,680)	-	(463,680)
Conversion of corporate bonds	6(11)(14)(15)	109,280	255,454	-	-	-	-	-	364,734	-	364,734
Cash dividends paid to non-controlling interest from subsidiary	4(3)	-	-	-	-	-	-	-	-	(98,354)	(98,354)
Subsidiary's issuance of share capital - increase in non-controlling interest		-	-	-	-	-	-	-	-	14,850	14,850
Non-controlling interests		-	-	-	-	-	-	-	-	(1,217)	(1,217)
Balance at December 31, 2020		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,100	\$ 12,696,318	\$ 2,249,853	\$ 14,946,171
2021											
Balance at January 1, 2021		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,100	\$ 12,696,318	\$ 2,249,853	\$ 14,946,171
Profit for the year		-	-	-	-	2,787,446	-	-	2,787,446	248,802	3,036,248
Other comprehensive income (loss) for the year	6(3)(17)	-	-	-	-	43,976	(51,911)	415,297	407,362	(33,800)	373,562
Total comprehensive income (loss)		-	-	-	-	2,831,422	(51,911)	415,297	3,194,808	215,002	3,409,810
Distribution of 2020 earnings	6(16)	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	175,518	-	(175,518)	-	-	-	-	-
Cash dividends		-	-	-	-	(880,165)	-	-	(880,165)	-	(880,165)
Cash distribution from capital surplus	6(15)(16)	-	(396,074)	-	-	-	-	-	(396,074)	-	(396,074)
Proceeds from issuing bonds	6(15)	-	136,893	-	-	-	-	-	136,893	-	136,893
Conversion of corporate bonds	6(11)(14)(15)	204,668	486,088	-	-	-	-	-	690,756	-	690,756
Disposal of equity instruments at fair value through other comprehensive income	6(3)(17)	-	-	-	-	11,058	-	(11,058)	-	-	-
Cash dividends paid to non-controlling interest from subsidiary	4(3)	-	-	-	-	-	-	-	-	(80,568)	(80,568)
Balance at December 31, 2021		\$ 4,520,782	\$ 942,353	\$ 1,526,636	\$ -	\$ 7,816,291	(\$ 130,865)	\$ 767,339	\$ 15,442,536	\$ 2,384,287	\$ 17,826,823

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 3,662,812	\$ 2,278,576
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(23)	3,973,194	2,865,109
Amortisation	6(23)	56,813	63,250
Net profit on financial assets at fair value through profit or loss	6(2)(21)	(18,734)	(46,228)
Finance costs	6(22)	165,205	119,560
Interest income	6(19)	(30,930)	(52,764)
Dividends income	6(20)	(16,121)	(12,495)
Gain on disposal of property, plant and equipment	6(21)	(166,080)	(22,105)
Gain recognised in bargain purchase transaction	6(20)	16,441	-
Government grants	6(12)	(1,628)	-
Impairment of non-financial assets	6(7)(21)	350	2,083
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		70,611	(147,874)
Contract assets		(83,846)	10,150
Notes receivable		(323)	276
Accounts receivable		(224,899)	(264,264)
Accounts receivable-related parties		(1,680)	1,813
Other receivables		(22,270)	20,732
Inventories		(61,007)	(15,561)
Prepayments		(50,116)	(396,247)
Other current assets		(127,568)	(16,889)
Other non-current assets		(5,985)	(285)
Changes in operating liabilities			
Contract liabilities		87,191	8,939
Notes payable		1,516	248
Accounts payable		(116,342)	154,129
Other payables		588,020	358,077
Provisions		(2,244)	9,949
Other current liabilities		32,373	136,402
Defind benefit liabilities		(20,825)	(789)
Other non-current liabilities		(3,283)	(1,399)
Cash inflow generated from operations		7,700,645	5,052,393
Interest received		35,313	57,018
Dividends received		16,121	12,495
Interest paid		(142,423)	(118,478)
Income tax paid		(470,343)	(414,451)
Net cash flows from operating activities		<u>7,139,313</u>	<u>4,588,977</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 1,695,455)	(\$ 5,061,760)
Proceed from disposal of financial assets at amortised cost		3,273,128	6,636,660
Acquisition of financial assets at fair value through other comprehensive income		(158,000)	(60,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	11,058	-
Decrease in other receivable		3,040,026	-
Acquisition of property, plant and equipment	6(28)	(7,366,952)	(6,883,125)
Proceeds from disposal of property, plant and equipment		782,493	151,632
Acquisition of intangible assets		(125,417)	(61,995)
Increase in refundable deposits		(21,258)	(5,086)
Decrease in refundable deposits		15,099	6,145
Net cash outflows from acquisition of a subsidiary	6(27)	(4,458,677)	-
Net cash flows used in investing activities		(6,703,955)	(5,277,529)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(29)	2,520,595	2,901,946
Repayments of short-term borrowings	6(29)	(3,341,024)	(2,474,973)
Proceeds from issuance of corporate bonds		4,487,903	-
Repayments of corporate bonds		-	(400)
Proceeds from long-term borrowings		13,369,450	13,636,854
Repayments of long-term borrowings		(13,496,286)	(11,175,194)
Increase in guarantee deposits received	6(29)	445	3,032
Decrease in guarantee deposits received	6(29)	(89)	(4,407)
Repayments of lease liabilities	6(29)	(230,276)	(158,112)
Cash dividends paid	6(16)	(880,165)	(463,680)
Cash distribution from capital surplus	6(15)(16)	(396,074)	(463,680)
Cash dividends paid to non-controlling interests	4(3)	(80,568)	(98,354)
Non-controlling interests		-	(1,217)
Subsidiary's issuance of share capital - increase in non-controlling interests		-	14,850
Net cash flows from financing activities		1,953,911	1,716,665
Effect of changes in exchange rate		(74,673)	(20,377)
Net increase in cash and cash equivalents		2,314,596	1,007,736
Cash and cash equivalents at beginning of year	6(1)	5,628,675	4,620,939
Cash and cash equivalents at end of year	6(1)	<u>\$ 7,943,271</u>	<u>\$ 5,628,675</u>

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

SIGURD MICROELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd., the “Company”) was established in the Republic of China (R.O.C.) on December 15, 1988. In 1998, the Company acquired Sigurd Corporation, via assets purchase (the acquired company was liquidated and dissolved after the merger), in order to expand and provide turnkey assembly and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business activities of the Company and its subsidiaries (collectively referred herein as “Sigurd Group” or the “Group”) include the design, processing, testing, burn-in treatment, manufacture, trading, etc., of integrated circuits.

On February 11, 2004, the Company’s Board of Directors resolved to acquire Ucomm Caesar Technology Co., Ltd., whose main business was RF testing. The Company is the surviving company and Ucomm Caesar Technology Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was March 1, 2005.

On December 30, 2005, the Company’s Board of Directors resolved to acquire ASI Semiconductor Co., Ltd., whose main business was integrated circuit testing. The Company is the surviving company and ASI Semiconductor Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was June 12, 2006.

On May 8, 2013, the Company’s Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd., whose main business was integrated circuits packaging. The Company is the surviving company and the effective date for the merger was May 31, 2013.

2. THE DATE OF AND PROCEDURES FOR AUTHORISATION FOR ISSUANCE OF THE
CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issuance by the Board of Directors on March 8, 2022.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

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

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

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

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

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

(2) Effect of new or amended IFRSs as endorsed by the FSC but not yet adopted

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by 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 Sigurd Group's financial position and financial performance based on Sigurd 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 "IFRS and relevant laws and requirements" or "IFRSs").

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through 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 funds assets less present value of defined benefit obligation.
- B. The preparation of consolidated 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 Sigurd 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 Sigurd Group's consolidated financial statements. Subsidiaries are all entities controlled by Sigurd Group. Sigurd Group controls an entity when Sigurd 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 Sigurd Group obtains control of the subsidiaries and ceases when Sigurd Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within Sigurd Group have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by Sigurd 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.

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	
Sigurd Microelectronics Corporation	Sigurd International Co., Ltd.	Investment company	100	100	-
Sigurd Microelectronics Corporation	Burgurd Co., Ltd.	International trade company	100	100	Note 6
Sigurd Microelectronics Corporation	TEST-SERV Inc.	Semiconductor assembly and testing	100	100	-
Sigurd Microelectronics Corporation	Bloomeria Limited	Investment company	100	100	-
Sigurd Microelectronics Corporation	AMBERSAN Medical Technology Co., Ltd.	Medical equipment manufacturing and sales	55	55	-
Sigurd Microelectronics Corporation	Flatek, Inc.	Digital information supply service	58.77	58.77	-
Sigurd Microelectronics Corporation	Flusol Co., Ltd.	Investment company	96.66	96.66	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Sigurd Microelectronics Corporation	Ge-Shing Cooperation	Investment company	0.65	0.65	Note 3 and Note 4
Sigurd Microelectronics Corporation	UTC Holdings Corporation	Investment company	100	-	Note 5
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Investment company	78.33	78.33	-
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Investment company	3.34	3.34	Note 1
Flusol Co., Ltd.	SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated circuits and advanced service of circuits testing	100	100	-
Sigurd Microelectronics (Cayman) Co., Ltd.	Sigurd Micro Electronics (Wuxi) Co., Ltd.	Manufacture and sales of microelectronic products	100	100	-
Bloomeria Limited	Ge-Shing Cooperation	Investment company	99.35	99.35	Note 3 and Note 4
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	51.90	51.90	Note 4
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Research, design and testing of integrated circuits	0.03	0.03	-
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Services of turnkey wafer bumping and wafer level packaging	100	100	-
FLATEK, INC.	OPS Electronic Limited	Investment company	100	100	-

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
FLATEK, INC.	TPFUSION, INC.	Digital information supply service	75	75	-
FLATEK, INC.	Valuenet International Limited	Digital information supply service	100	100	-
OPS Electronic Limited	OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic	100	100	-
TPFUSION INC.	TPfusion Corp.	Digital information supply service	98	98	-
UTC Holdings Corporation	Sigurd UTC Corporation (UTAC (Taiwan) Corporation rename)	Testing service of integrated circuits and manufacture, sales and design of flip chip and substrate based	100	-	Note 5

Note 1: Flusol Co., Ltd., a foreign subsidiary, originally wholly-owned by Sigurd International Co., Ltd., increased its capital by cash, amounting to US\$45,000 thousand. The Company has made the investment directly by remitting US\$45,000 thousand (\$1,359,700) as Flusol Co., Ltd.'s capital. As of December 31, 2020, the Company held 96.66% shareholding of Flusol Co., Ltd.

Note 2: On February 27, 2020, Flusol (Shenzhen) Co., Ltd. has completed its deregistration as approved by the Investment Commission of the Ministry of Economic Affairs and remitted the residual property amounting to US\$258,990 to Flusol Co., Ltd.

Note 3: Ge-Shing Cooperation was established on March 12, 2020. The Company invested \$10,000 to obtain its 100% shareholding.

Note 4: To improve the overall operating efficiency of Sigurd Group, on July 6, 2020, Bloomeria Limited, the subsidiary of the Company, swapped all 70,694,438 shares it held in Winstek Semiconductor Co., Ltd. (consisting approximately 51.88% of the total shares issued) for new shares issued from capital increase of the wholly-owned subsidiary of the Company, Ge-Shing Cooperation. After the swap, the Company and Bloomeria Limited hold 0.65% and 99.35% shareholdings in Ge-Shing Cooperation, respectively.

Note 5: On April 14, 2021, the Company completed the acquisition of a 100% share equity in UTC

Holdings Corporation with US\$165,000 thousand (approximate \$4,701,842). The subsidiary which was belonging to UTC Holdings Corporation were included in the consolidated financial statements.

On June 7, 2021, UTC Holdings Corporation performed capital reduction and returned cash to the Company in the amount of \$2,900,000 (including \$920,470 and US\$71,489 thousand), the ratio of capital reduction was 52.59%.

On August 4, 2021, UTC Holdings Corporation increased cash capital in the amount of \$701,337. On August 11, 2021, the Company has remitted capital in the amount of \$701,337 and acquired all of increased share equity.

Note 6: On July 15, 2021, the Company's foreign subsidiary, Burgurd Co., Ltd., increased cash capital in the amount of US\$ 1,500 thousand. On August 19, 2021, the Company has remitted capital in the amount of US\$ 1,500 thousand (\$41,931) and acquired all of increased share equity.

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

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

E. Significant restrictions: None.

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

As of December 31, 2021 and 2020, the non-controlling interests amounted to \$2,384,287 and \$2,249,853, respectively. The information on non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest				Description
		December 31, 2021		December 31, 2020		
		Amount	Ownership (%)	Amount	Ownership (%)	
Winstek Semiconductor Co., Ltd. and its Subsidiary	Taiwan	\$2,284,926	48.10%	\$2,155,855	48.10%	-

Summarised financial information of subsidiaries:

Balance sheets

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	December 31, 2021	December 31, 2020
Current assets	\$ 3,378,430	\$ 3,813,896
Non-current assets	2,959,821	1,879,064
Current liabilities	(683,581)	(639,675)
Non-current liabilities	(778,759)	(323,892)
Total net assets	<u>\$ 4,875,911</u>	<u>\$ 4,729,393</u>

Statements of comprehensive income

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended	Year ended
	December 31, 2021	December 31, 2020
Revenue	\$ 3,086,392	\$ 2,613,534
Profit before income tax	471,140	227,746
Income tax expense	(77,209)	(18,348)
Profit from continuing operations	393,931	209,398
Profit for the year	393,931	209,398
Other comprehensive loss, net of tax	(79,895)	(164,609)
Total comprehensive income for the year	\$ 314,036	\$ 44,789
Comprehensive income attributable to non-controlling interests	\$ 151,036	\$ 21,543
Dividends paid to non-controlling interests	\$ 80,568	\$ 98,354

Statements of cash flows

	Winstek Semiconductor Co., Ltd. and Subsidiary	
	Year ended	Year ended
	December 31, 2021	December 31, 2020
Net cash provided by operating activities	\$ 963,575	\$ 1,197,431
Net cash used in investing activities	(559,520)	(66,554)
Net cash used in financing activities	145,835	(489,838)
Effect of exchange rates on cash and cash equivalents	(12,100)	(6,835)
Increase in cash and cash equivalents	537,790	634,204
Cash and cash equivalents, beginning of year	1,065,623	431,419
Cash and cash equivalents, end of year	\$ 1,603,413	\$ 1,065,623

(4) Foreign currency translation

Items included in the consolidated financial statements of each of Sigurd 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 dollar, which is the Company's functional and Sigurd Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their

translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses 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 Sigurd Group entities, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the 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;
- iii. All resulting exchange differences are recognised in other comprehensive income (loss).

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when Sigurd 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.

- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as 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 realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Sigurd Group classifies the assets which do not meet the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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.

Sigurd Group classifies the liabilities which do not meet the above criteria as non-current liabilities.

(6) Cash equivalents

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

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

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

are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of Sigurd Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, Sigurd Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. Sigurd 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 Sigurd 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

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

(12) Derecognition of financial assets

Sigurd 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 Sigurd 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, Sigurd Group has not retained control of the financial asset.

(13) Operating leases (lessor)

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.

(14) Inventories

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

(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 Sigurd Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	4 ~ 60 years
Machinery and equipment	1 ~ 10 years
Office equipment	3 ~ 6 years
Other equipment	2 ~ 15 years

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

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

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

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

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

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

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(17) Intangible assets

Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(18) Impairment of non-financial assets

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

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill is acquired to each of the cash-generating units,

or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(19) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Provisions

- A. Provisions are recognised when Sigurd Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense.
- B. In the process of service provision, customers were unable to sell their products due to Sigurd Group's operational errors or poor product yield. Sigurd Group has assessed the liability for compensation when facts occur, and therefore has estimated related expenses and the provision for the recognition of liabilities. The provision is measured based on historical data and all possible outcomes.

(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 expenses 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 refunds 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 Sigurd Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of 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, Sigurd Group uses interest rates of government bonds (at the balance sheet date) instead.
- 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.
- iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Other long-term employee benefit

Sigurd Group has long-term employee benefits in addition to the pension plans. Its net obligation is calculated by using projected unit credit method. It is measured by discounting the amount of future benefits earned by the employees from current or past services less the fair value of any relevant assets. The discounting rate adopts the interest rates of government bonds (at the balance sheet date) with terms to maturity approximating to the terms of Sigurd Group's obligations. All actuarial gains and losses are recognised as profit and loss in the current period.

E. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those

amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'Finance costs'.

(24) Convertible bonds payable

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

- A. The embedded redemption rights are recognised initially at net fair value as 'Financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to "Finance costs" over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of equity are initially recognised in 'Capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and "Capital surplus—share options".

(25) 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 shareholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Sigurd Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax assets shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) Share capital

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.

(27) Dividends

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

(28) Revenue recognition

A. Sales of goods

- (a) Sigurd Group manufactures and sells electronic components. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or Sigurd Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discount. The estimation is subject to an assessment at each reporting date. A refunds liability is recognised for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Provision of services

- (a) Sigurd Group provides the services of research and design, engineering and testing of integrated circuits as well as the related services such as wafer bumping and wafer assembly services. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The testing and packaging services provided by Sigurd Group are in compliance with the (b) above, and shall be gradually recognised as revenue over time, and recognised as revenue via the progress towards satisfaction of completion performance obligation.
- (b) Since the time interval between the transfer of the promised goods or services to the customer and payment by the customer has not exceeded one year, Sigurd Group has not adjusted the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

C. Compensatory revenue

Sigurd Group reserves its capacity to provide customers with wafer bumping and testing services of integrated circuits. During the term of the contract, the customer's purchase volume did not reach the minimum annual purchase amount mutually agreed upon in the contract. Sigurd Group may claim compensation for the difference between retained production capacity and purchased

amount in accordance with the terms stipulated in the contract. Compensatory revenue from the difference is fulfilled through the transfer of each of the performance obligations and is recognised accordingly.

(29) Government grants

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

(30) Business combinations

A. Sigurd Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed, and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, Sigurd Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Sigurd Group's chief operating decision maker, has been identified as Board of Directors who 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 Sigurd 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 Sigurd Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

None.

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	\$ 2,069	\$ 4,387
Checking accounts and demand deposits	5,370,830	3,266,457
Time deposits	<u>2,570,372</u>	<u>2,357,831</u>
	<u>\$ 7,943,271</u>	<u>\$ 5,628,675</u>

A. Sigurd 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. Sigurd Group has no cash and cash equivalents pledged to others.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 315,000	\$ 334,678
Corporate bonds	143,480	143,480
Convertible bonds	-	18,906
Redemption right of convertible bonds of the Company	<u>1,050</u>	<u>-</u>
	459,530	497,064
Valuation adjustment	<u>21,752</u>	<u>35,045</u>
	<u>\$ 481,282</u>	<u>\$ 532,109</u>

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

	Year ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 1,369	\$ 265
Beneficiary certificates	23,002	16,904
Corporate bonds	(4,739)	2,455
Convertible bonds	(898)	26,604
	<u>\$ 18,734</u>	<u>\$ 46,228</u>

B. Information relating to price risk of financial assets at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 150,000	\$ 150,000
Unlisted stocks	659,167	365,000
	809,167	515,000
Valuation adjustment	767,339	363,100
	<u>\$ 1,576,506</u>	<u>\$ 878,100</u>

A. Sigurd 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 \$1,576,506 and \$878,100 as at December 31, 2021 and 2020, respectively.

B. Sigurd Group did not sell any financial assets at fair value through other comprehensive income during the year ended December 31, 2020.

In addition, in September 2020, the Company's subsidiary, Sigurd UTC Corporation (formerly named UTAC Taiwan Corporation), disposed investments in the fair value amount of \$7,580 due to the acquisition of the acquirer, the accumulated loss from disposal was \$84,070 and was reclassified as retained earnings. In November 2021, the acquisition price has been modified, the fair value of disposal was adjusted to \$18,672. In December 2021, Sigurd UTC Corporation collected the price difference amounting to \$11,058 (less related taxes) and reclassified the difference to retained earnings.

C. 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	\$ 415,297	\$ 322,368
Cumulative gains reclassified to retained earnings due to derecognition	\$ 11,058	\$ -
Dividend income recognised in profit or loss held at end of year	\$ 16,121	\$ 12,362

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by Sigurd Group was \$1,576,506 and \$878,100, respectively.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Pledged time deposits	\$ 25,000	\$ -
Time deposits	986,455	2,524,164
	\$ 1,011,455	\$ 2,524,164
Non-current items:		
Demand deposits	\$ -	\$ 81,203
Pledged time deposits	39,887	48,610
Corporate bonds	30,000	30,000
	\$ 69,887	\$ 159,813

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

	Year ended December 31,	
	2021	2020
Interest income	\$ 8,911	\$ 26,957

B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by Sigurd Group was \$1,081,342 and \$2,683,977, respectively.

C. On December 31, 2020, demand deposits amounting to \$81,203, which were pledged for the guarantee purpose of issuing usance L/C, were shown as “Non-current financial assets at

amortised cost”. Please refer to Notes 6(12) and 8 for details.

D. On December 31, 2021 and 2020, time deposits amounting to \$64,887 and \$48,610, respectively, which were restricted for the purpose of customs guarantee and participation of government grants program guarantee were shown as “Current financial assets at amortised cost” and “Non-current financial assets at amortised cost”. Please refer to Note 8 for details.

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

(5) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 720	\$ 396
Accounts receivable	\$ 3,914,441	\$ 3,351,683
Accounts receivable - related parties	5,491	3,811
	<u>3,919,932</u>	<u>3,355,494</u>
Less: Loss allowance	(47,708)	(47,771)
	<u>\$ 3,872,224</u>	<u>\$ 3,307,723</u>

A. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$3,074,729.

B. The ageing analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 3,735,127	\$ 720	\$ 3,219,977	\$ 396
Up to 30 days	120,818	-	82,306	-
31 to 90 days	13,777	-	4,305	-
91 to 180 days	5	-	509	-
Over 180 days	50,205	-	48,397	-
	<u>\$ 3,919,932</u>	<u>\$ 720</u>	<u>\$ 3,355,494</u>	<u>\$ 396</u>

The above ageing analysis was based on past due date.

C. As at December 31, 2021 and 2020, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents Sigurd Group’s notes receivable was \$720 and \$396, respectively, and the maximum exposure to credit risk in respect of Sigurd Group’s accounts receivable was \$3,872,224 and \$3,307,723, 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	\$ 215,763	(\$ 5,381)	\$ 210,382
Supplies	82,026	(3,106)	78,920
Work in progress	7,457	-	7,457
Merchandises and finished goods	8,121	(802)	7,319
	<u>\$ 313,367</u>	<u>(\$ 9,289)</u>	<u>\$ 304,078</u>

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 119,580	(\$ 5,895)	\$ 113,685
Supplies	60,156	(2,498)	57,658
Work in progress	9,225	(1,036)	8,189
Merchandises and finished goods	6,860	(926)	5,934
	<u>\$ 195,821</u>	<u>(\$ 10,355)</u>	<u>\$ 185,466</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31,	
	2021	2020
Cost of goods sold	\$ 11,731,362	\$ 8,823,676
Inventory valuation gain	(869)	(4,434)
Inventory scrapped	2,726	1,673
Revenue from sale of scrapped inventories	(216)	(1,636)
Net exchange differences	(197)	(83)
	<u>\$ 11,732,806</u>	<u>\$ 8,819,196</u>

Sigurd Group recognised inventory valuation gain for the years ended December 31, 2021 and 2020 because some of the inventories previously written down were consumed or sold.

(7) Property, plant and equipment

2021

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 3,254,658	\$ 24,827,007	\$ 366,435	\$ 2,369,687	\$ 1,258,941	\$ 32,921,081
Accumulated depreciation and impairment	-	(1,246,624)	(15,329,982)	(199,145)	(1,516,041)	-	(18,291,792)
	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>
<u>2021</u>							
At January 1	\$ 844,353	\$ 2,008,034	\$ 9,497,025	\$ 167,290	\$ 853,646	\$ 1,258,941	\$ 14,629,289
Additions	-	19,115	4,852,680	85,225	422,262	1,323,264	6,702,546
Transferred from merger	-	675,023	389,656	7,920	4,572	22,632	1,099,803
Transferred from prepayment for equipment	-	-	75,000	-	-	-	75,000
Transferred from right-of-use assets	-	-	427,981	-	-	-	427,981
Reclassifications (Note)	-	-	1,170,220	13,286	14,590	(1,223,472)	(25,376)
Disposals	-	-	(602,137)	(4,155)	(10,121)	-	(616,413)
Depreciation	-	(132,054)	(3,314,063)	(80,142)	(242,904)	-	(3,769,163)
Impairment loss	-	-	(350)	-	-	-	(350)
Net exchange differences	-	(701)	(31,470)	(1,077)	(7,468)	(3,300)	(44,016)
At December 31	<u>\$ 844,353</u>	<u>\$ 2,569,417</u>	<u>\$ 12,464,542</u>	<u>\$ 188,347</u>	<u>\$ 1,034,577</u>	<u>\$ 1,378,065</u>	<u>\$ 18,479,301</u>
At December 31, 2021							
Cost	\$ 844,353	\$ 3,947,609	\$ 28,945,355	\$ 412,521	\$ 2,647,787	\$ 1,378,065	\$ 38,175,690
Accumulated depreciation and impairment	-	(1,378,192)	(16,480,813)	(224,174)	(1,613,210)	-	(19,696,389)
	<u>\$ 844,353</u>	<u>\$ 2,569,417</u>	<u>\$ 12,464,542</u>	<u>\$ 188,347</u>	<u>\$ 1,034,577</u>	<u>\$ 1,378,065</u>	<u>\$ 18,479,301</u>

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1							
Cost	\$ 844,353	\$ 2,594,643	\$ 21,215,491	\$ 257,251	\$ 2,234,126	\$ 804,938	\$ 27,950,802
Accumulated depreciation and impairment	-	(1,182,183)	(14,534,908)	(177,783)	(1,412,198)	-	(17,307,072)
	<u>\$ 844,353</u>	<u>\$ 1,412,460</u>	<u>\$ 6,680,583</u>	<u>\$ 79,468</u>	<u>\$ 821,928</u>	<u>\$ 804,938</u>	<u>\$ 10,643,730</u>
<u>2020</u>							
At January 1	\$ 844,353	\$ 1,412,460	\$ 6,680,583	\$ 79,468	\$ 821,928	\$ 804,938	\$ 10,643,730
Additions	-	643,865	4,618,695	143,390	216,698	1,235,766	6,858,414
Transferred from prepayment for equipment	-	-	6,010	-	-	-	6,010
Disposals	-	(244)	(128,093)	(14)	(994)	(182)	(129,527)
Depreciation	-	(63,271)	(2,416,318)	(55,539)	(200,706)	-	(2,735,834)
Impairment loss	-	-	(2,083)	-	-	-	(2,083)
Reclassifications (Note)	-	880	767,050	-	21,737	(790,514)	(847)
Net exchange differences	-	14,344	(28,819)	(15)	(5,017)	8,933	(10,574)
At December 31	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>
At December 31, 2020							
Cost	\$ 844,353	\$ 3,254,658	\$ 24,827,007	\$ 366,435	\$ 2,369,687	\$ 1,258,941	\$ 32,921,081
Accumulated depreciation and impairment	-	(1,246,624)	(15,329,982)	(199,145)	(1,516,041)	-	(18,291,792)
	<u>\$ 844,353</u>	<u>\$ 2,008,034</u>	<u>\$ 9,497,025</u>	<u>\$ 167,290</u>	<u>\$ 853,646</u>	<u>\$ 1,258,941</u>	<u>\$ 14,629,289</u>

Note: In 2021 and 2020, the transfers-out of construction in progress and equipment to be inspected amounted to \$1,223,472 and \$790,514, of which \$7,381 and \$0 were transferred to intangible assets, \$17,995 and \$847 were transferred to prepaid expenses (shown as "Prepayments".)

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

	Year ended December 31,	
	2021	2020
Amount capitalised	\$ 15,070	\$ 17,904
Range of the interest rates for capitalisation	0.98%~1.42%	0.55%~1.39%

B. The significant components of buildings and structures include buildings, laboratory and facility equipment, which are depreciated over 50 to 60 years.

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

D. As of December 31, 2021 and 2020, the area of the land amounting to 12,061 square meters held by Sigurd Group was a farming and grazing land held in the name of others. Sigurd Group has obtained the mortgage set by the landowner to secure Sigurd Group's right on the untransferred part of the land.

(8) Leasing arrangements – lessee

- A. Sigurd Group leases various assets, including buildings, machinery and equipment and transportation equipment for the purposes of manufacture and operations. Lease agreements are typically made for periods of 1 to 32 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases consisted of machinery and equipment and transportation equipment leased by Sigurd Group with lease terms no more than 12 months, and low-value assets are comprised of office equipment.
- C. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31,	
	2021	2020
	Carrying amount	Carrying amount
Land	\$ 202,410	\$ -
Buildings	260,678	192,151
Machinery and equipment	351,233	616,687
Transportation equipment (business vehicles)	12,412	14,009
	<u>\$ 826,733</u>	<u>\$ 822,847</u>

	Year ended December 31,	
	2021	2020
	Depreciation	Depreciation
Land	\$ 4,587	\$ -
Buildings	57,732	39,812
Machinery and equipment	132,289	79,432
Transportation equipment (business vehicles)	9,423	10,031
	<u>\$ 204,031</u>	<u>\$ 129,275</u>

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets was \$431,379 and \$556,209, respectively.
- E. When the lease terms ceased, the Company had preemptive right on some of leased machinery and equipment. For the year ended December 31, 2021, aforementioned lease contracts with preemptive right were due, the Company exercised the preemptive right to buy machinery and equipment in the amount of \$427,981. In addition, for the year ended December 31, 2020, there were no lease contracts with preemptive right which were due.
- F. The information on profit and loss accounts relating to lease agreements is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 26,604	\$ 20,920
Expense on short-term lease agreements	160,814	253,693
Expense on leases of low-value assets	9,082	9,082

G. For the years ended December 31, 2021 and 2020, Sigurd Group's total cash outflow for leases were \$795,477 and \$441,807, respectively.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 245,444</u>	0.80%~1.87%	None
<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 1,029,399	0.69%~2.57%	None
Secured borrowings	<u>37,732</u>	0.63%~0.84%	Land and plant
	<u>\$ 1,067,131</u>		

(10) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued salaries and bonuses	\$ 798,648	\$ 561,792
Accrued employees' compensation and directors' remuneration	474,749	328,614
Payable for equipment and construction	645,355	866,979
Others	1,464,266	892,902
	<u>\$ 3,383,018</u>	<u>\$ 2,650,287</u>

(11) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Convertible bonds payable	\$ 2,700,000	\$ 1,200,000
Bonds payable	3,000,000	-
Less: Bonds payable converted	(1,054,000)	(352,500)
Less: Discount on bonds payable	(117,272)	(16,699)
	4,528,728	830,801
Less: Current portion (shown as "Other current liabilities")	(144,767)	-
	<u>\$ 4,383,961</u>	<u>\$ 830,801</u>

Domestic 2nd Unsecured Convertible Bonds

A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the domestic 2nd unsecured convertible bonds on March 8, 2017, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on April 14,

2017 and were issued on April 24, 2017. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years; from on April 24, 2017 to April 24, 2020.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (July 25, 2017) until the maturity date (April 24, 2020). The conversion deadline of the domestic 2nd unsecured convertible bonds for bondholders was April 9, 2020 due to the handling of 2020 general shareholders' meeting according to the Article 9 of related provisions of the issuance and conversion method.
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$28.70 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$28.7 (in dollars) to \$27 (in dollars) on August 13, 2017; and the conversion price was adjusted from \$27 (in dollars) to \$25.8 (in dollars) on July 15, 2018; and the conversion price was adjusted from \$25.8 (in dollars) to \$24 (in dollars) on July 21, 2019; and the conversion price was adjusted from \$24 (in dollars) to \$23.7 (in dollars) on November 15, 2019.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of domestic 2nd unsecured convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- C. Trough conversion deadline, April 9, 2020, the bonds totaling \$1,199,600 (face value) had been converted into 46,023,851 shares of common stock. The remaining unconverted bonds amounting to \$400 (face value) were redeemed in cash at face value at the maturity date according to the

Article 6 of provisions of the issuance and conversion method of the 2nd domestic unsecured convertible bonds.

Domestic 3rd Unsecured Convertible Bonds

- A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 3rd domestic unsecured convertible bonds on August 7, 2019, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 3, 2019 and were issued on October 15, 2019. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years, from October 15, 2019 to October 15, 2022.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 16, 2020) until the maturity date (October 15, 2022).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$37 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$37 (in dollars) to \$36.6 (in dollars) on November 15, 2019; and the conversion price was adjusted from \$36.6 (in dollars) to \$34.8 (in dollars) on August 2, 2020; and the conversion price was adjusted from \$34.8 (in dollars) to \$33.2 (in dollars) on August 22, 2021.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of 3rd unsecured convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognised in "Capital surplus—share options" in accordance with IAS 32.
- C. As of December 31, 2021, the 3rd domestic unsecured convertible bonds totaling \$1,054,000

thousand (face value) had been converted into 30,567,762 shares of common stock.

Domestic 1st Secured Bonds

In order to fulfill working capital, on March 10, 2021, the Company's Board of Directors approved to issue domestic first secured corporate bonds, the issuance has been filed to Taipei Exchange and has been effective. Main terms of the issuance were as follows:

- (a) Total issuance amount: The bonds were issued at face value of \$1,000, the issuance number was 3,000 with a total issuance amount of \$3,000,000.
- (b) Issuance duration: 5 years, from March 19, 2021 to March 19, 2026.
- (c) Coupon rate and payment method: The coupon rate was fixed rate at 0.58%. Interest will be paid annually. The principle will be paid at once when it is due.
- (d) Secured method: The corporate bond was guaranteed by the syndicated guaranteed contract and performance obligation contract of corporate bond guarantee which were entered by banks.

Domestic 4th Unsecured Convertible Bonds

A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the 4th domestic unsecured convertible bonds on August 4, 2021, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 2, 2021 and were issued on October 13, 2021. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 106.2% of par value of \$100. The units for this offering were 15,000, with aggregated offering amount of \$1,592,946.
- (b) Issuance duration: Three years, from October 13, 2021 to October 13, 2024.
- (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
- (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 14, 2022) until the maturity date (October 13, 2024).
- (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$65.4 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights.
- (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and

obligations attached to the bonds are also extinguished.

B. Regarding the issuance of the domestic 4th unsecured convertible bonds, the equity conversion options amounting to \$136,893 were separated from the liability component and were recognised in “Capital surplus—share options” in accordance with IAS 32. The embedded in bonds payable were separated from their host contracts and were recognised in ‘Financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.09%.

C. As of December 31, 2021, the 4th unsecured convertible bonds hadn’t been converted into common stock.

(12) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from September 17, 2018 to August 10, 2026; principal and interest are repayable by instalments	0.48%~4.75%	(Note 1)	\$ 7,688,472
Secured borrowings	Borrowing period is from September 26, 2019 to January 8, 2026; principal and interest are repayable by instalments	0.79%~1.19%	Land, plant and machinery and equipment (Note 3)	483,345
				<u>8,171,817</u>
Less: Current portion				<u>(2,423,169)</u>
				<u>\$ 5,748,648</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from May 18, 2018 to December 1, 2025; principal and interest are repayable by instalments	0.60%~4.75%	(Note 2)	\$ 7,434,489
Secured borrowings	Borrowing period is from July 18, 2019 to July 29, 2025; principal and interest are repayable by instalments	1.01%~1.25%	Demand deposits, Land, plant and machinery and equipment (Note 4)	<u>870,832</u>
				8,305,321
Less: Current portion				(<u>3,786,573</u>)
				<u>\$ 4,518,748</u>

For the years ended December 31, 2021 and 2020, interest expenses arising from long-term and short-term bank borrowings amounted to \$116,994 and \$98,963, respectively.

Note 1: Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortisation expenses divided by interest expenses of consolidated financial statements shall be more than ten.
- D. Net tangible assets shall not be less than \$11 billion.
- E. Committed that in the borrowing period, there can not be new machinery and equipment pledged to others.
- F. Shares of TEST-SERV Inc. held by the Company shall not be less than 51%.
- G. Shares of Winstek Semiconductor Co., Ltd. held by the Company shall not be less than 51%.
Shares of Winstek Semiconductor Technology Co., Ltd. held by Winstek Semiconductor Co.,

Ltd. shall not be less than 100%.

- H. The balance of deposits of Winstek Semiconductor Co., Ltd. and its subsidiaries at the contracted bank over the recent three months on average shall not be less than \$ 60 million.
- I. On July 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Accelerated Investment by Domestic Corporations” and companies are subsidised by financial institutes with preferential interest loans, 0.58%~0.80% of loan interest for qualified investment projects. Winstek Corporation has obtained the qualification from the MOEA, and signed loan agreements with financial institutions for the line of credit amounted to \$746 million with terms of 5 years. Funding from these borrowings were used in machinery and equipment and working capital. For the year ended December 31, 2021, the Company recognised grant revenue from the borrowing project in the amount of \$1,628 (shown as ‘Other income’).

Note 2: Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortisation expenses divided by interest expenses of consolidated financial statements shall be more than fifteen.
- D. Net tangible assets shall not be less than \$10 billion.
- E. Committed that in the borrowing period, there can not be new machinery and equipment pledged to others.
- F. Shares of TEST-SERV Inc. held by the Company shall not be less than 51%.
- G. Shares of Winstek Semiconductor Co., Ltd. held by the Company shall not be less than 51%. Shares of Winstek Semiconductor Technology Co., Ltd. held by Winstek Semiconductor Co., Ltd. shall not be less than 100%.
- H. The balance of deposits of Winstek Semiconductor Co., Ltd. and its subsidiaries at the contracted bank over the recent three months on average shall not be less than \$ 60 million.
- I. Winstek Semiconductor Technology Co., Ltd. has obtained the qualification from the MOEA, and repaid the long-term borrowings in advance, the former credit contract had no restrictions on repaying in advance.

Note 3: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Debt ratio: the total liabilities plus contingent liabilities divided by net tangible assets shall not

be more than 100%.

B. Cash and cash equivalents divided by short-term borrowings plus current portion of long-term borrowings and corporate bond shall not less than 1.

C. The purpose of bank borrowings shall be acquisition of equipment and working capital.

Note 4: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 120%.

B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.

C. Net tangible assets shall not be less than \$11 billion.

D. Times interest earned: the net profit before tax plus interest expenses, depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than three.

E. The purpose of bank borrowings shall be acquisition of equipment and working capital.

The abovementioned ratios were calculated based on the quarterly consolidated financial statements audited or reviewed by the independent auditors. The 2021 and 2020 consolidated financial statements met the requirements of the abovementioned ratios.

(13) Pensions

A. (a) The Company and its domestic subsidiaries have defined benefit pension plans 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 plans, 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 pension funds deposited with Bank of Taiwan, the trustee, under the name of the independent pension funds committees. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(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	(\$ 507,993)	(\$ 373,585)
Fair value of plan assets	<u>200,746</u>	<u>154,299</u>
Net defined benefit liabilities	<u>(\$ 307,247)</u>	<u>(\$ 219,286)</u>

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

	<u>2021</u>		
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
At January 1	(\$ 373,585)	\$ 154,299	(\$ 219,286)
Consolidated transfer in	(215,387)	44,777	(170,610)
Current service cost	(1,979)	-	(1,979)
Interest (expense) income	(3,517)	1,159	(2,358)
	<u>(594,468)</u>	<u>200,235</u>	<u>(394,233)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,837	2,837
Change in demographic assumptions	(2,400)	-	(2,400)
Change in financial assumptions	(11,560)	-	(11,560)
Experience adjustments	<u>66,017</u>	<u>-</u>	<u>66,017</u>
	<u>52,057</u>	<u>2,837</u>	<u>54,894</u>
Pension fund contribution	-	12,786	12,786
Paid pension	<u>34,418</u>	<u>(34,418)</u>	<u>-</u>
At December 31	<u>(\$ 507,993)</u>	<u>\$ 181,440</u>	<u>(\$ 326,553)</u>

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 338,719)	\$ 146,967	(\$ 191,752)
Current service cost	(1,588)	-	(1,588)
Interest (expense) income	(4,065)	1,735	(2,330)
	<u>(344,372)</u>	<u>148,702</u>	<u>(195,670)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,121	4,121
Change in demographic assumptions	(825)	-	(825)
Change in financial assumptions	(19,141)	-	(19,141)
Experience adjustments	(15,639)	-	(15,639)
	<u>(35,605)</u>	<u>4,121</u>	<u>(31,484)</u>
Pension fund contribution	-	7,868	7,868
Paid pension	6,392	(6,392)	-
At December 31	<u>(\$ 373,585)</u>	<u>\$ 154,299</u>	<u>(\$ 219,286)</u>

- (d) The Bank of Taiwan was commissioned to manage the funds of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the funds' annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Funds" (Article 6: The scope of utilisation for the funds 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 securitization products, etc.). With regard to the utilisation of the funds their 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 its domestic subsidiaries have no right to participate in managing and operating that funds and hence the Company and its 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 Funds 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%~0.79%	0.43%~0.80%
Future salary increase rate	3.00%~4.00%	3.00%

Assumptions regarding future mortality rate are set based on actuarial advice in accordance with published statistics and experience in each territory.

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 1%	Decrease 1%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligations	(\$ 13,752)	\$ 14,431	\$ 47,706	(\$ 43,494)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligations	(\$ 10,106)	\$ 10,653	\$ 42,826	(\$ 38,313)

(f) Expected contributions to the defined benefit pension plans of Sigurd Group for the year ending December 31, 2022 amount to \$32,091.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established defined contribution pension plans (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, Sigurd Micro Electronics (Wuxi) Co., Ltd. and SIRIZE Technology (Suzhou) Corp., have defined contribution plans. Monthly contributions to an independent funds 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. The contribution percentage for the years ended December 31, 2021 and 2020, was 16%, and 13% to 20%, respectively. Other than the monthly contributions, Sigurd Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of Sigurd Group for the years ended December 31, 2021 and 2020 were \$113,611 and \$92,721, respectively.

C. Long-term employee benefits

Winstek Semiconductor Co., Ltd. and its subsidiary provide other long-term employee benefit

plans (pensions) to employees. Actuarial techniques are used to measure other long-term employee benefit obligations and respective balances as of December 31, 2021 and 2020 were \$0 and \$3,335, respectively.

(14) Share capital

As of December 31, 2021, the Company's authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,520,782 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	Unit: shares	
	2021	2020
At January 1	431,611,382	420,683,401
Conversion of corporate bonds	20,466,774	10,927,981
At December 31	<u>452,078,156</u>	<u>431,611,382</u>

(15) 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 capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2021			
	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 440,441	\$ 244,129	\$ 30,876	\$ 715,446
Issuance of convertible bonds	-	-	136,893	136,893
Conversion of corporate bonds	511,632	-	(25,544)	486,088
Cash distribution from capital surplus	(396,074)	-	-	(396,074)
At December 31	<u>\$ 555,999</u>	<u>\$ 244,129</u>	<u>\$ 142,225</u>	<u>\$ 942,353</u>
	2020			
	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 635,056	\$ 244,129	\$ 44,487	\$ 923,672
Conversion of corporate bonds	269,065	-	(13,611)	255,454
Cash distribution from capital surplus	(463,680)	-	-	(463,680)
At December 31	<u>\$ 440,441</u>	<u>\$ 244,129</u>	<u>\$ 30,876</u>	<u>\$ 715,446</u>

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Legal reserve is not necessary once the reserve is equal to total paid-in capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the Board of Directors and reported to the shareholders' meeting.

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

The distribution of the Company's distributable earnings is made via cash dividends or stock dividends. Dividends are given priority in the form of cash dividends in terms of distributable earnings and is also distributed via stock dividends. The ratio for cash dividends shall not be less than 10% of total dividends to be distributed.

The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with the Company Act. The earnings distribution in cash shall be resolved by the Board of Directors; when issuing new shares, it shall be resolved by the shareholders' meeting in accordance with respective regulations.

On July 15, 2021, the Company's shareholders approved to appropriate earnings in cash or in shares, the first priority when appropriating earnings is cash, it also can be appropriated in shares. The appropriation of shareholders dividends was 10%~80% of distributable earnings in the current year, the ratio of cash dividends can not be lower than 10%.

C. 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 interests is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations for 2020 and 2019 earnings had been resolved at shareholders' meeting on July 15, 2021 and June 10, 2020, respectively. Details are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 175,518		\$ 132,661	
Reversal of special reserve	-		(48,273)	
Cash dividends	880,165	\$ 2.00	463,680	\$ 1.10
Total	<u>\$ 1,055,683</u>		<u>\$ 548,068</u>	

E. On July 15, 2021 and June 10, 2020, the shareholders' meeting resolved the distribution of capital

surplus amounting to \$396,074 in cash (\$0.90 (in dollars) per share) and \$463,680 in cash (\$1.10 (in dollars) per share) , respectively.

F. On March 8, 2022, the Board of Directors resolved the appropriation for 2021 earnings through distribution of cash dividends amounting to \$1,369,427 in cash (\$3.00 (in dollars) per share).

G. On March 8, 2022, the Board of Directors proposed the distribution of cash from capital surplus – share premium amounting to \$502,123 in cash (\$1.10 (in dollars) per share) in proportionate to shareholders’ shareholding interests. The above resection had not been resolved at the shareholders’ meeting.

H. Information of appropriation resolved by shareholder’s meeting and the Board of Directors will be posted in the “Market Observation Post System”.

(17) Other equity interest

	2021		
	valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 363,100	(\$ 78,954)	\$ 284,146
Revaluation			
– Parent company	427,732	-	427,732
– Subsidiaries	(12,435)	-	(12,435)
Revaluation transferred to retained earnings			
– Parent company	-	-	-
– Subsidiaries	(11,058)	-	(11,058)
Currency translation			
– Subsidiaries	-	(51,911)	(51,911)
At December 31	<u>\$ 767,339</u>	<u>(\$ 130,865)</u>	<u>\$ 636,474</u>
	2020		
	valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 40,732	(\$ 6,699)	\$ 34,033
Revaluation			
– Parent company	322,408	-	322,408
– Subsidiaries	(40)	-	(40)
Currency translation			
– Subsidiaries	-	(72,255)	(72,255)
At December 31	<u>\$ 363,100</u>	<u>(\$ 78,954)</u>	<u>\$ 284,146</u>

(18) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 16,681,264</u>	<u>\$ 12,428,549</u>

A. Disaggregation of Sigurd Group's revenue from contracts with customers:

	2021	Sales revenue	Assembly and testing service revenue	Others service revenue	Total
Revenue from external customer contracts		<u>\$ 98,810</u>	<u>\$ 16,554,626</u>	<u>\$ 27,828</u>	<u>\$ 16,681,264</u>
Timing of revenue recognition					
Over time		<u>\$ -</u>	<u>\$ 16,554,626</u>	<u>\$ 27,828</u>	<u>\$ 16,582,454</u>
At a point in time		<u>\$ 98,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,810</u>
			Assembly and testing service revenue	Others service revenue	Total
	2020	Sales revenue	Assembly and testing service revenue	Others service revenue	Total
Revenue from external customer contracts		<u>\$ 49,513</u>	<u>\$ 12,343,771</u>	<u>\$ 35,265</u>	<u>\$ 12,428,549</u>
Timing of revenue recognition					
Over time		<u>\$ -</u>	<u>\$ 12,343,771</u>	<u>\$ 35,265</u>	<u>\$ 12,379,036</u>
At a point in time		<u>\$ 49,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,513</u>

B. Contract assets and liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets:			
Contract assets –			
Assembly and testing	\$ <u>193,381</u>	\$ <u>109,872</u>	\$ <u>120,675</u>
Contract liabilities:			
Contract liabilities –			
Assembly and testing	\$ <u>106,290</u>	\$ <u>19,127</u>	\$ <u>10,202</u>

C. Revenue recognised that was included in the contract liabilities balance at the beginning of the year

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Revenue from external customer contracts	\$ <u>13,846</u>	\$ <u>9,205</u>

D. Refund liabilities (shown as “Other current liabilities”).

The Company estimated sales discounts based on historical experience, the estimates was updated on every balance sheet dates, the details of related refund liabilities were as follows:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Refund liabilities- current		
	\$ <u>197,681</u>	\$ <u>146,582</u>

(19) Interest income

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 18,832	\$ 25,630
Interest income from financial assets measured at amortised cost	8,911	26,957
Other interest income	3,187	177
	\$ <u>30,930</u>	\$ <u>52,764</u>

(20) Other income

	Year ended December 31,	
	2021	2020
Rental revenue	\$ 2,612	\$ 4,328
Dividend income	16,121	12,495
Gain recognised in bargain purchase transaction	16,441	-
Government grants	40,267	24,700
Other income, others	81,752	24,792
	<u>\$ 157,193</u>	<u>\$ 66,315</u>

(21) Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 166,080	\$ 22,105
Net currency exchange losses	(56,420)	(127,946)
Gains on financial assets at fair value through profit or loss	18,734	46,228
Impairment loss of property, plant and equipment	(350)	(2,083)
Other gains	71,453	2,008
	<u>\$ 199,497</u>	<u>(\$ 59,688)</u>

(22) Finance costs

	Year ended December 31,	
	2021	2020
Bank borrowings	\$ 116,994	\$ 98,963
Bonds payable	36,623	13,154
Lease liabilities	26,604	20,920
Others	54	4,427
Less: Capitalisation of assets	(15,070)	(17,904)
	<u>\$ 165,205</u>	<u>\$ 119,560</u>

(23) Expenses by nature

	Year ended December 31,	
	2021	2020
Employee benefit expense	<u>\$ 4,280,497</u>	<u>\$ 3,230,005</u>
Depreciation expenses on property, plant and equipment	<u>\$ 3,769,163</u>	<u>\$ 2,735,834</u>
Depreciation expenses on right-of-use assets	<u>\$ 204,031</u>	<u>\$ 129,275</u>
Amortisation expenses on intangible assets	<u>\$ 56,813</u>	<u>\$ 63,250</u>

(24) Employee benefit expense

	Year ended December 31,	
	2021	2020
Wages and salaries	\$ 3,660,492	\$ 2,771,304
Labour and health insurance fees	309,555	221,019
Pension costs	134,097	96,639
Other personnel expenses	176,353	141,043
	<u>\$ 4,280,497</u>	<u>\$ 3,230,005</u>

- 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 range between 8%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$353,000 and \$218,000, respectively; while directors' remuneration was accrued at \$40,000 and \$30,000, respectively. The aforementioned amounts were recognised in wages and salaries. The employees' compensation and directors' remuneration were estimated and accrued based on 9.54% and 1.08%, respectively, of distributable profit of 2021.
- C. Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System."

(25) Income tax

A. Income tax expense

(1) Components of income tax expense:

	Year ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 740,387	\$ 497,817
Tax on unappropriated retained earnings	905	923
Prior year income tax overestimation	(110,785)	(112,083)
Total current tax	<u>630,507</u>	<u>386,657</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,943)	(34,670)
Total deferred tax	<u>(3,943)</u>	<u>(34,670)</u>
Income tax expense	<u>\$ 626,564</u>	<u>\$ 351,987</u>

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

	Year ended December 31,	
	2021	2020
Losses on remeasurements of defined benefit plans	(\$ 11,543)	\$ -

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 786,138	\$ 498,490
Tax exempt income by tax regulation	(126,373)	(42,706)
Expenses disallowed by tax regulation	50,385	-
Taxable losses not recognised as deferred tax assets	28,053	3,828
Tax on unappropriated retained earnings	905	923
Prior year income tax overestimation	(110,785)	(112,083)
Change in assessment of realisation of deferred tax assets	(2,568)	7,775
Temporary differences not recognised as deferred tax liabilities	(8,249)	(6,682)
Separate tax amount	9,934	-
Other	(876)	2,442
Income tax expense	<u>\$ 626,564</u>	<u>\$ 351,987</u>

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

2021					
	January 1	Transferred from merger	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:					
– Deferred tax assets:					
Unrealised inventory valuation loss	\$ 1,668	\$ -	(\$ 290)	\$ -	\$ 1,378
Unrealised pension	-	26	(168)	-	(142)
Defined benefit liabilities	-	33,650	-	(11,543)	22,107
Long-term investment	6,436	-	-	-	6,436
Depreciation expenses	11,602	28,665	(4,648)	-	35,619
Unrealised exchange loss	19,610	24,772	(31,244)	-	13,138
Exchange differences on translation of foreign operations	-	-	-	-	-
Tax losses	-	230,035	30,326	-	260,361
Others	36,029	322	14,522	-	50,873
Subtotal	<u>75,345</u>	<u>317,470</u>	<u>8,498</u>	<u>(11,543)</u>	<u>389,770</u>
Temporary differences:					
– Deferred tax liabilities:					
Defined benefit liabilities	(1,189)	-	(515)	-	(1,704)
Unrealised exchange gain	(1,471)	-	1,133	-	(338)
Bargain purchase gain	(37,146)	-	(3,288)	-	(40,434)
Unrealised gain or loss on financial instrument	(26)	-	(26)	-	(52)
Others	(1,099)	(6,430)	(2,309)	-	(9,838)
Subtotal	<u>(40,931)</u>	<u>(6,430)</u>	<u>(5,005)</u>	<u>-</u>	<u>(52,366)</u>
Total	<u>\$ 34,414</u>	<u>\$ 311,040</u>	<u>\$ 3,493</u>	<u>(\$ 11,543)</u>	<u>\$ 337,404</u>

	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 1,917	(\$ 249)	\$ 1,668
Long-term investment	6,436	-	6,436
Depreciation expenses	11,007	595	11,602
Unrealised exchange loss	11,165	8,445	19,610
Others	11,709	24,320	36,029
Subtotal	<u>42,234</u>	<u>33,111</u>	<u>75,345</u>
Temporary differences:			
– Deferred tax liabilities:			
Defined benefit liabilities	(947)	(242)	(1,189)
Unrealised exchange gain	(3,598)	2,127	(1,471)
Bargain purchase gain	(37,146)	-	(37,146)
Unrealised gain or loss on financial instrument	-	(26)	(26)
Others	(799)	(300)	(1,099)
Subtotal	<u>(42,490)</u>	<u>1,559</u>	<u>(40,931)</u>
Total	<u>(\$ 256)</u>	<u>\$ 34,670</u>	<u>\$ 34,414</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary differences	<u>\$ 285,122</u>	<u>\$ 297,962</u>

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

(26) Earnings per share

	Year ended December 31, 2021		
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,787,446	446,115	\$ 6.25
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	2,787,446	446,115	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	6,378	
Convertible bonds	6,987	17,265	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 2,794,433	469,758	\$ 5.95
	Year ended December 31, 2020		
	Amount after income tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,783,299	422,912	\$ 4.22
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	1,783,299	422,912	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,358	
Convertible bonds	10,523	35,286	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,793,822	463,556	\$ 3.87

(27) Business combinations

- A. On April 14, 2021, the Company completed the acquisition of a 100% share equity in UTC Holdings Corporation with US\$ 165,000 thousand (approximately \$4,701,842) and control over UTC Holdings Corporation and its subsidiary (referred herein as the “UTC Group”), starting from the day, the UTC Group was consolidated into financial statements. The UTC Group engaged in the research, development and test of integrated circuit, the Group expected the position in the assembly and testing market can be strengthen after the acquisition.
- B. The following table summarises the consideration paid for the UTC Group. and the fair values of the assets acquired, and liabilities assumed at the acquisition date:

	<u>April 14, 2021</u>
Consideration paid – Cash	<u>\$ 4,701,842</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	243,165
Notes and accounts receivable	352,927
Other receivables	3,085,736
Inventories	59,306
Prepayments	52,747
Non-current financial assets at fair value through other comprehensive income	136,166
Current financial assets at amortised cost	18,187
Property, plant and equipment	1,099,803
Right-of-use assets	207,158
Intangible assets	14,509
Deferred tax assets	317,470
Other non-current assets	20,020
Notes and accounts payable	(116,976)
Current income tax liabilities	(1)
Othr payables	(385,814)
Lease liabilities	(208,626)
Deferred tax liabilities	(6,430)
Other non-current liabilities	(171,064)
Total identifiable net assets	<u>4,718,283</u>
Gain recognised in borrgain purchase transaction	<u>(\$ 16,441)</u>

- C. The operating revenue and gain (loss) before income tax included in the consolidated statement of comprehensive income since April 14, 2021 contributed by the UTC Group was \$1,155,019 and (\$1,372), respectively. Had the UTC Group been consolidated from January 1, 2021, the consolidated statement of comprehensive income would show an increase in operating revenue of \$17,104,239 and a decrease in profit before income tax of \$3,354,604.

(28) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 6,702,546	\$ 6,858,414
Add: Opening balance of payable on equipment	866,979	820,160
Add: Ending balance of prepaid on equipment	117,618	77,573
Add: Transferred from merger		
Payable on equipment	34,036	-
Add: Payment of preemptive right of lease liabilities	368,701	-
Less: Opening balance of prepaid on equipment	(77,573)	(6,043)
Less: Ending balance of payable on equipment	(645,355)	(866,979)
Cash paid during the year	<u>\$ 7,366,952</u>	<u>\$ 6,883,125</u>

B. Financing activities with no cash flow effects

	Year ended December 31,	
	2021	2020
Convertible bonds being converted to capital stocks	<u>\$ 690,756</u>	<u>\$ 364,734</u>

(29) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Long-term borrowings	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 1,067,131	\$ 8,305,321	\$ 830,801	\$ 794,556	\$ 6,989	\$ 11,004,798
Changes in cash flow from financing activities	(820,429)	(126,836)	4,487,903	(230,276)	356	3,310,718
Transfer from merger	-	-	-	208,626	453	209,079
Interest paid	-	-	-	(26,604)	-	(26,604)
Payment of preemptive right of lease liabilities	-	-	-	(368,701)	-	(368,701)
Changes in other non-cash items:						
Interest expense	-	-	-	26,604	-	26,604
Effect of foreign exchange	(1,258)	(6,668)	-	(11,992)	-	(19,918)
Option exercised	-	-	(690,756)	-	-	(690,756)
Discount on bonds payable	-	-	36,623	-	-	36,623
Increase in lease liabilities	-	-	-	431,379	-	431,379
Changes in other non-cash items	-	-	(135,843)	-	-	(135,843)
At December 31	<u>\$ 245,444</u>	<u>\$ 8,171,817</u>	<u>\$ 4,528,728</u>	<u>\$ 823,592</u>	<u>\$ 7,798</u>	<u>\$ 13,777,379</u>
	2020					
	Short-term borrowings	Long-term borrowings	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 640,712	\$ 5,824,176	\$ 1,182,781	\$ 395,865	\$ 8,364	\$ 8,051,898
Changes in cash flow from financing activities	426,973	2,461,660	(400)	(158,112)	(1,375)	2,728,746
Interest paid	-	-	-	(20,920)	-	(20,920)
Changes in other non-cash items:						
Interest expense	-	-	-	20,920	-	20,920
Effect of foreign exchange	(554)	19,485	-	5,240	-	24,171
Option exercised	-	-	(364,734)	-	-	(364,734)
Discount on bonds payable	-	-	13,154	-	-	13,154
Increase in lease liabilities	-	-	-	556,209	-	556,209
Decrease in lease liabilities	-	-	-	(4,646)	-	(4,646)
At December 31	<u>\$ 1,067,131</u>	<u>\$ 8,305,321</u>	<u>\$ 830,801</u>	<u>\$ 794,556</u>	<u>\$ 6,989</u>	<u>\$ 11,004,798</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Ene Technology Inc.	The Company is the Director of Ene Technology Inc.

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31,	
	2021	2020
Provision of services:		
Others	\$ 24,970	\$ 36,345

Goods are sold based on the price lists in force and terms that would be available to third parties.

B. Receivables from related parties:

	December 31, 2021	December 31, 2020
Receivables from related parties:		
Others	\$ 5,491	\$ 3,811

The receivables from related parties arise mainly from provision of services. The receivables are unsecured in nature and bear no interest.

(3) Key management compensation

	Year ended December 31,	
	2021	2020
Short-term employee benefits	\$ 163,528	\$ 145,496
Post-employment benefits	1,998	2,254
Total	\$ 165,526	\$ 147,750

8. PLEDGED ASSETS

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

Assets	Book value		Purpose
	December 31, 2021	December 31, 2020	
Property, plant and equipment	\$ 1,450,149	\$ 1,405,798	Short-term and long-term borrowings
Pledged time deposits (Note 1)	64,887	48,610	Guarantee for import customs, lease and government grants
Letter of credit-demand deposits (Note 2)	-	81,203	Long-term usance L/C Issuance guarantee
	\$ 1,515,036	\$ 1,535,611	

Note 1: Shown as "Current financial assets at amortised cost" and "Non-current financial assets at amortised cost".

Note 2: Shown as "Non-current financial assets at amortised cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

On August 5, 2015, Winstek Semiconductor Co., Ltd. and its subsidiary entered into a 5-year technical service contract with STATS ChipPAC Ltd. Under the contract, Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their production capacities for providing wafer assembly and testing services to STATS ChipPAC Ltd. during the 5-year contract period. The terms of the contract are as follows:

- A. Winstek Semiconductor Co., Ltd. and its subsidiary shall reserve their monthly minimum production capacities to STATS ChipPAC Ltd. in order to provide services timely. Winstek Semiconductor Co., Ltd. and its subsidiary provide services within the scope of available production capacity if the order quantity placed by STATS ChipPAC Ltd. is within the minimum and maximum production capacities; Winstek Semiconductor Co., Ltd. and its subsidiary have no obligation to provide additional services if the order quantity placed by STATS ChipPAC Ltd. is beyond the maximum production capacities of Winstek Semiconductor Co., Ltd. and its subsidiary.
- B. Under the contract, order quantities from STATS ChipPAC Ltd. shall meet the agreed minimum order quantity, and Winstek Semiconductor Co., Ltd. and its subsidiary have a right to claim a compensation for the residual capacities between the order quantities and the minimum order quantity based on the procedures specified in the contract. Order quantities will be calculated every 12 months after the contract date. 5% of minimum order quantity can be deferred to the next year if the order quantity placed by STATS ChipPAC Ltd. is under the minimum order quantity, and STATS ChipPAC Ltd. shall compensate Winstek Semiconductor Co., Ltd. and its subsidiary for those order quantities which do not reach the minimum order quantity, excluding those deferrals. The deferral right can be exercised once every year, and those deferrals can not be further deferred in the next year. In addition, the deferral right can not be exercised at the last year of the contract period.
- C. Further, the minimum order quantity is calculated aggregately starting from the second contractual year under mutual agreement, and no change was made in the total minimum order quantity. The consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co., Ltd. and its subsidiary is as follows:

	Unit: Thousands of USD			
	Second year	Third year	Fourth year	Fifth year
Minimum procurement amount	\$ 80,800	\$ 75,100	\$ 63,200	\$ 51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
Deferred amount for the fifth year	-	-	(3,160)	3,160
	<u>\$ 81,510</u>	<u>\$ 75,385</u>	<u>\$ 63,795</u>	<u>\$ 54,560</u>

Winstek Semiconductor Co., Ltd. has claimed the compensation from STATS ChipPAC Ltd. for not meeting the minimum order quantity of the second and third contractual years in accordance with the contract. Additionally, to maintain the long-term cooperation between the two parties, STATS ChipPAC Ltd. proposed a settlement based on long-term commercial benefits. The Board of Directors of Winstek Technology Co., Ltd. also took into consideration its business operation and commercial judgement, and resolved to settle with STATS ChipPAC Ltd. On September 20, 2018, the resolved settlement with STATS ChipPAC Ltd. is as follows:

- (a) Both parties agreed to extend the technical service contract for two years (from August 5, 2020 to August 4, 2022). In accordance with the contract, the consolidated minimum order quantity purchased from STATS ChipPAC Ltd. to Winstek Semiconductor Co., Ltd. and its subsidiary is as follows:

	Unit: Thousands of USD	
	<u>Sixth Year</u>	<u>Seventh Year</u>
Minimum procurement amount	\$ <u>30,000</u>	\$ <u>30,000</u>

- (b) Winstek Semiconductor Co., Ltd. and its subsidiary reserve production capacity of US\$40,000 thousand for STATS ChipPAC Ltd. in each contractual year during the extended two years.
- (c) If STATS ChipPAC Ltd. does not meet the committed amount in the current year, the insufficient amount can be deferred to the next year.
- (d) STATS ChipPAC Ltd. agrees to purchase from Winstek Semiconductor Co., Ltd. and its subsidiary at a discounted price in the fourth contractual year.
- (e) For the purpose of commercial benefit and maintenance of long-term cooperation of both parties, Winstek Semiconductor Co., Ltd. and its subsidiary will not claim a compensation against STATS ChipPAC Ltd. amounting to US\$6,830 thousand for those order quantities not meeting the minimum order quantity in the third contractual year.
- The aforementioned settlement was further negotiated bases on the proposal from STATS ChipPAC Ltd. and resolved on March 19, 2019 by the Board of Directors of Winstek Semiconductor Co., Ltd. that STATS ChipPAC Ltd. agreed to pay the compensation of US\$5,000 thousand (\$153,850) for those amounts not meeting minimum order quantity in the third contractual year. The compensation was fully recognised in compensation revenue.
- D. In the fourth contractual year (from August 5, 2018 to August 4, 2019) STATS ChipPAC Ltd. didn't meet the minimum order quantity, the Group had been claimed against it and recognised revenue according to the contract.
- E. In the fifth contractual year (from August 5, 2019 to August 4, 2020), STATS ChipPAC Ltd.'s consolidated order quantities was US\$54,135 thousand. On November 9, 2020, STATS ChipPAC Ltd. agreed to pay compensation amounting to US\$383 thousand for those order quantities not meeting the minimum order quantity. The compensation was fully collected and recognised in compensatory revenue.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 3,310,251	\$ 1,792,895

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

A. Please refer to Note 6(16) for the appropriation for 2021 earnings.

B. On March 7, 2022, the Board of Directors of the Company's subsidiary, Winstek Semiconductor Co., Ltd., resolved to expand operating base for the development of business and planned to invest \$400 million to establish the wholly owned subsidiary, TST CO., LTD., with shares of a par value of \$10 dollars. The wholly owned subsidiary is expected to engage in development and lease of industrial manufacturing plant.

12. OTHERS

(1) Capital management

Sigurd Group's capital management objectives are to ensure that Sigurd Group can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders. To maintain or adjust the capital structure, Sigurd Group may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Sigurd Group uses the debt-to-capital ratio to monitor its capital, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as reported in the consolidated balance sheet) less cash and cash equivalents. The calculation of total capital is the equity reported in the consolidated balance sheet plus the net debt.

Sigurd Group's strategy for 2021 remained the same as that of 2020, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2021 and 2020, Sigurd Group's debt ratio was both less than 40%.

(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 mandatorily measured at fair value through profit or loss	\$ 481,282	\$ 532,109
Financial assets at fair value through other comprehensive income	1,576,506	878,100
Financial assets at amortised cost		
Cash and cash equivalents	7,943,271	5,628,675
Financial assets at amortised cost (including non-current portion)	1,081,342	2,683,977
Notes receivable	720	396
Accounts receivable (including related parties)	3,872,224	3,307,723
Other receivables	97,947	32,833
Refundable guarantee deposits	50,500	30,576
	<u>\$ 15,103,792</u>	<u>\$ 13,094,389</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 245,444	\$ 1,067,131
Notes payable	4,175	2,658
Accounts payable	378,437	379,746
Other payables	3,383,018	2,650,287
Corporate bonds payable (including current portion)	4,528,728	830,801
Long-term borrowings (including current portion)	8,171,817	8,305,321
Guarantee deposits received	7,798	6,989
	<u>\$ 16,719,417</u>	<u>\$ 13,242,933</u>
Lease liabilities	<u>\$ 823,592</u>	<u>\$ 794,556</u>

B. Financial risk management policies

- (a) Sigurd 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 overall risk management policies are carried out to focus on unforeseen events in markets and to minimise any adverse effects on the financial position and financial performance of Sigurd Group.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges

financial risks in close co-operation with Sigurd Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Sigurd Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and subsidiaries using various functional currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up policies to require group companies to manage their foreign exchange risk against their functional currencies. Group companies are required to hedge their entire foreign exchange risk exposure through coordination with Sigurd Group treasury. Foreign exchange rate risk is resulted by each business unit records their future commercial transactions and recognised assets or liabilities as foreign currency instead of their functional currency.
- iii. Sigurd Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: RMB and 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:

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 195,635	27.680	\$ 5,415,177
NTD:USD	442,662	0.036	442,662
USD:RMB	11,634	6.370	322,029
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,290	27.680	\$ 146,427
USD:RMB	45,445	6.370	1,257,918
NTD:USD	1,014,687	0.036	1,014,687
JPY:TWD	49,665	0.241	11,944

				December 31, 2020		
				Foreign currency amount		Book value
				(in thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
				\$	123,938	28.480 \$ 3,529,754
					427,936	0.035 427,936
					13,815	6.507 393,451
<u>Financial liabilities</u>						
<u>Monetary items</u>						
				\$	32,889	28.480 \$ 936,679
					625,072	0.035 625,072
					40,429	6.507 1,151,418

iv. The total exchange loss from significant foreign exchange variations on the monetary items held by Sigurd Group for the years ended December 31, 2021 and 2020 amounted to \$56,420 and \$127,946, respectively.

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

						Year ended December 31, 2021		
						Sensitivity analysis		
						Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
					1%	\$ 54,152	\$	-
					1%	4,427		-
					1%	3,220		-
<u>Financial liabilities</u>								
<u>Monetary items</u>								
					1%	(\$ 1,464)	\$	-
					1%	(12,579)		-
					1%	(10,147)		-
					1%	(119)		-

Year ended December 31, 2020

Sensitivity analysis

	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 35,298	\$ -
NTD:USD	1%	4,279	-
USD:RMB	1%	3,934	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 9,367)	\$ -
NTD:USD	1%	(6,251)	-
USD:RMB	1%	(11,514)	-

Price risk

- i. Sigurd Group's investments in equity securities, which are exposed to price risk, consist of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, Sigurd Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Sigurd Group.
- ii. Sigurd Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$3,388 and \$3,513, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss; other comprehensive income would have increased/decreased by \$15,765 and \$8,781, respectively, as a result of the above change of financial assets at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. Sigurd Group's main interest rate risk arises from short-term and long-term borrowings with floating rates, which expose Sigurd Group to cash flow interest rate risk. During 2021 and 2020, Sigurd Group's borrowings at floating rate were mainly denominated in New Taiwan dollars and US dollars.
- ii. Sigurd Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax, for the years ended December 31, 2021 and 2020 would have decreased/increased by \$84,173 and \$93,725, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to Sigurd Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. Sigurd Group manages their credit risk taking into consideration the entire group's perspective. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to Sigurd Group's credit policy, each entity in Sigurd Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. Sigurd Group adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
- iv. Sigurd Group categorised customers' accounts receivable and contract assets in accordance with credit rating of customer. Sigurd Group applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. Sigurd Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is treated low.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

- (iii) Default or delinquency in interest or principal repayments; and
- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vii. Sigurd Group used the forecastability of the future to adjust historical and current information to assess the default possibility of accounts receivable and contract assets. As of December 31, 2021 and 2020, the provision matrix is as follows:

	Up to 30 days		31~90 days	91~180 days	Over 180 days	Total
	Not past due	past due	past due	past due		
<u>At December 31, 2021</u>						
Expected loss rate	0.11%	0.19%-0.29%	3.66%~16.95%	30.88%~50%	41.07%~100%	
Total book value	\$ 3,928,508	\$ 120,818	\$ 13,777	\$ 5	\$ 50,205	\$ 4,113,313
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 47,708	\$ 47,708

	Up to 30 days		31~90 days	91~180 days	Over 180 days	Total
	Not past due	past due	past due	past due		
<u>At December 31, 2020</u>						
Expected loss rate	0.001%~0.002%	0.001%~0.06%	0.08%~30%	0.26%~50%	50%~100%	
Total book value	\$ 3,329,849	\$ 82,306	\$ 4,305	\$ 509	\$ 48,397	\$ 3,465,366
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ 47,771	\$ 47,771

viii. Sigurd Group writes off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, Sigurd Group will continue executing the recourse procedures to secure their rights. Sigurd Group has no financial assets subject to write off on December 31, 2021 and 2020.

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

	December 31, 2021			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 1,081,342	\$ -	\$ -	\$ 1,081,342
	December 31, 2020			
	12 months	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 2,683,977	\$ -	\$ -	\$ 2,683,977

The financial assets at amortised cost held by the Company are all time deposits with maturity over three months and pledged time deposit. The credit risk rating has no significant abnormal situation.

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

	2021
	Notes receivable and accounts receivable
At January 1	\$ 47,771
Effect of foreign exchange	(63)
At December 31	<u>\$ 47,708</u>
	2020
	Notes receivable and accounts receivable
At January 1	\$ 53,839
Writes off	(3,552)
Effect of foreign exchange	(2,516)
At December 31	<u>\$ 47,771</u>

- x. Sigurd Group used the forecastability of the future to adjust historical and current information for a specific period to assess the default possibility of other receivables. As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>At December 31, 2021</u>	<u>Not past due</u>
Expected loss rate	0.11%
Total book value	\$ 97,947
Loss allowance	<u>\$ -</u>
	Not past due
	0~100%
Total book value	\$ 32,833
Loss allowance	<u>\$ -</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of Sigurd Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of Sigurd Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that Sigurd Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration Sigurd Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. Sigurd Group has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 2,696,558	\$ 2,281,976
Expiring beyond one year	<u>3,781,222</u>	<u>2,079,379</u>
	<u>\$ 6,477,780</u>	<u>\$ 4,361,355</u>

iii. The table below analyses Sigurd 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2021</u>	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 245,444	\$ -	\$ -	\$ -	\$ 245,444
Notes payable	4,175	-	-	-	4,175
Accounts payable	378,437	-	-	-	378,437
Other payables	3,383,018	-	-	-	3,383,018
Lease liabilities	123,203	168,494	140,008	625,924	1,057,629
Bonds payable (including current portion)	17,400	146,000	34,800	4,534,800	4,733,000
Guarantee deposits received	-	-	-	7,798	7,798
Long-term borrowings (including current portion)	1,905,668	622,831	2,064,744	3,787,390	8,380,633

<u>December 31, 2020</u>	<u>Less than 6 months</u>	<u>Between 6 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 1,069,985	\$ -	\$ -	\$ -	\$ 1,069,985
Notes payable	2,658	-	-	-	2,658
Accounts payable	379,746	-	-	-	379,746
Other payables	2,650,287	-	-	-	2,650,287
Lease liabilities	252,390	245,168	62,006	337,644	897,208
Bonds payable (including current portion)	-	-	847,500	-	847,500
Guarantee deposits received	-	-	-	6,989	6,989
Long-term borrowings (including current portion)	2,802,455	1,059,385	1,971,505	2,642,327	8,475,672

(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:

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 is as follows:

(a) The related information of natures of the assets and liabilities is 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				
Beneficiary certificates	\$ 338,833	\$ -	\$ -	\$ 338,833
Corporate bonds	141,399	-	-	141,399
Redemption rights of the Company's convertible bonds	-	-	1,050	1,050
Financial assets at fair value through other comprehensive income				
Equity securities	<u>129,897</u>	<u>-</u>	<u>1,446,609</u>	<u>1,576,506</u>
	<u>\$ 610,129</u>	<u>\$ -</u>	<u>\$ 1,447,659</u>	<u>\$ 2,057,788</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 4,528,728</u>	<u>\$ -</u>	<u>\$ 4,528,728</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				
Beneficiary certificates	\$ 351,278	\$ -	\$ -	\$ 351,278
Corporate bonds	146,138	-	-	146,138
Convertible bonds	34,693	-	-	34,693
Financial assets at fair value through other comprehensive income				
Equity securities	<u>109,053</u>	<u>-</u>	<u>769,047</u>	<u>878,100</u>
	<u>\$ 641,162</u>	<u>\$ -</u>	<u>\$ 769,047</u>	<u>\$ 1,410,209</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	<u>\$ -</u>	<u>\$ 830,801</u>	<u>\$ -</u>	<u>\$ 830,801</u>

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

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

	<u>Listed shares</u>	<u>Open-end fund</u>	<u>Corporate bond</u>	<u>Convertible (exchangeable) bond</u>
Market quoted price	Closing price	Closing price	Weighted average quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to Convertible fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

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

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

	<u>2021</u>	<u>2020</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 769,047	\$ 449,601
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	394,454	319,446
Purchases in the year	158,000	-
Issuance of corporate bonds this year	1,050	-
Transfer to retain earnings in the year	(11,058)	-
Transferred from merger	136,166	-
At December 31	<u>\$ 1,447,659</u>	<u>\$ 769,047</u>

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

G. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to Convertible 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.

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 1,335,344	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value
Unlisted shares	111,265	Market comparable companies	Price to book ratio multiple	0.89 ~3.05	The higher the market comparable companies, the higher the fair value
			Discount for lack of marketability	25%	The higher the discount for lack of marketability, the higher the fair value
Financial assets at fair value through profit or loss - redemption rights of corporate bonds	1,050	The Binomial- Tree approach to convertible bonds	Stock price volatility	32.49%	The higher the price volatility, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 769,047	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value

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

		December 31, 2021					
				Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 1,113	(\$ 1,113)	
Redemption rights of corporate bonds	Volatility	±1%	\$ 150	(\$ 150)	\$ -	\$ -	

December 31, 2020: None.

(4) The impact of coronavirus pandemic to the operations of Sigurd Group

Sigurd Group has assessed the impact of coronavirus pandemic to the going concern, impairment of assets and the risk of financing risk of Sigurd Group and concluded that there is no significant impact.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.

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 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting year: None.

J. Significant inter-company transactions during the reporting year: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland

China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: As of December 31, 2021, there is no major shareholder who held equally or more than 5% shareholding of the Company.

14. SEGMENT INFORMATION

(1) General information

The management of Sigurd Group has identified reporting segments based on the information used by the chief operating decision maker in decision making.

Sigurd Group's chief operating decision maker has conducted businesses from a product line perspective. Sigurd Group's segments include assembly and testing and international trading.

(2) Measurement of segment information

The General Manager evaluates the performance of reporting segments based on a measure excluded the effects of non-recurring expenditure such as restructuring costs, legal fees and goodwill impairments when the impairment is the result of an isolated, non-recurring event, as well as the effects of equity-settled share-based payment and unrealised gains/losses on financial instruments. Interest income and expense are not allocated to reporting segments, as these types of activities are driven by Sigurd Group's Group treasury, which manages the cash position of Sigurd Group.

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

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

	Year ended December 31, 2021		
	International		Total
	<u>Assembly and testing</u>	<u>trading</u>	
Revenue from external customers	\$ 16,681,095	\$ 169	\$ 16,681,264
Segment income (loss) (Note)	3,678,505	(15,693)	3,662,812
	December 31, 2021		
	International		Total
	<u>Assembly and testing</u>	<u>trading</u>	
Segment Assets	\$ 36,345,428	\$ 257,545	\$ 36,602,973
	Year ended December 31, 2020		
	International		Total
	<u>Assembly and testing</u>	<u>trading</u>	
Revenue from external customers	\$ 12,428,549	\$ -	\$ 12,428,549
Segment income (loss) (Note)	2,286,628	(8,052)	2,278,576

	December 31, 2020		
	International		Total
	Assembly and testing	trading	
Segment Assets	\$ 29,627,448	\$ 186,463	\$ 29,813,911

Note: Exclusive of income tax.

(4) 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.

Revenue, profit and loss, assets and liabilities under reporting segments are carried out the same manner as in the consolidated financial statements. Thus, no reconciliation is needed.

(5) Information on products and services

External customer revenue is mainly derived from the assembly and testing services of integrated circuits. The performance of reporting segments is the same as that in Note 6 (18).

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Non-current		Non-current	
	Revenue	assets	Revenue	assets
Taiwan	\$ 12,259,134	\$ 17,631,393	\$ 7,529,163	\$ 13,162,977
Singapore	2,177,430	-	2,674,902	-
America	660,237	-	767,606	-
China	753,567	2,084,977	598,377	2,495,111
Others	830,896	2,356	858,501	3,936
Total	<u>\$ 16,681,264</u>	<u>\$ 19,718,726</u>	<u>\$ 12,428,549</u>	<u>\$ 15,662,024</u>

(7) Major customers information

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Segment	Revenue	Segment
A	\$ 4,768,630	All group	\$ 2,248,136	All group
D	1,749,295	All group	1,120,919	All group
B	1,400,022	All group	1,354,237	All group
E	1,094,352	All group	1,317,872	All group

Sigurd Microelectronics Corporation

Loans to others

Year ended December 31, 2021

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31,	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					(Note 2)	31, 2021			(Note 3)			Item	Value				
1	FLATEK, Inc.	Tpfusion Inc.	Other receivables - related party	Y	\$ 8,050	\$ 8,050	\$ 8,050	0.9%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 68,129	\$ 68,129	Note 4
1	FLATEK, Inc.	Greenfletek, Inc.	Other receivables	N	815	815	815	0.9%	Reason for short-term financing	-	Operational need	-	-	-	68,129	68,129	Note 4
2	Valuenet International Ltd.	Greenfletek, Inc.	Other receivables	N	6,425	6,311	6,311	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	TPfusion Corp.	Other receivables - related party	Y	13,128	12,871	12,871	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	OPS Electronic Limited	Other receivables - related party	Y	28,292	27,403	27,403	0.9%	Reason for short-term financing	-	Operational need	-	-	-	150,336	150,336	Note 5
3	Winstek Semiconductor Technology	Winstek Semiconductor Co., Ltd.	Other receivables - related party	Y	692,000	692,000	-	1.05%	Reason for short-term financing	-	Operational need	-	-	-	887,467	887,467	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: In accordance with that the Company's Procedures for Provision of Loans: the ceiling on total loans granted is 40% of its net equity , and the limit on loans granted to a single party is 40% of its net equity, except loans to subsidiaries.

Note 5: For loans granted mutually between subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 300% of the Company's net assets; limit on loans granted by an overseas subsidiary to a single subsidiary is 300% of the Company's net assets.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 8)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 10)	Ceiling on total amount of guarantees provided (Note 9)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	3	\$ 6,949,141	\$ 42,803	\$ -	\$ -	\$ -	0.00%	\$ 6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	Sigurd UTC Corporation (UTAC(Taiwan) Corporation rename)	3	6,949,141	400,000	400,000	42,758		2.59%	6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	3	6,949,141	1,002,600	996,480	498,082	-	6.45%	6,949,141	Y	N	Y	
0	Sigurd Microelectronics Corp.	Flatek, Inc.	3	6,949,141	300,000	300,000	135,000	-	1.94%	6,949,141	Y	N	N	
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	2	4,875,910	900,000	300,000	-	-	6.15%	4,875,910	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1)Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
- (5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: As of the end of the year, the Company shall bear the responsibility for endorsement/guarantee upon the signing of the endorsement/guarantee contract with the bank or upon the approval of limit.

Other relevant endorsements/guarantees should be included in the endorsement/guarantee balance.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's Procedures for Provision of Loans: the limit on endorsements/guarantees to a single party is 45% of its net assets.

Note 9: In accordance with the Company's Procedures for Provision of Loans: the ceiling on total endorsements/guarantees is 45% of the Company's net assets,

Note 10: The total endorsement/guarantee amount provided by Winstek Semiconductor Co., Ltd. (Winstek Technology) shall not exceed 50% of the its net value in the latest period.

The endorsement guarantee limit for a single enterprise shall be limited at 20% of the net value of Winstek Semiconductor Co., Ltd. (Winstek Technology) at the time when the endorsement/guarantee was made.

However, an endorsement/guarantee between Winstek Semiconductor Co., Ltd. (Winstek Technology) and among companies of which Winstek Technology directly or indirectly holds 100% of the voting shares, or other companies that Winstek Technology has agreed to purchase and upon completion will become a subsidiary of which Winstek Technology directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise. However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

In addition, the endorsement/guarantee not between Winstek Technology and among companies of which Winstek Technology directly or indirectly holds 100% voting shares, the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

Sigurd Microelectronics Corporation

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				
				Number of shares	Book value	Ownership	Fair value	Footnote
Sigurd Microelectronics Corp.	Yuanta New ASEAN Balanced Fund	None	Current financial assets at fair value through profit or loss	\$ 3,000,000	\$ 26,550	-	\$ 26,550	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund I	None	Current financial assets at fair value through profit or loss	2,000,000	22,235	-	22,235	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund II	None	Current financial assets at fair value through profit or loss	1,000,000	11,264	-	11,264	
Sigurd Microelectronics Corp.	Fuh Hwa Emerging Market Short-term Income Fund	None	Current financial assets at fair value through profit or loss	1,798,561	21,043	-	21,043	
Sigurd Microelectronics Corp.	CTBC iCity Development Fund	None	Current financial assets at fair value through profit or loss	500,000	6,965	-	6,965	
Sigurd Microelectronics Corp.	KGI Taiwan Multi-Asset Income Fund	None	Current financial assets at fair value through profit or loss	5,000,000	56,750	-	56,750	
Sigurd Microelectronics Corp.	Fuh Hua Global Bond Fund	None	Current financial assets at fair value through profit or loss	1,983,786	31,210	-	31,210	
Sigurd Microelectronics Corp.	KGI Taiwan Premium Assets Fund	None	Current financial assets at fair value through profit or loss	5,000,000	58,936	-	58,936	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy I Fund	None	Current financial assets at fair value through profit or loss	5,000,000	53,199	-	53,199	
Sigurd Microelectronics Corp.	Chailease International Finance Corp	None	Current financial assets at fair value through profit or loss	50,000	141,399	-	141,399	
Sigurd Microelectronics Corp.	Fuh Hwa Taiwan Intelligence Fund	None	Current financial assets at fair value through profit or loss	1,077,586	20,808	-	20,808	
Sigurd Microelectronics Corp.	Fuh Hwa Global Strategic Alloc FoF TWD	None	Current financial assets at fair value through profit or loss	1,514,005	20,227	-	20,227	
Sigurd Microelectronics Corp.	Fuh Hwa Global IoT and Tech Fund TWD	None	Current financial assets at fair value through profit or loss	354,484	9,646	-	9,646	
Sigurd Microelectronics Corp.	Call option of Sigurd 4th convertible bonds	None	Current financial assets at fair value through profit or loss	-	1,050	-	1,050	

Sigurd Microelectronics Corporation

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				
				Number of shares	Book value	Ownership	Fair value	Footnote
Sigurd Microelectronics Corp.	ENE Technology Inc.	Board of Director	Non-current financial assets at fair value through other comprehensive income	\$ 665,543	\$ 39,267	1.50%	\$ 39,267	
Sigurd Microelectronics Corp.	Advanplating Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,185,000	-	11.36%	-	
Sigurd Microelectronics Corp.	Ordinary Shares of EGTRAN Inc.	None	Non-current financial assets at fair value through other comprehensive income	21,689	-	2.16%	-	
Sigurd Microelectronics Corp.	iDESYN Semiconductor Corp. Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	23,040	-	0.30%	-	
Sigurd Microelectronics Corp.	Yann Yuan Investments Co., Ltd.	Board of Director	Non-current financial assets at fair value through other comprehensive income	7,000,000	1,334,126	4.29%	1,334,126	
Sigurd Microelectronics Corp.	WPG Holdings Limited Preferred Share A	None	Non-current financial assets at fair value through other comprehensive income	600,000	29,730	0.30%	29,730	
Sigurd Microelectronics Corp.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	500,000	50,750	0.33%	50,750	
TEST-SERV Inc.	Samhop Microelectronics Corp.	None	Non-current financial assets at fair value through other comprehensive income	114,757	-	1.07%	-	
TEST-SERV Inc.	Sitec Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	20,545,354	-	1.22%	-	
TEST-SERV Inc.	Deepwaters Digital Support Inc.	None	Non-current financial assets at fair value through other comprehensive income	190,476	-	1.11%	-	
TEST-SERV Inc.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	100,000	10,150	0.067%	10,150	
Sigurd UTC Corporation	Paradigm I Venture Capital Company	None	Non-current financial assets at fair value through other comprehensive income	875,000	1,218	7.92%	1,218	
Sigurd UTC Corporation	Nano Electronics and Micro System Technologies, INC.	None	Non-current financial assets at fair value through other comprehensive income	2,316,600	111,265	10.14%	111,265	

Sigurd Microelectronics Corporation

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year period ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at		Addition		Disposal		Balance as at December 31, 2021	
					January 1, 2021		Number of		Number of		Number of	
					Number of shares	Amount	shares	Amount	shares	Book value	shares	Amount
Sigurd Microelectronics Corp.	UTC Holdings Corporation (Stock)	Investments accounted for using equity method	UTC Holdings Corporation	Subsidiary	-	\$ -	621,561,007	\$ 5,403,179	290,000,000	\$ 2,900,000	331,561,007	\$ 2,503,179

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be attributable to owners of the parent in the calculation.

Sigurd Microelectronics Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 5

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 (Note)		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)	
Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	Subsidiary	Sales	(\$ 356,985)	-42%	Net 30 days from the end of the month of when invoice is issued	-	-	\$ 92,443	35%	
Winstek Semiconductor Technology Co., Ltd.	Winstek Semiconductor Co., Ltd	Parent Company	Purchases	356,985	24%	Net 30 days from the end of the month of when invoice is issued	-	-	(92,443)	12%	

Note : The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Sigurd Microelectronics Corporation
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 6

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	Footnote
					Amount	Action taken			
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	\$ 106,196	21.51%	\$ -	-	\$ -	\$ -	- Shown as 'Account receivable - related parties,net'
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	144,134	Note	-	-	-	-	- Shown as 'Other receivables - related parties'

Nore : The calculation of turnover days excludes other receivables from related parties.

Sigurd Microelectronics Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Operating revenue	\$ 99,342	Note 6	0.60%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Accounts receivable	106,196	Note 6	0.29%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Other receivables	144,134	Note 6	0.39%
0	Sigurd Microelectronics Corporation	TEST-SERV Inc.	1	Dividend	110,275	Note 6	0.66%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Operating revenue	356,985	Note 6	2.14%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Accounts receivable	92,443	Note 6	0.25%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Dividend	162,090	-	0.97%
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	3	Business revenue from coordinated management (shown as deduction of operating cost and operating	38,931	-	0.23%
2	VALUENET INTERNAIONAL LIMITED	OPS Electronic Ltd.	3	Other receivables	37,098	Note 6	0.10%
2	TPFUSION INC.	FLATEK, Inc.	2	Other payables	71,628	Note 6	0.20%
3	FLATEK, Inc.	OPS Electronic Ltd.	3	Operating revenue	28,803	Note 6	0.17%

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 year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Including the amount of the parent company's fund loaned to subsidiary, according to the agreed interest rate plus interest.

Note 6: For these transactions, the prices and times were determined in accordance with mutual agreements.

Note 7: Only the transactions over \$20,000 are disclosed, and the related party transactions are not disclosed.

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	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 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Sigurd Microelectronics Corp.	Sigurd International Co., Ltd.	British Virgin Islands	Investment company	\$ 975,135	\$ 975,135	30,254,043	100.00	\$ 173,247	(\$ 5,503)	(\$ 5,329)	
Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	Hongkong	International trade company	62,391	20,460	-	100.00	1,382	162	162	
Sigurd Microelectronics Corp.	TEST-SERV Inc.	Taiwan	Semiconductor assembly and testing	1,403,337	1,403,337	80,200,031	100.00	1,392,368	200,829	201,667	
Sigurd Microelectronics Corp.	Bloomeria Limited	Singapore	Investment company	1,643,776	1,643,776	2,202,218,293	100.00	2,788,099	263,244	273,657	
Sigurd Microelectronics Corp.	AMBERSAN medical technology Co., Ltd.	Taiwan	Medical equipment manufacturing and sales	36,300	18,150	3,630,000	55.00	24,926	(12,928)	(7,110)	
Sigurd Microelectronics Corp.	FLATEK, INC.	Taiwan	Digital Information supply service	100,000	100,000	10,000,000	58.77	96,746	15,028	8,709	
Sigurd Microelectronics Corp.	Flusol Co., Ltd.	Hongkong	Investment company	1,359,400	1,359,400	-	96.66	1,091,102	(89,790)	(94,385)	
Sigurd Microelectronic Corp.	Ge-Shing Cooperation	Taiwan	Investment company	10,000	10,000	200,000	0.65	17,239	265,193	1,714	
Sigurd Microelectronic Corp.	Sigurd UTC Corporation	Taiwan	Investment company	2,503,179	-	331,561,007	100.00	2,551,792	(246,546)	(1,372)	
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Cayman Islands	Investment company	795,850	795,850	35,503,018	78.33	118,280	(2,519)	-	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Hongkong	Investment company	47,106	47,106	-	3.34	38,085	(89,790)	-	

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	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 (Note 2(2))	Investment income (loss) recognized by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Bloomeria Limited	Ge-Shing Cooperation	Taiwan	Investment company	\$ 2,390,105	\$ 2,390,105	\$ 30,736,712	99.35	\$ 2,649,342	\$ 265,193	\$ -	
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	2,390,790	2,390,790	70,726,438	51.90	2,467,502	393,931	-	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Packaging testing	2,875,740	2,875,740	310,000,000	100.00	2,958,224	85,535	-	
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	1,120	1,120	43,000	0.03	1,382	393,931	-	
FLATEK, INC.	OPS Electronic Ltd.	Hongkong	Investment company	40	40	10,000	100.00	71,035	39,677	-	
FLATEK, INC.	TPFUSION INC.	Taiwan	Digital Information supply service	11,250	11,250	1,125,000	75.00	(79,794)	3,973	-	
FLATEK, INC.	Valuenet International Ltd.	British Virgin Islands	Digital Information supply service	1,568	1,568	50,000	100.00	50,112	(1,013)	-	
TPFUSION INC.	TPfusion Corp.	Japan	Digital Information supply service	6,684	6,684	97,971	98.00	(70,559)	4,292	-	
Holding UTC Corporation	Sigurd UTC Corporation (UTAC (Taiwan) Corporation rename)	Taiwan	Packaging testing	6,247,262	-	101,929,982	100.00	2,571,462	(246,471)	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

- (1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..
- (2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this period.
- (3)The 'Investment income (loss) recognized by the Company for the December 31, 2021' column should fill in the Company (public company) recognized investment income (loss) of its direct subsidiary and recognized investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognized investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognized by regulations.

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	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 as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31 2021 (Note 2(2))	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	\$ 911,278	2	\$ 611,991	\$ -	\$ -	\$ 611,991	(\$ 2,220)	78.33	(\$ 1,739)	\$ 143,253	\$ -	Note 2(2)B、 Note 3
OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	26,033	2	40	-	-	40	28,732	100	16,885	75,505	-	Note 2(2)B
SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated and advanced services of packing and testing for integrated circuit	1,359,700	2	1,359,700	-	-	1,359,700	(89,471)	100	(89,866)	1,133,379	-	Note 2(2)B

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

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 Investment in an existing company in the third area, which then invested in the investee in Mainland China. (Invested Sigurd Micro Electronics (Wuxi) Co., Ltd, through Sigurd Microelectronics (cayman) Co., Ltd; invested Flusol(Shenzhen) Co., Ltd and SIRIZE Technology (Suzhou) Corp. through Flusol Co., Ltd and invested OPS Electronic (ShenZhen) Limited through OPS Electronic Limited.
- (3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2021' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Self-contained financial statements.

Note 3: As of December 31, 2021, the accumulated amount of remittance including other investors from Taiwan to Sigurd Micro Electronics (Wuxi) Co., Ltd. is US\$27,700 thousand (NT\$ 826,153).

name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Sigurd Micro Electronics (Wuxi) Co., Ltd.	\$ 611,991	\$ 626,325	\$ 10,696,094
OPS Electronic (ShenZhen) Limited	40	40	89,291
SIRIZE Technology (Suzhou) Corp.	1,359,700	1,359,700	10,696,094

Note 4: The company acquired Flatek, Inc on September 6, 2019 and indirectly obtained the control of OPS Electronic (ShenZhen) Limited., Preceding investment has been submitted to MOEA for approval on September 17, 2021.

V. The unconsolidated financial reports for the most recent year audited and attested by CPAs

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 21000353

To the Board of Directors and Shareholders of Sigurd Microelectronics Corporation

Opinion

We have audited the parent company only balance sheets of Sigurd Microelectronics Corporation (the “Company”) as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (please refer to the *Other matter* section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of Sigurd Microelectronics Corporation as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. 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 of the Company's parent company only financial statements of the current period are stated as follows:

Capitalisation of property, plant and equipment

Description

The Company increased the capital expenditure to meet its operational needs. Please refer to Note 4 (14) for accounting policies on property, plant and equipment, and Note 6(8) for details of property, plant and equipment. Considering capitalisation of property, plant and equipment is significant to the Company's parent company only financial statements, thus, we identified the audit of capitalisation of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the effectiveness of the internal control system over additions to property, plant and equipment, as well as sample tested and examined respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were accurate. Sample tested and examined the acceptance documents to validate the appropriateness of the timing that assets are ready for use and capitalisation (timing of starting depreciation).

Merger transaction - Acquisition of UTC Group

Description

On April 14, 2021, the Group acquired 100% of share equity of UTC Holdings Corporation with US\$ 165,000 thousand (approximate NT\$ 4,701,842 thousand) and accounted as investments accounted for using equity method. Since the effect of merger transaction was material to parent company only financial statements and the purchase price allocation involved the assessment of management, thus, we consider the merger transaction as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matters:

1. Inquired of management about the decision procedure of the acquisition, including motivation of acquisition, the determination of acquisition price, and the approval of transaction.
2. Reviewed merger transaction contract and checked the voucher of payment.
3. The purchase price allocation was commissioned by the Company to external professional appraisers to perform a fair value evaluation of identifiable assets and liabilities of the acquiree. For the report of purchase price allocation to the merger transaction, we assessed the reasonableness of valuation method, assumption, discount rate and the purchase price allocation which were used by the appraisers in performing the fair valuation of identifiable assets and liabilities of the acquiree.

Other matter — Audited by other independent auditors

We did not audit the 2021 and 2020 financial statements of certain investee companies accounted for using the equity method. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of other independent auditors. Investments accounted for using equity method amounted to NT\$ 96,756 thousand and NT\$ 84,465 thousand, constituting 0.33% and 0.35% of total assets, as at December 31, 2021 and 2020, respectively, and their comprehensive income (loss) amounted to NT\$ 12,291 thousand and NT\$ 3,955 thousand, constituting 0.38% and 0.20% of the total comprehensive (loss) income for the years ended December 31, 2021 and 2020, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal controls as the management determines are necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the management either intends to liquidate the Company or to cease operations, or have 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.

Auditor's responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From those matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the parent company only financial statements of the current period and is therefore the key audit matter. We describe the matter in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsieh, Chih-Cheng

Chiang, Tsai-Yen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 8, 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 report of independent accountants 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.

SIGURD MICROELECTRONICS CORPORATION
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						
1100	Cash and cash equivalents	6(1)	\$ 3,802,894	13	\$ 3,432,217	14
1110	Current financial assets at fair value through profit or loss	6(2)	481,282	2	532,109	2
1136	Current financial assets at amortised cost	6(4)	78,480	-	406,320	2
1140	Current contract assets	6(19)	143,371	-	89,343	-
1170	Accounts receivable, net	6(5)	2,231,260	8	2,286,498	10
1180	Accounts receivable - related parties, net	6(5) and 7	112,427	-	64,260	-
1200	Other receivables		39,544	-	19,297	-
1210	Other receivables - related parties	7	144,155	1	107,197	1
130X	Inventories	6(6)	101,708	-	92,966	-
1410	Prepayments		473,908	2	370,422	2
1470	Other current assets		1,488	-	1,297	-
11XX	Total current assets		<u>7,610,517</u>	<u>26</u>	<u>7,401,926</u>	<u>31</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	1,453,872	5	868,140	4
1535	Non-current financial assets at amortised cost	6(4) and 8	30,000	-	56,910	-
1550	Investments accounted for using equity method	6(7)	8,136,911	28	5,371,460	22
1600	Property, plant and equipment	6(8) and 8	11,477,485	40	9,956,610	41
1755	Right-of-use assets	6(9)	263,052	1	501,943	2
1780	Intangible assets		28,667	-	23,900	-
1840	Deferred tax assets	6(26)	52,096	-	46,167	-
1920	Other non-current assets		22,695	-	11,520	-
15XX	Total non-current assets		<u>21,464,778</u>	<u>74</u>	<u>16,836,650</u>	<u>69</u>
1XXX	Total assets		<u>\$ 29,075,295</u>	<u>100</u>	<u>\$ 24,238,576</u>	<u>100</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10) and 8	\$ -	-	\$ 837,426	3
2130	Current contract liabilities	6(19)	4,054	-	7,575	-
2150	Notes payable		259	-	2	-
2170	Accounts payable		131,069	1	141,609	1
2200	Other payables	6(11)	1,879,215	7	1,643,597	7
2220	Other payables - related parties	7	11,000	-	24,984	-
2230	Current income tax liabilities		385,229	1	281,813	1
2280	Current lease liabilities		103,274	-	443,105	2
2320	Long-term liabilities, current portion	6(13) and 8	2,279,068	8	3,605,468	15
2399	Other current liabilities, others	6(19)	370,318	1	185,493	1
21XX	Total current liabilities		<u>5,163,486</u>	<u>18</u>	<u>7,171,072</u>	<u>30</u>
Non-current liabilities						
2530	Bonds payable	6(12)	4,383,961	15	830,801	3
2540	Long-term borrowings	6(13) and 8	3,728,502	13	3,257,910	14
2570	Deferred tax liabilities	6(26)	40,434	-	37,146	-
2580	Non-current lease liabilities		136,247	-	20,258	-
2600	Other non-current liabilities	6(7)(14)	180,129	1	225,071	1
25XX	Total non-current liabilities		<u>8,469,273</u>	<u>29</u>	<u>4,371,186</u>	<u>18</u>
2XXX	Total liabilities		<u>13,632,759</u>	<u>47</u>	<u>11,542,258</u>	<u>48</u>
Equity						
Share capital		6(15)				
3110	Ordinary share		4,520,782	15	4,316,114	18
Capital surplus		6(16)				
3200	Capital surplus		942,353	3	715,446	3
Retained earnings		6(17)				
3310	Legal reserve		1,526,636	5	1,351,118	5
3350	Unappropriated retained earnings		7,816,291	27	6,029,494	25
Other equity interest		6(18)				
3400	Other equity interest		636,474	3	284,146	1
3XXX	Total equity		<u>15,442,536</u>	<u>53</u>	<u>12,696,318</u>	<u>52</u>
Significant contingent liabilities and unrecognised contract commitments		9				
Significant events after the reporting period		11				
3X2X	Total liabilities and equity		<u>\$ 29,075,295</u>	<u>100</u>	<u>\$ 24,238,576</u>	<u>100</u>

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

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Year ended December 31				
		2021		2020		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 10,364,704	100	\$ 8,404,291	100
5000	Operating costs	6(6)(24)(25)	(6,668,505)	(64)	(5,603,166)	(67)
5900	Gross profit from operations		<u>3,696,199</u>	<u>36</u>	<u>2,801,125</u>	<u>33</u>
	Operating expenses	6(24)(25) and 7				
6100	Selling and marketing expenses		(102,876)	(1)	(89,930)	(1)
6200	General and administrative expenses		(419,673)	(4)	(341,346)	(4)
6300	Research and development expenses		(379,513)	(4)	(401,498)	(5)
6000	Total operating expenses		(902,062)	(9)	(832,774)	(10)
6900	Operating profit		<u>2,794,137</u>	<u>27</u>	<u>1,968,351</u>	<u>23</u>
	Non-operating income (expenses)					
7100	Interest income	6(20)	13,092	-	16,056	-
7010	Other income	6(21) and 7	96,347	1	66,300	1
7020	Other gains and losses	6(22) and 7	132,551	1	(60,953)	(1)
7050	Finance costs	6(23)	(108,449)	(1)	(78,138)	(1)
7070	Share of profit of subsidiaries and associates, joint ventures accounted for using equity method	6(7)	<u>377,723</u>	<u>4</u>	<u>171,101</u>	<u>2</u>
7000	Total non-operating income (expenses)		<u>511,264</u>	<u>5</u>	<u>114,366</u>	<u>1</u>
7900	Profit before income tax		<u>3,305,401</u>	<u>32</u>	<u>2,082,717</u>	<u>24</u>
7950	Income tax expense	6(26)	(517,955)	(5)	(299,418)	(4)
8200	Profit for the year		<u>\$ 2,787,446</u>	<u>27</u>	<u>\$ 1,783,299</u>	<u>20</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(3)(18)				
8311	Gain (losses) on remeasurements of defined benefit plan		\$ 55,519	-	(\$ 28,122)	-
8316	Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income		415,297	4	322,368	4
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(11,543)	-	-	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>459,273</u>	<u>4</u>	<u>294,246</u>	<u>4</u>
	Components of other comprehensive loss that might be reclassified to profit or loss	6(18)				
8361	Exchange differences on translation of foreign operations		(51,911)	-	(72,255)	(1)
8360	Components of other comprehensive loss that might be reclassified to profit or loss		(51,911)	-	(72,255)	(1)
8500	Total comprehensive income for the year		<u>\$ 3,194,808</u>	<u>31</u>	<u>\$ 2,005,290</u>	<u>23</u>
	Basic earnings per share (in dollars)	6(27)				
9750	Basic earnings per share		<u>\$ 6.25</u>		<u>\$ 4.22</u>	
	Diluted earnings per share (in dollars)	6(27)				
9850	Diluted earnings per share		<u>\$ 5.95</u>		<u>\$ 3.87</u>	

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

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Ordinary share	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest		Total Equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets at fair value through other comprehensive income	
<u>2020</u>									
Balance at January 1, 2020		\$ 4,206,834	\$ 923,672	\$ 1,218,457	\$ 48,273	\$ 4,822,385	(\$ 6,699)	\$ 40,732	\$ 11,253,654
Profit for the year		-	-	-	-	1,783,299	-	-	1,783,299
Other comprehensive (loss) income for the year	6(18)	-	-	-	-	(28,122)	(72,255)	322,368	221,991
Total comprehensive income (loss)		-	-	-	-	1,755,177	(72,255)	322,368	2,005,290
Distribution of 2019 earnings:	6(17)								
Legal reserve		-	-	132,661	-	(132,661)	-	-	-
Reversal of special reserve		-	-	-	(48,273)	48,273	-	-	-
Cash dividends		-	-	-	-	(463,680)	-	-	(463,680)
Cash distribution from capital surplus	6(16)(17)	-	(463,680)	-	-	-	-	-	(463,680)
Conversion of corporate bonds	6(15)(16)	109,280	255,454	-	-	-	-	-	364,734
Balance at December 31, 2020		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,100	\$ 12,696,318
<u>2021</u>									
Balance at January 1, 2021		\$ 4,316,114	\$ 715,446	\$ 1,351,118	\$ -	\$ 6,029,494	(\$ 78,954)	\$ 363,100	\$ 12,696,318
Profit for the year		-	-	-	-	2,787,446	-	-	2,787,446
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	43,976	(51,911)	415,297	407,362
Total comprehensive income (loss)		-	-	-	-	2,831,422	(51,911)	415,297	3,194,808
Distribution of 2020 earnings:									
Legal reserve		-	-	175,518	-	(175,518)	-	-	-
Cash dividends	6(17)	-	-	-	-	(880,165)	-	-	(880,165)
Cash distribution from capital surplus	6(16)(17)	-	(396,074)	-	-	-	-	-	(396,074)
Issuance of corporate bonds	6(12)(16)	-	136,893	-	-	-	-	-	136,893
Conversion of corporate bonds	6(15)(16)	204,668	486,088	-	-	-	-	-	690,756
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	11,058	-	(11,058)	-
Balance at December 31, 2021		\$ 4,520,782	\$ 942,353	\$ 1,526,636	\$ -	\$ 7,816,291	(\$ 130,865)	\$ 767,339	\$ 15,442,536

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

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,305,401	\$ 2,082,717
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(8)(9)(24)	2,678,760	2,006,335
Amortisation	6(24)	22,047	16,027
Net profit on financial assets at fair value through profit or loss	6(2)(22)	(18,734)	(46,228)
Finance costs	6(23)	108,449	78,138
Interest income	6(21)	(13,092)	(16,056)
Gain recognised in bargain purchase transaction	6(21)	(16,441)	-
Dividends income	6(21)	(13,804)	(12,495)
Share of profit of subsidiaries, associates and joint ventures accounted using equity method	6(7)	(377,723)	(171,101)
Gain on disposal of property, plant and equipment	6(22)	(127,639)	(23,833)
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		70,611	(147,874)
Contract assets		(54,028)	10,931
Accounts receivable		55,237	(636,792)
Accounts receivable - related parties		(48,167)	(57,824)
Other receivables		(20,277)	10,969
Other receivables - related parties		3,786	(3,342)
Inventories		(8,742)	(32,212)
Prepayments		(110,881)	(145,235)
Other current assets		(191)	4,271
Changes in operating liabilities			
Notes payable		257	(798)
Contract liabilities		(3,521)	6,387
Accounts payable		(10,540)	19,731
Other payables		416,705	355,408
Other payables - related parties		(19,307)	(7,716)
Other current liabilities		40,058	126,326
Defined benefit liabilities		(1,764)	(724)
Cash inflow generated from operations		5,856,460	3,415,010
Interest received		13,123	17,905
Dividends received		124,079	112,745
Interest paid		(111,115)	(76,686)
Income tax paid		(417,180)	(222,074)
Net cash flows from operating activities		<u>5,465,367</u>	<u>3,246,900</u>

(Continued)

SIGURD MICROELECTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Year ended December 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 412,300)
Proceeds from disposal of financial assets at amortised cost		354,750	1,707,550
Acquisition of financial assets at fair value through other comprehensive income		(158,000)	(50,000)
Acquisition of investments accounted for using equity method	6(7)	(5,445,110)	(630,150)
Proceeds from capital reduction of investments accounted for using equity method	6(7)	2,900,000	-
Acquisition of property, plant and equipment	6(28)	(4,240,555)	(4,301,246)
Proceeds from disposal of property, plant and equipment		203,597	47,272
Acquisition of intangible assets		(26,075)	(16,310)
Increase in refundable deposits		(7,363)	(4,324)
Decrease in refundable deposits		2,670	3,898
Net cash flows used in investing activities		(6,416,086)	(3,655,610)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(29)	2,016,061	2,233,736
Repayments of short-term borrowings	6(29)	(2,853,487)	(1,967,552)
Proceeds from issuance of corporate bonds	6(29)	4,487,903	-
Repayments of corporate bonds	6(29)	-	(400)
Proceeds from long-term borrowings	6(29)	12,085,000	12,678,000
Repayment of long-term borrowings	6(29)	(12,940,808)	(10,938,259)
Increase in guarantee deposits received	6(29)	-	2,920
Decrease in guarantee deposits received	6(29)	-	(4,318)
Repayments of lease liabilities	6(29)	(197,034)	(88,106)
Cash dividends paid	6(17)	(880,165)	(463,680)
Cash distribution from capital surplus	6(16)(17)	(396,074)	(463,680)
Net cash flows from financing activities		1,321,396	988,661
Net increase in cash and cash equivalents		370,677	579,951
Cash and cash equivalents at beginning of year	6(1)	3,432,217	2,852,266
Cash and cash equivalents at end of year	6(1)	\$ 3,802,894	\$ 3,432,217

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

SIGURD MICROELECTRONICS CORPORATION.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE
INDICATED)

1. HISTORY AND ORGANISATION

Sigurd Microelectronics Corporation (formerly named More Power Electronic Co., Ltd., the “Company”) was established in the Republic of China (R.O.C.) on December 15, 1988. In 1998, the Company acquired, Sigurd Corporation, via assets purchase (the acquired company was liquidated and dissolved after the merger), in order to expand and provide turnkey assembly and testing services to customers. The name of the Company was changed to Sigurd Microelectronics Corporation on November 27, 1998. The main business activities of the Company include the design, processing, testing, burn-in treatment, manufacture, trading, etc., of integrated circuits.

On February 11, 2004, the Company’s Board of Directors resolved to acquire Ucomm Caesar Technology Co., Ltd., whose main business was RF testing. The Company is the surviving company and Ucomm Caesar Technology Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was March 1, 2005.

On December 30, 2005, the Company’s Board of Directors resolved to acquire ASI Semiconductor Co., Ltd., whose main business was integrated circuit testing. The Company is the surviving company and ASI Semiconductor Co., Ltd. is the dissolved company. After the merger, the Company’s name was retained. The effective date for the merger was June 12, 2006.

On May 8, 2013, the Company Board of Directors resolved to acquire Meicer Semiconductor Co., Ltd. whose main business was integrated circuits packaging. The Company is the surviving company and the effective date for the merger was May 31, 2013.

2. THE DATE OF AND PROCEDURES FOR AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

These parent company only financial statements were authorised for issuance by the Board of Directors on March 8, 2022.

3. APPLICATION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

(1) Effect of the adoption of new or amended International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“IASB”)</u>
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 Note : Earlier application from January 1, 2021 is allowed by FSC.	April 1, 2021(Note)

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

(2) Effect of new or amended IFRSs as endorsed by the FSC but not yet adopted

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 IASB</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 IASB</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 IASB
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparations 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 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 present value of defined benefit obligation.

B. The preparation of parent company only 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses 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 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; and
 - 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 (loss).

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as 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 settle liabilities more than twelve months after the balance sheet date.

The Company classifies the assets which do not meet the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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.

The Company classifies the liabilities which do not meet the above criteria as non-current liabilities.

(5) Cash equivalents

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

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

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

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- 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:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income (loss) is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts; receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

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

Inventories are stated at the lower of cost and net realisable value. Cost transfer is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, it excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method/ subsidiaries

- 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 profit (loss) occurred from the transactions between the Company and subsidiaries have been eliminated. The 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. If changes in the Company's ownership interests in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the parent company only financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a

change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change.

The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	50 ~ 60 years
Machinery and equipment	1 ~ 5 years
Office equipment	3 ~ 5 years
Others equipment	2 ~ 15 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee.

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.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the

higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognised at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'Finance costs'.

(21) Convertible bonds payable

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

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

- (b) The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to ‘Finance costs’ over the period of circulation using the effective interest method.
- (c) The embedded conversion options which meet the definition of equity are initially recognised in ‘Capital surplus—share options’ at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- (d) Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- (e) When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘Capital surplus—share options.’

(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 expenses 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 corporation bonds, the Company uses interests rates of government bonds (at the balance sheet date) instead.
- 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.

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

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

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. A deferred tax assets shall be recognised for the carry forward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

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.

(25) Dividends

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

(26) Revenue recognition

Provision of services

- A. The Company provides the services of research and design, engineering and testing of integrated circuits. An entity recognises revenue over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created; (c) or the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The testing and packaging services provided by the Company are in compliance with the (b) above, and shall be gradually recognised as revenue over time, and recognised as revenue via the progress towards completion satisfaction of performance obligation.
- B. Since the time interval between the transfer of the promised goods or services to the customer and payment by the customer has not exceeded one year, the Company has not adjusted the transaction price to reflect the time value of money.

(27) Government grants

Government grants are recognised 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 recognised in profit or loss on a systematic basis over the periods in which

the Group recognises expenses for the related costs for which the grants are intended to compensate.

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

None.

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	\$ 784	\$ 772
Checking accounts and demand deposits	2,044,210	1,626,695
Time deposits	1,757,900	1,804,750
	<u>\$ 3,802,894</u>	<u>\$ 3,432,217</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 has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 315,000	\$ 334,678
Corporate bonds	143,480	143,480
Convertible bonds	-	18,906
Redemption right of the Company's convertible bonds	1,050	-
	<u>459,530</u>	<u>497,064</u>
Valuation adjustment	21,752	35,045
	<u>\$ 481,282</u>	<u>\$ 532,109</u>

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

Items	Year ended December 31,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 1,369	\$ 265
Beneficiary certificates	23,002	16,904
Corporate bonds	(4,739)	2,455
Convertible bonds	(898)	26,604
	<u>\$ 18,734</u>	<u>\$ 46,228</u>

B. Information relating to price risk of financial asset at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Listed stocks	\$ 140,000	\$ 140,000
Unlisted stocks	<u>518,640</u>	<u>360,640</u>
	658,640	500,640
Valuation adjustment	<u>795,232</u>	<u>367,500</u>
	<u>\$ 1,453,872</u>	<u>\$ 868,140</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 \$1,453,872 and \$868,140 as at December 31, 2021 and 2020, respectively.

B. The Company did not sell any financial assets at fair value through other comprehensive income during the year ended December 31, 2020.

In addition, in September 2020, the Company's subsidiary, Sigurd UTC Corporation (formerly named UTAC Taiwan Corporation), disposed investments in the fair value amount of \$7,580 due to the acquisition of the acquirer, the accumulated loss from disposal was \$84,070 and was reclassified as retained earnings. In November 2021, the acquisition price has been modified, the fair value of disposal was adjusted to \$18,672. In December 2021, Sigurd UTC Corporation collected the price difference amounting to \$11,058 (less related taxes) and reclassified the difference to retained earnings.

C. 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	\$ 427,732	\$ 322,408
Dividend income recognised in profit or loss held at end of year	\$ 13,804	\$ 12,362

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$1,453,872 and \$868,140, respectively.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Time deposits	\$ 78,480	\$ 406,320
Non-current items:		
Pledged time deposits	\$ -	\$ 26,910
Corporate bonds	30,000	30,000
	\$ 30,000	\$ 56,910

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

	Year ended December 31,	
	2021	2020
Interest income	\$ 1,455	\$ 4,691

B. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was \$108,480 and \$463,230, respectively.

C. As of December 31, 2021 and 2020, time deposits amounting to \$0 and \$26,910, which was restricted for the purpose of guaranteeing the Company's participation of the government grants were shown as "Non-current financial assets at amortised cost". Please refer to Note 8 for details.

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

(5) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 2,231,260	\$ 2,286,498
Accounts receivable - related parties	<u>112,427</u>	<u>64,260</u>
	2,343,687	2,350,758
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 2,343,687</u>	<u>\$ 2,350,758</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
Not past due	\$ 2,324,263	\$ 2,329,338
Up to 30 days	17,789	20,767
31 to 90 days	1,635	653
91 to 180 days	-	-
Over 181 days	<u>-</u>	<u>-</u>
	<u>\$ 2,343,687</u>	<u>\$ 2,350,758</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, accounts receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$1,659,694.

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 accounts receivable was \$2,343,687 and \$2,350,758, respectively.

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

(6) Inventories

		December 31, 2021		
	Costs	Allowance for valuation loss	Carrying Amount	
Raw materials	\$ 78,571	(\$ 630)	\$ 77,941	
Supplies	23,767	-	23,767	
	<u>\$ 102,338</u>	<u>(\$ 630)</u>	<u>\$ 101,708</u>	

		December 31, 2020		
	Costs	Allowance for valuation loss	Carrying Amount	
Raw materials	\$ 69,935	(\$ 1,758)	\$ 68,177	
Supplies	20,493	-	20,493	
Work in progress	4,747	(454)	4,293	
Finished goods	3	-	3	
	<u>\$ 95,178</u>	<u>(\$ 2,212)</u>	<u>\$ 92,966</u>	

The cost of inventories recognised as expense for the years:

	Year ended December 31,	
	2021	2020
Cost of goods used	\$ 6,667,577	\$ 5,606,465
Inventory valuation gain	(1,582)	(3,335)
Inventory scrapped	2,726	1,672
Revenue from sale of scrapped inventories	(216)	(1,636)
	<u>\$ 6,668,505</u>	<u>\$ 5,603,166</u>

The Company recognised inventory valuation gain for the years ended December 31, 2021 and 2020 because some of the inventories previously written down were sold.

(7) Investments accounted for using equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Sigurd International Co., Ltd.	\$ 173,247	\$ 179,756
Burgurd Co., Ltd.	1,382	(40,711)
TEST-SERV Inc.	1,392,368	1,304,772
Bloomeria Limited	2,788,099	2,560,111
Flusol Co., Ltd.	1,091,102	1,194,527
AMBERSAN Medical Technology Co., Ltd.	24,926	32,037
FLATEK, INC.	96,756	84,465
Ge-Shing Cooperation	17,239	15,792
UTC Holdings Corporation	<u>2,551,792</u>	<u>-</u>
	8,136,911	5,330,749
Add: Burgurd Co., Ltd. (shown as 'Other non-current liabilities')	<u>-</u>	<u>40,711</u>
	<u>\$ 8,136,911</u>	<u>\$ 5,371,460</u>

Share of profit from subsidiaries for the years ended December 31, 2021 and 2020:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Sigurd International Co., Ltd.	(\$ 5,329)	(\$ 9,597)
Burgurd Co., Ltd.	162	(277)
TEST-SERV Inc.	201,667	142,673
Bloomeria Limited	273,657	157,451
Flusol Co., Ltd	(94,385)	(119,232)
AMBERSAN Medical Technology Co., Ltd.	(7,110)	(3,906)
FLATEK, INC.	8,719	3,424
Ge-Shing Cooperation	1,714	565
UTC Holdings Corporation	<u>(1,372)</u>	<u>-</u>
	<u>\$ 377,723</u>	<u>\$ 171,101</u>

- A. Details of the Company's subsidiaries are provided in Note 4(3) in the Company's 2021 consolidated financial statements.
- B. Flusol Co., Ltd., a foreign subsidiary originally wholly-owned by Sigurd International Co., Ltd., increased its capital by cash, amounting to US\$ 45,000 thousand. The Company has made the investment directly by remitting US\$ 45,000 thousand (\$1,359,700) as Flusol Co., Ltd.'s capital. As of December 31, 2020. The Company held 96.66% of Flusol Co., Ltd.'s shareholding.

- C. Ge-Shing Cooperation was established on March 12, 2020. The Company invested \$10,000 to obtain its 100% shareholding.
- D. To improve group overall operating efficiency, on July 6, 2020, Bloomeria Limited, the subsidiary of the Company, swapped all 70,694,438 shares it held in Winstek Semiconductor Co., Ltd. (consisting approximately 51.88% of the total shares issued) for new shares issued from capital increase of the wholly-owned subsidiary of the Company, Ge-Shing Cooperation. After the swap the Company and Bloomeria Limited hold 0.65% and 99.35% shareholdings in Ge-Shing Cooperation, respectively.
- E. On April 14, 2021, the Company completed the acquisition of a 100% share equity in UTC Holdings Corporation with US\$ 165,000 thousand (approximate \$4,701,842). The subsidiary which was belonging to UTC Holdings Corporation were included in the consolidated financial statements.

On June 7, 2021, UTC Holdings Corporation performed capital reduction and returned cash to the Company in the amount of \$2,900,000 (including \$920,470 and US\$71,489 thousand), the ratio of capital reduction was 52.59%.

On August 4, 2021, UTC Holdings Corporation increased cash capital in the amount of \$701,337. On August 11, 2021, the Company has remitted capital in the amount of \$701,337 and acquired all of increased share equity.

- F. On July 15, 2021, the Company's foreign subsidiary, Brugurd Co., Ltd., increased cash capital in the amount of US\$ 1,500 thousand. On August 19, 2021, the Company has remitted capital in the amount of US\$ 1,500 thousand (\$41,931) and acquired all of increased share equity.

(8) Property, plant and equipment

		2021						
		Land	Buildings and structure	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1								
Cost		\$ 510,012	\$ 1,343,082	\$ 11,300,380	\$ 145,831	\$ 1,053,902	\$ 837,701	\$ 15,190,908
Accumulated depreciation and impairment		-	(279,817)	(4,419,945)	(61,167)	(473,369)	-	(5,234,298)
		<u>\$ 510,012</u>	<u>\$ 1,063,265</u>	<u>\$ 6,880,435</u>	<u>\$ 84,664</u>	<u>\$ 580,533</u>	<u>\$ 837,701</u>	<u>\$ 9,956,610</u>
<u>2021</u>								
At January 1		\$ 510,012	\$ 1,063,265	\$ 6,880,435	\$ 84,664	\$ 580,533	\$ 837,701	\$ 9,956,610
Additions		-	-	2,824,448	50,498	174,921	685,512	3,735,379
Disposals		-	-	(116,703)	-	-	-	(116,703)
Reclassifications (Note)		-	-	811,731	4,758	10,329	(826,644)	174
Transfer from right-of-use assets		-	-	427,981	-	-	-	427,981
Depreciation		-	(26,044)	(2,313,755)	(47,773)	(138,384)	-	(2,525,956)
At December 31		<u>\$ 510,012</u>	<u>\$ 1,037,221</u>	<u>\$ 8,514,137</u>	<u>\$ 92,147</u>	<u>\$ 627,399</u>	<u>\$ 696,569</u>	<u>\$ 11,477,485</u>
At December 31, 2021								
Cost		\$ 510,012	\$ 1,343,082	\$ 13,672,143	\$ 164,824	\$ 1,165,820	\$ 696,569	\$ 17,552,450
Accumulated depreciation and impairment		-	(305,861)	(5,158,006)	(72,677)	(538,421)	-	(6,074,965)
		<u>\$ 510,012</u>	<u>\$ 1,037,221</u>	<u>\$ 8,514,137</u>	<u>\$ 92,147</u>	<u>\$ 627,399</u>	<u>\$ 696,569</u>	<u>\$ 11,477,485</u>
		2020						
		Land	Buildings and structure	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment to be inspected	Total
At January 1								
Cost		\$ 510,012	\$ 1,343,082	\$ 8,881,269	\$ 111,366	\$ 958,836	\$ 674,434	\$ 12,478,999
Accumulated depreciation and impairment		-	(253,771)	(3,808,260)	(53,325)	(406,617)	-	(4,521,973)
		<u>\$ 510,012</u>	<u>\$ 1,089,311</u>	<u>\$ 5,073,009</u>	<u>\$ 58,041</u>	<u>\$ 552,219</u>	<u>\$ 674,434</u>	<u>\$ 7,957,026</u>
<u>2020</u>								
At January 1		\$ 510,012	\$ 1,089,311	\$ 5,073,009	\$ 58,041	\$ 552,219	\$ 674,434	\$ 7,957,026
Additions		-	-	3,044,419	64,082	139,283	837,121	4,084,905
Disposals		-	-	(126,261)	(14)	-	-	(126,275)
Reclassifications (Note)		-	-	659,611	-	13,396	(673,854)	(847)
Depreciation		-	(26,046)	(1,770,343)	(37,445)	(124,365)	-	(1,958,199)
At December 31		<u>\$ 510,012</u>	<u>\$ 1,063,265</u>	<u>\$ 6,880,435</u>	<u>\$ 84,664</u>	<u>\$ 580,533</u>	<u>\$ 837,701</u>	<u>\$ 9,956,610</u>
At December 31, 2020								
Cost		\$ 510,012	\$ 1,343,082	\$ 11,300,380	\$ 145,831	\$ 1,053,902	\$ 837,701	\$ 15,190,908
Accumulated depreciation and impairment		-	(279,817)	(4,419,945)	(61,167)	(473,369)	-	(5,234,298)
		<u>\$ 510,012</u>	<u>\$ 1,063,265</u>	<u>\$ 6,880,435</u>	<u>\$ 84,664</u>	<u>\$ 580,533</u>	<u>\$ 837,701</u>	<u>\$ 9,956,610</u>

Note: For the year ended December 31, 2021, the transfer-out from construction in progress and equipment to be inspected amounted to \$826,644. In addition, the amount of transfer-in from

prepaid equipment to machinery and equipment was \$174.

For the year ended December 31, 2020, the transfer-out from construction in progress and equipment to be inspected amounted to \$673,854, of which \$847 was transferred to prepaid equipment.

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

	2021	2020
Amount capitalised	\$ 15,024	\$ 17,402
Range of the interest rates for capitalisation	0.99%~1.42%	1.05%~1.39%

- B. The significant components of buildings and structures include buildings, laboratory and facility equipment, which are depreciated over 50 and 60 years, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- D. As of December 31, 2021 and 2020, the area of the land held by the Company was both 43,207 square meters, of which 11,524 square meters was a farming and grazing land held in the name of others. The Company has obtained the mortgage set by the landowner to secure the Company's right on the untransferred part of the land.

(9) Leasing arrangements – lessee

- A. The Company leases various assets, including buildings, machinery and equipment and transportation equipment. Lease agreements are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The machinery and transportation equipment leased by the Company were classified as short-term lease contracts because the lease period did not exceed 12 months.
- C. The carrying amount of right-of-use assets and the depreciation are as follows:

	December 31, 2021	December 31, 2020
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 67,649	\$ 1,769
Machinery and equipment	189,013	493,765
Transportation equipment (business vehicles)	6,390	6,409
	<u>\$ 263,052</u>	<u>\$ 501,943</u>
	Year ended December 31,	
	2021	2020
	<u>Depreciation</u>	<u>Depreciation</u>
Buildings	\$ 15,888	\$ 985
Machinery and equipment	131,496	40,860
Transportation equipment (business vehicles)	5,420	6,291
	<u>\$ 152,804</u>	<u>\$ 48,136</u>

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets was \$341,893 and \$517,504, respectively.

E. When the lease terms ceased, the Company had preemptive rights on some of leased machinery and equipment. For the year ended December 31, 2021, aforementioned lease contracts with preemptive right were due, the Company exercised the preemptive right to buy machinery and equipment in the amount of \$427,981. In addition, for the year ended December 31, 2020, there were no lease contracts with preemptive right which were due.

F. The information on profit and loss accounts relating to lease agreements is as follows:

	Year ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,870	\$ 3,980
Expense on short-term lease agreements	120,281	205,713

G. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$693,886 and \$297,799, respectively.

(10) Short-term borrowings

December 31, 2021: None.

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Secured borrowings	\$ 37,732	0.63%~0.84%	Land and plant
Unsecured borrowings	799,694	0.69%~1.43%	None
	<u>\$ 837,426</u>		

(11) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accrued salaries and bonuses	\$ 418,979	\$ 371,463
Accrued employees' compensation and directors' remuneration	393,000	248,000
Payables for equipment and construction	225,681	356,834
Others	841,555	667,300
	<u>\$ 1,879,215</u>	<u>\$ 1,643,597</u>

(12) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Convertible bonds payable	\$ 2,700,000	\$ 1,200,000
Bonds payable	3,000,000	-
Less: Bonds payable converted	(1,054,000)	(352,500)
Less: Discount on bonds payable	(117,272)	(16,699)
	4,528,728	830,801
Less: Current portion (shown as 'Other current liabilities')	(144,767)	-
	<u>\$ 4,383,961</u>	<u>\$ 830,801</u>

Domestic 2nd Unsecured Convertible Bonds

A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the Domestic 2nd unsecured convertible bonds on March 8, 2017, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on April 14, 2017 and were issued on April 24, 2017. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
- (b) Issuance duration: Three years, from April 24, 2017 to April 24, 2020.
- (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
- (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (July 25, 2017) until the maturity date (April 24, 2020).
- (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$28.7 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance, the closing price used to calculate the conversion price shall first be calculated as the price

after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$28.7 (in dollars) to \$27 (in dollars) on August 13, 2017; and the conversion price was adjusted from \$27 (in dollars) to \$25.8 (in dollars) on July 15, 2018; and the conversion price was adjusted from \$25.8 (in dollars) to \$24 (in dollars) on July 21, 2019; and the conversion price was adjusted from \$24 (in dollars) to \$23.7 (in dollars) on November 15, 2019.

- (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance unsecured convertible bonds, the equity conversion options amounting to \$47,428 were separated from the liability component and were recognised in ‘Capital surplus—share options’ in accordance with IAS 32.
- C. Through conversion deadline, April 9, 2020, the bonds totaling \$1,199,600 (face value) had been converted into 46,023,851 shares of common stock. The remaining unconverted bonds amounting to \$400 (face value) were redeemed in cash at face value at the maturity date according to the Article 6 of provisions of the issuance and conversion method of the 2nd domestic unsecured convertible bonds.

Domestic 3rd Unsecured Convertible Bonds

- A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the Domestic 3rd domestic unsecured convertible bonds on August 7, 2019, which had been approved by the FSC. The aforementioned unsecured convertible bonds were priced on October 3, 2019 and were issued on October 15, 2019. The major terms of issuance are as follows:
- (a) Issue amount: Issued at 100.5% of par value of \$100. The units for this offering were 12,000, with aggregated offering amount of \$1,206,000.
 - (b) Issuance duration: Three years, from October 15, 2019 to October 15, 2022.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company’s ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months

after the issuance (January 16, 2020) until the maturity date (October 15, 2022).

- (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$37 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights. Because the Company has issued the cash dividends according to the provisions of the issuance and conversion method, the conversion price should be adjusted. The conversion price was adjusted from \$37 (in dollars) to \$36.6 (in dollars) on November 15, 2019; and the conversion price was adjusted from \$36.6 (in dollars) to \$34.8 (in dollars) on August 2, 2020; and the conversion price was adjusted from \$34.8 (in dollars) to \$33.2 (in dollars) on August 22, 2021.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of 3rd unsecured convertible bonds, the equity conversion options amounting to \$43,697 were separated from the liability component and were recognised in 'Capital surplus—share options' in accordance with IAS 32.
- C. As of December 31, 2021, the 3rd unsecured convertible bonds totaling \$1,054,000 (face value) had been converted into 30,567,762 shares of common stock.

Domestic 1st Secured Bonds

In order to fulfill working capital, on March 10, 2021, the Company's Board of Directors approved to issue the first domestic secured corporate bonds, the issuance has been filed to Taipei Exchange and has been effective. Main terms of the issuance were as follows:

- (a) Total issuance amount: The bonds were issued at face value of \$1,000, the issuance number was 3,000 with a total issuance amount of \$3,000,000.
- (b) Issuance duration: 5 years, from March 19, 2021 to March 19, 2026.
- (c) Coupon rate and payment method: The coupon rate was fixed rate at 0.58%. Interest will be paid annually. The principle will be paid at once when it is due.
- (d) Secured method: The corporate bond was guaranteed by the syndicated guaranteed engagement performance obligation contract of corporate bond guarantee which were entered by banks.

Domestic 4th Unsecured Convertible Bonds

- A. To raise the capital for acquiring machinery and equipment, the Board of Directors of the Company resolved to issue the Domestic 4th domestic unsecured convertible bonds on August 4, 2021, which had been approved by the FSC. The aforementioned unsecured convertible bonds

were priced on October 2, 2021 and were issued on October 13, 2021. The major terms of issuance are as follows:

- (a) Issue amount: Issued at 106.2% of par value of \$100. The units for this offering were 15,000, with aggregated offering amount of \$1,592,946.
 - (b) Issuance duration: Three years, from October 13, 2021 to October 13, 2024.
 - (c) Coupon rate and principal payment method: The coupon rate is 0% per annum. Except for converting the corporate bonds into the Company's ordinary share by the holder or redemption and written off by the Company through a securities firm, the Company shall repay the nominal amount of the bonds via cash in one lump sum at the time of maturity.
 - (d) Conversion period: Except for exercising the right of conversion, provided by the law, or due to a transfer suspension period stipulated in a contract (if any); the corporate bonds held by the bondholders shall be converted into ordinary shares of the Company from three months after the issuance (January 14, 2022) until the maturity date (October 13, 2024).
 - (e) Conversion price and its adjustment: The conversion price at the time of issuance is set at \$65.4 (in dollars) per share. However, in case of ex-rights or ex-dividends after the issuance of the Company's bonds, the closing price used to calculate the conversion price shall first be calculated as the price after ex-rights or ex-dividends. After the conversion price is determined and prior to the actual issuance date, it should be adjusted according to the conversion price adjustment formula in case of ex-dividend or ex-rights.
 - (f) The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - (g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. Regarding the issuance of the 4th unsecured convertible bonds, the equity conversion options amounting to \$136,893 were separated from the liability component and were recognised in 'Capital surplus—share options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'Financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.09%.
- C. As of December 31, 2021, the 4th unsecured convertible bonds hadn't been converted into common stock.

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from September 17, 2018 to August 10, 2026; principal and interest are repayable by instalments	0.95%~1.35%	(Note 1)	\$ 5,524,225
Secured borrowings	Borrowing period is from September 26, 2019 to January 8, 2026; principal and interest are repayable by instalments	0.79%~1.19%	Land, plant and machinery and equipment (Note 3)	<u>483,345</u>
				6,007,570
Less: Current portion (Shown as ‘Other current liabilities’)				<u>(2,279,068)</u>
				<u>\$ 3,728,502</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from May 18, 2018 to September 20, 2025; principal and interest are repayable by instalments	0.95%~1.35%	(Note 2)	\$ 5,992,547
Secured borrowings	Borrowing period is from July 18, 2019 to September 26, 2024; principal and interest are repayable by instalments	1.01%~1.25%	Land, plant and machinery and equipment (Note 4)	<u>870,831</u>
				6,863,378
Less: Current portion (Shown as ‘Other current liabilities’)				<u>(3,605,468)</u>
				<u>\$ 3,257,910</u>

Note 1: Credit borrowings

According to the signed loan agreements contracts, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Times interest earned: the net profit before tax plus interest expense, depreciation expense and amortisation expense divided by interest expense of consolidated financial statements shall be more than 10.
- D. Net tangible assets shall not be less than \$11 billion.

Note 2: Credit borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 80%.
- C. Times interest earned: the net profit before tax plus interest expense, depreciation expense and amortisation expense divided by interest expense in the consolidated financial statements shall not be less than 15.
- D. Net tangible assets shall not be less than \$10 billion.

Note 3: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- B. Cash and cash equivalents divided by short-term borrowings plus current portion of long-term borrowings and corporate bond shall not be less than 1.
- C. The purpose of bank borrowing shall be acquisition of equipment and working capital.

Note 4: Secured borrowings

According to the signed loan agreements, the following financial ratios and terms should be maintained before the full settlement of the debts:

- A. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 120%.
- B. Debt ratio: the total net liabilities plus contingent liabilities divided by net tangible assets shall not be more than 100%.
- C. Net tangible assets shall not be less than \$11 billion.
- D. Times interest earned: the net profit before tax plus interest expense, depreciation expense and amortisation expense divided by interest expense in the consolidated financial statements shall not be less than 3.

E. The purpose of bank borrowing shall be acquisition of equipment and working capital. The abovementioned ratios were calculated based on the semi-annual consolidated financial statements audited or reviewed by the independent accountants. The 2021 and 2020 consolidated financial statements met the requirements of the abovementioned ratios.

(14) Pensions

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 269,653)	(\$ 273,326)
Fair value of plan assets	<u>96,284</u>	<u>95,727</u>
Net defined benefit liabilities	<u>(\$ 173,369)</u>	<u>(\$ 177,599)</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 liabilities
<u>2021</u>			
At January 1	(\$ 273,326)	\$ 95,727	(\$ 177,599)
Current service cost	(1,037)	-	(1,037)
Interest (expense) income	(2,187)	783	(1,404)
	(276,550)	96,510	(180,040)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	948	948
Change in financial assumptions	1,518	-	1,518
	1,518	948	2,466
Pension fund contribution	-	4,205	4,205
Paid pension	5,379	(5,379)	-
At December 31	(\$ 269,653)	\$ 96,284	(\$ 173,369)
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
<u>2020</u>			
At January 1	(\$ 250,611)	\$ 94,057	(\$ 156,554)
Current service cost	(1,464)	-	(1,464)
Interest (expense) income	(3,258)	1,250	(2,008)
	(255,333)	95,307	(160,026)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	2,495	2,495
Change in financial assumptions	(12,666)	-	(12,666)
Experience adjustments	(11,598)	-	(11,598)
	(24,264)	2,495	(21,769)
Pension fund contribution	-	4,196	4,196
Paid pension	6,271	(6,271)	-
At December 31	(\$ 273,326)	\$ 95,727	(\$ 177,599)

(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 asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Discount rate	<u>0.75%</u>	<u>0.80%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

Assumptions regarding future mortality rate are set based on actuarial advice in accordance with published statistics and experience in Taiwan.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2021				
Effect on present value of defined benefit obligations	(\$ <u>5,713</u>)	<u>\$ 5,939</u>	<u>\$ 24,382</u>	(<u>\$ 21,344</u>)
December 31, 2020				
Effect on present value of defined benefit obligations	(<u>\$ 6,458</u>)	<u>\$ 6,724</u>	<u>\$ 27,662</u>	(<u>\$ 24,103</u>)

The sensitivity analysis above is based on a change in one assumption while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liabilities in the balance sheet are the same.

The method of analysing sensitivity and the method of assumptions did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$4,205.

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 plan of the Company for the years ended December 31, 2021 and 2020 were \$59,432 and \$52,977, respectively.

(15) Share capital

As of December 31, 2021, the Company’s authorised capital was \$10,000,000, consisting of 1,000,000 thousand shares of ordinary stock (including 20,000 thousand shares reserved for employee stock options), and the paid-in capital was \$4,520,782 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:

	2021	2020
At January 1	431,611,382	420,683,401
Conversion of corporate bonds	20,466,774	10,927,981
At December 31	<u>452,078,156</u>	<u>431,611,382</u>

(16) Capital surplus

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

	2021			
	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 440,441	\$ 244,129	\$ 30,876	\$ 715,446
Issuance of convertible bonds	-	-	136,893	136,893
Conversion of corporate bonds	511,632	-	(25,544)	486,088
Cash distribution from capital surplus	(396,074)	-	-	(396,074)
At December 31	<u>\$ 555,999</u>	<u>\$ 244,129</u>	<u>\$ 142,225</u>	<u>\$ 942,353</u>

2020

	Share premium	Consolidation premium	Share options	Total
At January 1	\$ 635,056	\$ 244,129	\$ 44,487	\$ 923,672
Conversion of corporate bonds	269,065	-	(13,611)	255,454
Cash distribution from capital surplus	(463,680)	-	-	(463,680)
At December 31	<u>\$ 440,441</u>	<u>\$ 244,129</u>	<u>\$ 30,876</u>	<u>\$ 715,446</u>

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Legal reserve will not be necessary once the reserve is equal to total paid-in capital. The remainder, if any, to be retained or to be appropriated shall be resolved by the Board of Directors and reported to the shareholders' meeting.

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

The distribution of the Company's distributable earnings is made via cash dividends or stock dividends. Dividends are given priority in the form of cash dividends in terms of distributable earnings and is also distributed via stock dividends. The ratio for cash dividends shall not be less than 10% of total dividends to be distributed.

The Company can propose an earnings distribution or a deficits offsetting proposal after every half of the fiscal year in accordance with the Company Act. The earnings distribution in cash shall be resolved by the Board of Directors; when issuing new shares, it shall be resolved by the shareholders' meeting in accordance with respective regulations.

On July 15, 2021, the Company's shareholders approved the distribution of the Company's distributable earnings via cash dividends or in shares dividends. The first priority of distribution of earnings is cash and it can be distributed in shares as well. The appropriation of shareholders dividends was 10%~80% of distributable earnings in the current year, the ratio of cash dividends can not be lower than 10%.

C. 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 interests is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriations of 2020 and 2019 earnings had been resolved at shareholders' meeting on July 15, 2021 and June 10, 2020, respectively. Details are as below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 175,518		\$ 132,661	
Reversal of special reserve	-		(48,273)	
Cash dividends	<u>880,165</u>	\$ 2.00	<u>463,680</u>	\$ 1.10
Total	<u>\$ 1,055,683</u>		<u>\$ 548,068</u>	

E. On July 15, 2021 and June 10, 2020, the shareholders' meeting resolved the cash distribution of capital surplus amounting to \$396,074 in cash (\$0.90 (in dollars) per share) and \$463,680 in cash (\$1.10 (in dollars) per share), respectively.

F. On March 8, 2022, the Board of Directors resolved the appropriation for 2021 earnings through distribution of cash dividends amounting to \$1,369,427 in cash (\$3.00 (in dollars) per share).

G. On March 8, 2022, the Board of Directors proposed the distribution of cash from capital surplus – share premium amounting to \$502,123 in cash (\$1.10 (in dollars) per share) in proportionate to shareholders' shareholding interests. The above resolution had not been resolved by the shareholders' meeting.

H. Information of appropriation resolved by shareholder's meeting and the Board of Directors will be posted in the "Market Observation Post System".

(18) Other equity interest

	2021		
	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 363,100	(\$ 78,954)	\$ 284,146
Revaluation:			
– Parent company	427,732	-	427,732
– Subsidiaries	(12,435)	-	(12,435)
Revaluation transferred to retained earnings:			
– Parent company	-	-	-
– Subsidiaries	(11,058)	-	(11,058)
Currency translation differences:			
– Subsidiaries	-	(51,911)	(51,911)
At December 31	<u>\$ 767,339</u>	<u>(\$ 130,865)</u>	<u>\$ 636,474</u>

	2020		
	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Financial statements translation difference of foreign operations	Total
At January 1	\$ 40,732	(\$ 6,699)	\$ 34,033
Revaluation			
– Parent company	322,408	-	322,408
– Subsidiaries	(40)	-	(40)
Currency translation differences:			
– Subsidiaries	-	(72,255)	(72,255)
At December 31	<u>\$ 363,100</u>	<u>(\$ 78,954)</u>	<u>\$ 284,146</u>

(19) Operating revenue

	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 10,364,704</u>	<u>\$ 8,404,291</u>

A. Disaggregation of the Company's services revenue from contracts with customers.

	Assembly and testing service revenue	
	Year ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 10,364,704</u>	<u>\$ 8,404,291</u>
Timing of revenue recognition		
Over time	<u>\$ 10,364,704</u>	<u>\$ 8,404,291</u>

B. Contract assets and liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract assets:			
Contract assets			
– Assembly and testing	<u>\$ 143,371</u>	<u>\$ 89,343</u>	<u>\$ 100,274</u>
Contract liabilities:			
Contract liabilities			
– Assembly and testing	<u>\$ 4,054</u>	<u>\$ 7,575</u>	<u>\$ 1,188</u>

C. Revenue recognised that was included in the contract liabilities balance at the beginning of the year

	Year ended December 31,	
	2021	2020
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Revenue from external customer contracts	\$ 7,368	\$ 191

D. Refund liabilities (shown as ‘Other current liabilities’)

The Company estimated sales discounts based on historical experience, the estimates was updated on every balance sheet dates, the details of related refund liabilities were as follows:

	December 31, 2021	December 31, 2020
Refund liabilities-current	\$ 197,681	\$ 146,582

(20) Interest income

	Year ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 11,637	\$ 11,365
Interest income from financial assets measured at amortised cost	1,455	4,691
	\$ 13,092	\$ 16,056

(21) Other income

	Year ended December 31,	
	2021	2020
Dividend income	\$ 13,804	\$ 12,495
Gain recognised in bargain purchase transaction	16,441	-
Government grants	4,516	24,700
Other income, others	61,586	29,105
	\$ 96,347	\$ 66,300

(22) Other gains and losses

	Year ended December 31,	
	2021	2020
Gains on disposals of property, plant and equipment	\$ 127,639	\$ 23,833
Net currency exchange losses	(13,822)	(131,014)
Gains on financial assets at fair value through profit or loss	18,734	46,228
	\$ 132,551	(\$ 60,953)

(23) Finance costs

	Year ended December 31,	
	2021	2020
Interese expense:		
Bank borrowings	\$ 78,979	\$ 78,406
Bonds payable	36,623	13,154
Leased liabilities	7,870	3,980
Less: Capitalisation of assets	(15,023)	(17,402)
	<u>\$ 108,449</u>	<u>\$ 78,138</u>

(24) Expenses by nature

	Year ended December 31,	
	2021	2020
Employee benefit expenses	<u>\$ 2,371,666</u>	<u>\$ 2,009,563</u>
Depreciation expenses on property, plant and equipment	<u>\$ 2,525,956</u>	<u>\$ 1,958,199</u>
Depreciation expenses on right-of-use assets	<u>\$ 152,804</u>	<u>\$ 48,136</u>
Amortisation expenses on intangible assets	<u>\$ 22,047</u>	<u>\$ 16,027</u>

(25) Employee benefit expenses

	Year ended December 31,	
	2021	2020
Wages and salaries	\$ 2,049,001	\$ 1,735,349
Labor and health insurance fees	171,110	137,973
Pension costs	61,873	56,449
Other personnel expenses	89,682	79,792
	<u>\$ 2,371,666</u>	<u>\$ 2,009,563</u>

- 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 range between 8%~12% for employees’ compensation and shall not be higher than 3% for directors’ remuneration.
- B. For the years ended December 31, 2021 and 2020, employees’ compensation was accrued at \$353,000 and \$218,000, respectively; while directors’ remuneration was accrued at \$40,000 and \$30,000, respectively. The aforementioned amounts were recognised in wages and salaries. The employees’ compensation and directors’ remuneration were estimated and accrued based on 9.54% and 1.08%, respectively, of distributable profit of 2021.
- C. Employees’ compensation and directors’ remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- D. Information about employees’ compensation and directors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System”.

(26) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 599,054	\$ 405,261
Prior year income tax overestimation	(78,458)	(79,077)
Total current tax	<u>520,596</u>	<u>326,184</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,641)	(26,766)
Total deferred tax	<u>(2,641)</u>	<u>(26,766)</u>
Income tax expense	<u>\$ 517,955</u>	<u>\$ 299,418</u>

B. Reconciliation between income tax expense and accounting profit:

	Year ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 661,080	\$ 416,543
Tax exempt income by tax regulation	(74,606)	(43,331)
Prior year income tax overestimation	(78,458)	(79,077)
Changes in reassessment of realisation of deferred tax assets	5	5,283
Separate tax amount	<u>9,934</u>	<u>-</u>
Income tax expense	<u>\$ 517,955</u>	<u>\$ 299,418</u>

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

	2021		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 443	(\$ 316)	\$ 127
Unrealised exchange loss	9,972	(3,974)	5,998
Long-term investment	6,436	-	6,436
Others	29,316	10,219	39,535
	<u>46,167</u>	<u>5,929</u>	<u>52,096</u>
– Deferred tax liability:			
Bargain purchase gain	(37,146)	(3,288)	(40,434)
	<u>(37,146)</u>	<u>(3,288)</u>	<u>(40,434)</u>
	<u>\$ 9,021</u>	<u>\$ 2,641</u>	<u>\$ 11,662</u>
	2020		
	January 1	Recognised in profit or loss	December 31
Temporary differences:			
– Deferred tax assets:			
Unrealised inventory valuation loss	\$ 1,109	(\$ 666)	\$ 443
Unrealised exchange loss	3,594	6,378	9,972
Long-term investment	6,436	-	6,436
Others	8,262	21,054	29,316
	<u>19,401</u>	<u>26,766</u>	<u>46,167</u>
– Deferred tax liability:			
Bargain purchase gain	(37,146)	-	(37,146)
	<u>(37,146)</u>	<u>-</u>	<u>(37,146)</u>
	<u>(\$ 17,745)</u>	<u>\$ 26,766</u>	<u>\$ 9,021</u>

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	<u>\$ 285,528</u>	<u>\$ 285,500</u>

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

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31,	
	2021	2020
Acquisition of property, plant and	\$ 3,735,379	\$ 4,084,905
Add: Opening balance of payable on equipment	362,156	578,497
Add: Payment of preemptive right of lease liabilities	378,701	-
Less: Ending balance of payable on equipment (including related parties)	(225,681)	(362,156)
Cash paid during the year	<u>\$ 4,250,555</u>	<u>\$ 4,301,246</u>

B. Financing activities with no cash flow effects

	Year ended December 31,	
	2021	2020
Convertible bonds being converted to capital stocks	<u>\$ 690,756</u>	<u>\$ 364,734</u>

(29) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 837,426	\$ 6,863,378	\$ 830,801	\$ 463,363	\$ 6,761	\$ 9,001,729
Changes in cash flow from financing activities	(837,426)	(855,808)	4,487,903	(197,034)	-	2,597,635
Interest paid	-	-	-	(7,870)	-	(7,870)
Payment of preemptive right of lease liabilities	-	-	-	(368,701)	-	(368,701)
Changes in other non-cash items:						
Interest expense	-	-	-	7,870	-	7,870
Option exercised	-	-	(690,756)	-	-	(690,756)
Discount on bonds payable	-	-	36,623	-	-	36,623
Increase in lease liabilities	-	-	-	341,893	-	341,893
Changes in other non-cash items	-	-	(135,843)	-	-	(135,843)
At December 31	<u>\$ -</u>	<u>\$ 6,007,570</u>	<u>\$ 4,528,728</u>	<u>\$ 239,521</u>	<u>\$ 6,761</u>	<u>\$ 10,782,580</u>

	Short-term borrowings	Long-term borrowings (include current portion)	Bonds payable (include current portion)	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 571,242	\$ 5,123,637	\$ 1,182,781	\$ 33,965	\$ 8,159	\$ 6,919,784
Changes in cash flow from financing activities	266,184	1,739,741	(400)	(88,106)	(1,398)	1,916,021
Interest paid	-	-	-	(3,980)	-	(3,980)
Changes in other non-cash items:						
Interest expense	-	-	-	3,980	-	3,980
Option exercised	-	-	(364,734)	-	-	(364,734)
Discount on bonds payable	-	-	13,154	-	-	13,154
Increase in lease liabilities	-	-	-	517,504	-	517,504
At December 31	<u>\$ 837,426</u>	<u>\$ 6,863,378</u>	<u>\$ 830,801</u>	<u>\$ 463,363</u>	<u>\$ 6,761</u>	<u>\$ 9,001,729</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Bloomeria Limited	The subsidiary
Winstek Semiconductor Co., Ltd.	The subsidiary
Winstek Semiconductor Technology Co., Ltd.	The subsidiary
TEST-SERV Inc.	The subsidiary
Sigurd International Co., Ltd.	The subsidiary
Burgurd Co., Ltd.	The subsidiary
Ge-Shing Cooperation	The subsidiary
Sigurd Microelectronics (Cayman) Co., Ltd.	The subsidiary
Flusol Co., Ltd.	The subsidiary
SIRIZE Technology (Suzhou) Corp.	The subsidiary
Sigurd Micro Electronics (Wuxi) Co., Ltd.	The subsidiary
AMBERSAN Medical Technology Co., Ltd.	The subsidiary
FLATEK, INC.	The subsidiary
OPS Electronic Limited.	The subsidiary
OPS Electronic (ShenZhen) Limited	The subsidiary
TPFUSION INC.	The subsidiary
TPfusion Corp.	The subsidiary
Valuenet International Limited	The subsidiary
UTC Holdings Corporation	The subsidiary
Sigurd UTC Corporation (formerly UTAC (Taiwan) Corporation)	The subsidiary
Ene Technology Inc.	The Company is the Director of Ene Technology Inc.

(2) Significant related party transactions and balances

A. Operating revenue:

	Year ended December 31,	
	2021	2020
Operating revenue		
Subsidiaries	\$ 106,974	\$ 84,004
Others		
Ene Technology Inc.	24,970	36,345
	<u>\$ 131,944</u>	<u>\$ 120,349</u>

Operating revenue is based on the price lists in force and terms that would be available to third parties.

B. Receivables from related parties:

	December 31, 2021	December 31, 2020
Accounts receivable		
Subsidiaries	\$ 106,936	\$ 60,449
Others	5,491	3,811
	<u>112,427</u>	<u>64,260</u>
Other receivables — lending of machinery and equipment for testing		
Subsidiary	140	3,918
Other receivables — purchase on behalf of related parties		
Subsidiaries	20	16
Other receivables — sale of property, plant and equipment		
Subsidiaries	143,580	102,836
Others receivables — other		
Subsidiaries	415	427
	<u>144,155</u>	<u>107,197</u>
	<u>\$ 256,582</u>	<u>\$ 171,457</u>

The receivables from related parties arise mainly from sale transactions and sale of property, plant and equipment. The receivables are due 2 months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

C. Payables to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Other payables – borrowing of machinery and equipment for testing:		
Subsidiaries	\$ 5,344	\$ 1,662
Other payables – others:		
Subsidiaries	5,656	-
Other payables – acquisition of property, plant and equipment:		
Subsidiaries	-	5,322
Other payables – research expense:		
Subsidiaries	-	18,000
	<u>\$ 11,000</u>	<u>\$ 24,984</u>

The payable to related parties arise mainly from borrowing of machinery and equipment for testing, acquisition of accessories and acquisition of property, plant and equipment. The payables are due 2 months after the date of transaction. The receivables are unsecured in nature and bear no interest.

D. Property transactions:

(a) Acquisition of property, plant and equipment:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Subsidiaries	<u>\$ 33,483</u>	<u>\$ 42,993</u>

(b) Disposal of property, plant and equipment

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Proceeds</u>	<u>Gain on disposal</u>	<u>Proceeds</u>	<u>Gain on disposal</u>
Subsidiaries	<u>\$ 54,121</u>	<u>\$ 11,560</u>	<u>\$ 113,458</u>	<u>\$ 4,238</u>

(c) Participated in subsidiaries' issuance of cash capital

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Year ended December 31, 2021</u>	
					<u>Consideration</u>
Sigurd UTC Corporation	Investment accounted for using equity method	70,133,700	Common stock	\$	701,337
Bugurd Co., Ltd.	Investment accounted for using equity method	Note	Note		41,931
Total				\$	<u>743,268</u>

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Year ended December 31, 2020</u>	
					<u>Consideration</u>
SIRIZE Technology (Suzhou) Corp.	Investment accounted for using equity method	Note	Note	\$	602,000
AMBERSAN Medical Technology Co., Ltd.	Investment accounted for using equity method	1,815,000	Common stock		18,150
Total				\$	<u>620,150</u>

Note: This subsidiary was a limited corporation and thus the number of shares was not applicable.

(d) Subsidiaries reduced capital by returning cash

	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Year ended December 31, 2021</u>	
				<u>Proceeds</u>	<u>Gain/(loss)</u>
Sigurd UTC Corporation	Investment accounted for using equity method	290,000,000	Common stock	\$ <u>2,900,000</u>	\$ <u>-</u>

E. Endorsements and guarantees provided to related parties:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries	\$ 1,696,480	\$ 762,230

F. Other transactions

		<u>Year ended December 31,</u>	
<u>Items</u>		<u>2021</u>	<u>2020</u>
Subsidiaries	Other income	\$ -	\$ 4,268
Subsidiaries	Dividends income	\$ 110,275	\$ 100,250
Subsidiaries	Lease expenses	\$ 51,594	\$ 11,071
Subsidiary	Research and development expense—research expense	\$ 13,400	\$ 31,000
Subsidiaries	Payment in advance	\$ -	\$ 2,000

(3) Key management compensation

		<u>Year ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
Salaries and Short-term employee benefits		\$ 121,283	\$ 98,690
Post-employment benefits		1,066	1,153
Total		\$ 122,349	\$ 99,843

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
Property, plant and equipment	\$ 1,450,149	\$ 1,405,798	Short-term and long-term borrowings
Pledged time deposit (Note)	-	26,910	Guarantee for government grants
	<u>\$ 1,450,149</u>	<u>\$ 1,432,708</u>	

Note: Shown as 'Non-current financial assets at amortised cost-non-current'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 2,456,181	\$ 1,734,322

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

1. Please refer to Note 6(17) for the appropriation for 2021 earnings.
2. On March 7, 2022, the Board of Directors of the Company's subsidiary, Winstek Semiconductor Co., Ltd., resolved to expand operating base for the development of business and planned to invest \$400 million to establish the wholly owned subsidiary, TST CO., LTD., with shares of a par value of \$10 dollars. The wholly owned subsidiary is expected to engage in development and lease of industrial manufacturing plant.

12. OTHERS

(1) Capital management

The Company's capital management objectives are to ensure that the Company can continue to operate, maintain the best capital structure to reduce capital costs, and provide compensation to shareholders. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company uses the debt-to-capital ratio to monitor its capital, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as reported in the parent company only balance sheet) minus cash and cash equivalents. The calculation of total capital is the equity reported in the parent company only balance sheet plus the net debt.

The Company's strategy for 2021 remained the same as that of 2020, which was committed to maintain the debt-to-capital ratio at around 40%. As of December 31, 2021 and 2020, the Company's debt ratio was both less than 40%.

(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 mandatorily measured at fair value through profit or loss	\$ 481,282	\$ 532,109
Financial assets at fair value through other comprehensive income	1,453,872	868,140
Financial assets at amortised cost		
Cash and cash equivalents	3,802,894	3,432,217
Financial assets at amortised cost	108,480	463,230
Accounts receivable (including related parties)	2,343,687	2,350,758
Other receivables (including related parties)	183,699	126,494
Guarantee deposits paid	22,695	11,520
	<u>\$ 8,396,609</u>	<u>\$ 7,784,468</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ -	\$ 837,426
Notes payable	259	2
Accounts payable	131,069	141,609
Other payables (including related parties)	1,890,215	1,668,581
Corporate bonds payable (including current portion)	4,528,728	830,801
Long-term borrowings (including current portion)	6,007,570	6,863,378
Guarantee deposits received	6,761	6,761
	<u>\$ 12,564,602</u>	<u>\$ 10,348,558</u>
Lease liabilities	<u>\$ 239,521</u>	<u>\$ 463,363</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 overall risk management policies are carried out to focus on unforeseen events in markets and to minimise any adverse effects on the financial position and financial performance of the Company.
- (b) Risk management is carried out by the Company treasury under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company using various currencies, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management of the Company has set up policies to require Company treasury to hedge foreign exchange risk exposure. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Foreign currency forward contracts are utilised to minimise the volatility of the exchange rate on cost of expected inventory purchases.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 160,621	27.68	\$ 4,445,989
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 4,482	27.68	\$ 124,062
December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 127,364	28.48	\$ 3,627,340
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 32,240	28.48	\$ 918,202

- iv. The total exchange loss, including realised and unrealised arising from significant foreign exchange variations on monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$13,822 and \$131,014, respectively.

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

	Year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 44,460	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 1,241)	\$ -
	Year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 36,273	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 9,182)	\$ -

Price risk

- i. The Company's investments in equity securities, which are exposed to price risk, consist of financial assets at fair value through profit or loss and 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. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$3,388 and \$3,347, respectively, as a result of gains/losses on equity securities classified as at fair value

through profit or loss; other comprehensive income would have increased/decreased by \$14,539 and \$8,681, respectively, as a result of the above change on financial assets at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Company's main interest rate risk arises from short-term borrowings and long-term borrowings with floating rates, which expose the Company to cash flow interest rate risk. During 2021 and 2020, the Company's borrowings at floating rate were mainly denominated in New Taiwan dollars and US dollars.
 - ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
 - iii. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$60,076 and \$77,008, respectively. Changes in interest expense mainly results from floating-rate borrowings.
- (b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.
 - ii. The Company manages their credit risk taking into consideration the entire Company's perspective. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - iii. The Company adopts the assumptions under IFRS 9, and the default occurs when the contract payments are past due over 90 days.
 - iv. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is

treated low.

- v. The Company categorised customers' accounts receivable and contract assets in accordance with credit rating of customer. The Company applies the modified approach using provision matrix, loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter into bankruptcy or other financial reorganisation due to financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vii. The Company used the forecastability of the future to adjust historical and current information to assess the default possibility of accounts receivable and contract assets. As of December 31, 2021 and 2020, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2021</u>						
Expected loss rate	0.11%	0.29%	3.83%~16.95%	30.88%	41.07%~100%	
Total book value	\$ 2,467,634	\$ 17,789	\$ 1,635	\$ -	\$ -	\$ 2,487,058
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2020</u>						
Expected loss rate	0.001%	0.001%	30%	50%	50%~100%	
Total book value	\$ 2,418,681	\$ 20,767	\$ 653	\$ -	\$ -	\$ 2,440,101
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- viii. The Company writes 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. The Company has no financial assets subject to write off on December 31, 2021 and 2020.

- ix. Movements in loss allowance for investments in debt instruments carried at amortised cost are as follows:

	December 31, 2021			
	Lifetime			Total
	12 months	Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 108,480	\$ -	\$ -	\$ 108,480
	December 31, 2020			
	Lifetime			Total
	12 months	Significant increase in credit risk	Impairment of credit	
Financial assets at amortised cost	\$ 463,230	\$ -	\$ -	\$ 463,230

The financial assets at amortised cost held by the Company are all time deposits with maturity over three months and pledged time deposit. The credit risk rating has no significant abnormal situation.

- x. Movement in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable was as follows:

	2021	
	Accounts receivable	
At January 1	\$	-
Writes off		-
At December 31	\$	-
	2020	
	Accounts receivable	
At January 1	\$	3,552
Writes off	(3,552)
At December 31	\$	-

- xi. The Company used the forecastability of the future to adjust historical and current information for a specific period to assess the default possibility of other receivables. As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>At December 31, 2021</u>	<u>Not past due</u>
Expected loss rate	0.11%
Total book value	\$ 183,699
Loss allowance	\$ -
<u>At December 31, 2020</u>	<u>Not past due</u>
Expected loss rate	0%-100%
Total book value	\$ 126,494
Loss allowance	\$ -

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating departments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.
- ii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	\$ 1,829,758	\$ 855,036
Expiring beyond one year	2,450,000	600,000
	<u>\$ 4,279,758</u>	<u>\$ 1,455,036</u>

- iii. 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. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2021</u>	<u>Less than 6</u>	<u>Between 6</u>	<u>Between</u>	<u>Over</u>	<u>Total</u>
	<u>months</u>	<u>months and 1</u>	<u>1 and 2 years</u>	<u>2 years</u>	
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 259	\$ -	\$ -	\$ -	\$ 259
Accounts payable	131,069	-	-	-	131,069
Other payables (including related parties)	1,890,215	-	-	-	1,890,215
Lease liabilities	64,717	40,107	77,802	63,190	245,816
Bonds payable (including current portion)	17,400	146,000	34,800	4,534,800	4,733,000
Guarantee deposits received	-	-	-	6,761	6,761
Long-term borrowings (including current portion)	1,839,102	487,033	1,541,124	2,241,198	6,108,457

December 31, 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 840,036	\$ -	\$ -	\$ -	\$ 840,036
Notes payable	2	-	-	-	2
Accounts payable	141,609	-	-	-	141,609
Other payables (including related parties)	1,668,581	-	-	-	1,668,581
Lease liabilities	226,362	220,213	13,575	7,328	467,478
Bonds payable (including current portion)	-	-	847,500	-	847,500
Guarantee deposits received	-	-	-	6,761	6,761
Long-term borrowings (including current portion)	2,713,594	943,432	1,516,050	1,795,693	6,968,769

(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 Company's investments in listed stocks and beneficiary certificates are 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.

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

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortised cost, accounts receivable, other receivables, short-term and long-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2021			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable (including current portion)	\$ 4,528,728	\$ -	\$ 4,455,912	\$ -

	December 31, 2020			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable				
(including current portion)	\$ 830,801	\$ -	\$ 834,788	\$ -

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 is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 338,833	\$ -	\$ -	\$ 338,833
Corporate bonds	141,399	-	-	141,399
Redemption right of convertible bonds of the company	-	-	1,050	1,050
Financial assets at fair value through other comprehensive income				
Equity securities	119,746	-	1,334,126	1,453,872
	<u>\$ 599,978</u>	<u>\$ -</u>	<u>\$ 1,335,176</u>	<u>\$ 1,935,154</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	\$ -	\$ 4,528,728	\$ -	\$ 4,528,728
December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificate	\$ 351,278	\$ -	\$ -	\$ 351,278
Corporate bonds	146,138	-	-	146,138
Convertible bonds	34,693	-	-	34,693
Financial assets at fair value through other comprehensive income				
Equity securities	99,093	-	769,047	868,140
	<u>\$ 631,202</u>	<u>\$ -</u>	<u>\$ 769,047</u>	<u>\$ 1,400,249</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Bonds payable	\$ -	\$ 830,801	\$ -	\$ 830,801

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

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

	<u>Open-end fund</u>	<u>Corporate bond</u>	<u>Convertible (exchangeable) bond</u>
Market quoted price	Closing price	Weighted average quoted price	Closing price

- ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

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

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

	<u>2021</u>	<u>2020</u>
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 769,047	\$ 449,601
Gains and losses recognised in other comprehensive income		
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	418,137	319,446
Purchases in the year	158,000	-
Issuance of corporate bonds this year	1,050	-
Transfers into retain earnings in the year	(11,058)	-
At December 31	<u>\$ 1,335,176</u>	<u>\$ 769,047</u>

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

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

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 1,334,126	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value
Financial assets at fair value through profit or loss - redemption right of corporate bonds	1,050	The Binomial- Tree approach to convertible bonds	Stock price volatility	32.49%	The higher the price volatility, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non- derivative equity instrument:					
Unlisted shares	\$ 769,047	Net asset value	Not applicable	0.90	The higher the net asset value, the higher the fair value

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

		December 31, 2021				
		<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>		
		<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	
	<u>Input</u>	<u>Change</u>				
Financial liabilities						
Redemption right of corporate bonds	Volatility	±1%	\$ 150	(\$ 150)	\$ -	\$ -

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting year: None.
- J. Significant inter-company transactions during the reporting year: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

As of December 31, 2021, there is no major shareholder who held equally or more than 5% shareholding of the Company.

14. SEGMENT INFORMATION

Segment information is exempt from the parent only financial statements disclosures pursuant to the provisions provided by IFRS 8 “Operating Segments”. However, it is required for disclosed in the consolidated financial statements.

Sigurd Microelectronics Corporation

Loans to others

Year ended December 31, 2021

Table 1

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, (Note 2)	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	FLATEK, Inc.	Tpfusion Inc.	Other receivables - related party	Y	\$ 8,050	\$ 8,050	\$ 8,050	0.9%	Reason for short-term financing	\$ -	Operational need	\$ -	-	\$ -	\$ 68,129	\$ 68,129	Note 4
1	FLATEK, Inc.	Greenfletek, Inc.	Other receivables	N	815	815	815	0.9%	Reason for short-term financing	-	Operational need	-	-	-	68,129	68,129	Note 4
2	Valuenet International Ltd.	Greenfletek, Inc.	Other receivables	N	6,425	6,311	6,311	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	TPfusion Corp.	Other receivables - related party	Y	13,128	12,871	12,871	0.9%	Reason for short-term financing	-	Operational need	-	-	-	20,045	20,045	Note 4
2	Valuenet International Ltd.	OPS Electronic Limited	Other receivables - related party	Y	28,292	27,403	27,403	0.9%	Reason for short-term financing	-	Operational need	-	-	-	150,336	150,336	Note 5
3	Winstek Semiconductor Technology Co., Ltd.	Winstek Semiconductor Co., Ltd.	Other receivables - related party	Y	692,000	692,000	-	1.05%	Reason for short-term financing to purchase equipments	-	Purchase of equipments	-	-	-	887,467	887,467	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2021.

Note 3: The column of 'Nature of loan' shall fill in 'Business transaction or 'Short-term financing'.

Note 4: In accordance with that the Company's Procedures for Provision of Loans: the ceiling on total loans granted is 40% of its net equity, and the limit on loans granted to a single party is 40% of its net equity, except loans to subsidiaries.

Note 5: For loans granted mutually between subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by an overseas subsidiary to all overseas subsidiaries is 300% of the Company's net assets; limit on loans granted by an overseas subsidiary to a single subsidiary is 300% of the Company's net assets.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 8)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (Note 10)	Ceiling on total amount of guarantees provided (Note 9)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	3	\$ 6,949,141	\$ 42,803	\$ -	\$ -	\$ -	0.00%	\$ 6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	Sigurd UTC Corporation (UTAC(Taiwan) Corporation rename)	3	6,949,141	400,000	400,000	42,758		2.59%	6,949,141	Y	N	N	
0	Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	3	6,949,141	1,002,600	996,480	498,082	-	6.45%	6,949,141	Y	N	Y	
0	Sigurd Microelectronics Corp.	Flatek, Inc.	3	6,949,141	300,000	300,000	135,000	-	1.94%	6,949,141	Y	N	N	
1	Winstek Semiconductor Co., Ltd	Winstek Semiconductor Technology Co., Ltd.	2	4,875,910	900,000	300,000	-	-	6.15%	4,875,910	Y	N	N	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

(1)Having business relationship.

(2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3)The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

(5)Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.

(6)Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Sigurd Microelectronics Corporation
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 3: Fill in limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees provided as prescribed in the endorser/guarantor company's "Procedures for Provision of Endorsements and Guarantees", and state each individual party to which the endorsements/guarantees have been provided and the calculation for ceiling on total amount of endorsements/guarantees provided in the footnote.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: As of the end of the year, the Company shall bear the responsibility for endorsement/guarantee upon the signing of the endorsement/guarantee contract with the bank or upon the approval of limit.

Other relevant endorsements/guarantees should be included in the endorsement/guarantee balance.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 7: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 8: In accordance with the Company's Procedures for Provision of Loans: the limit on endorsements/guarantees to a single party is 45% of its net assets.

Note 9: In accordance with the Company's Procedures for Provision of Loans: the ceiling on total endorsements/guarantees is 45% of the Company's net assets,

Note 10: The total endorsement/guarantee amount provided by Winstek Semiconductor Co., Ltd. (Winstek Technology) shall not exceed 50% of the its net value in the latest period.

The endorsement guarantee limit for a single enterprise shall be limited at 20% of the net value of Winstek Semiconductor Co., Ltd. (Winstek Technology) at the time when the endorsement/guarantee was made.

However, an endorsement/guarantee between Winstek Semiconductor Co., Ltd. (Winstek Technology) and among companies of which Winstek Technology directly or indirectly holds 100% of the voting shares, or other companies that Winstek Technology has agreed to purchase and upon completion will become a subsidiary of which Winstek Technology directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise. However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

In addition, the endorsement/guarantee not between Winstek Technology and among companies of which Winstek Technology directly or indirectly holds 100% voting shares, the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of Winstek Technology in its most recent financial reports audited or reviewed by CPA.

Sigurd Microelectronics Corporation

Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

		As of December 31, 2021						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	Yuanta New ASEAN Balanced Fund	None	Current financial assets at fair value through profit or loss	\$ 3,000,000	\$ 26,550	-	\$ 26,550	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund I	None	Current financial assets at fair value through profit or loss	2,000,000	22,235	-	22,235	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy Bond Fund II	None	Current financial assets at fair value through profit or loss	1,000,000	11,264	-	11,264	
Sigurd Microelectronics Corp.	Fuh Hwa Emerging Market Short-term Income Fund	None	Current financial assets at fair value through profit or loss	1,798,561	21,043	-	21,043	
Sigurd Microelectronics Corp.	CTBC iCity Development Fund	None	Current financial assets at fair value through profit or loss	500,000	6,965	-	6,965	
Sigurd Microelectronics Corp.	KGI Taiwan Multi-Asset Income Fund	None	Current financial assets at fair value through profit or loss	5,000,000	56,750	-	56,750	
Sigurd Microelectronics Corp.	Fuh Hua Global Bond Fund	None	Current financial assets at fair value through profit or loss	1,983,786	31,210	-	31,210	
Sigurd Microelectronics Corp.	KGI Taiwan Premium Assets Fund	None	Current financial assets at fair value through profit or loss	5,000,000	58,936	-	58,936	
Sigurd Microelectronics Corp.	Fuh Hua Smart Energy I Fund	None	Current financial assets at fair value through profit or loss	5,000,000	53,199	-	53,199	
Sigurd Microelectronics Corp.	Chailease International Finance Corp	None	Current financial assets at fair value through profit or loss	50,000	141,399	-	141,399	
Sigurd Microelectronics Corp.	Fuh Hwa Taiwan Intelligence Fund	None	Current financial assets at fair value through profit or loss	1,077,586	20,808	-	20,808	
Sigurd Microelectronics Corp.	Fuh Hwa Global Strategic Alloc FoF TWD	None	Current financial assets at fair value through profit or loss	1,514,005	20,227	-	20,227	
Sigurd Microelectronics Corp.	Fuh Hwa Global IoT and Tech Fund TWD	None	Current financial assets at fair value through profit or loss	354,484	9,646	-	9,646	
Sigurd Microelectronics Corp.	Redemption rights of Sigurd 4th convertible bonds	None	Current financial assets at fair value through profit or loss	-	1,050	-	1,050	

Sigurd Microelectronics Corporation
Holding of marketable securities at the end of the year (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

		As of December 31, 2021						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Sigurd Microelectronics Corp.	ENE Technology Inc.	Board of Director	Non-current financial assets at fair value through other comprehensive income	\$ 665,543	\$ 39,267	1.50%	\$ 39,267	
Sigurd Microelectronics Corp.	Advanplating Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,185,000	-	11.36%	-	
Sigurd Microelectronics Corp.	Ordinary Shares of EGTRAN Inc.	None	Non-current financial assets at fair value through other comprehensive income	21,689	-	2.16%	-	
Sigurd Microelectronics Corp.	iDESYN Semiconductor Corp. Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	23,040	-	0.30%	-	
Sigurd Microelectronics Corp.	Yann Yuan Investments Co., Ltd.	Board of Director	Non-current financial assets at fair value through other comprehensive income	7,000,000	1,334,126	4.29%	1,334,126	
Sigurd Microelectronics Corp.	WPG Holdings Limited Preferred Share A	None	Non-current financial assets at fair value through other comprehensive income	600,000	29,730	0.30%	29,730	
Sigurd Microelectronics Corp.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	500,000	50,750	0.33%	50,750	
TEST-SERV Inc.	Samhop Microelectronics Corp.	None	Non-current financial assets at fair value through other comprehensive income	114,757	-	1.07%	-	
TEST-SERV Inc.	Sitec Semiconductor Ltd.	None	Non-current financial assets at fair value through other comprehensive income	20,545,354	-	1.22%	-	
TEST-SERV Inc.	Deepwaters Digital Support Inc.	None	Non-current financial assets at fair value through other comprehensive income	190,476	-	1.11%	-	
TEST-SERV Inc.	Chailease Holding Co., Ltd-PFD (5871ATT)	None	Non-current financial assets at fair value through other comprehensive income	100,000	10,150	0.067%	10,150	
Sigurd UTC Corporation	Paradigm I Venture Capital Company	None	Non-current financial assets at fair value through other comprehensive income	875,000	1,218	7.92%	1,218	
Sigurd UTC Corporation	Nano Electronics and Micro System Technologies, INC.	None	Non-current financial assets at fair value through other comprehensive income	2,316,600	111,265	10.14%	111,265	

Sigurd Microelectronics Corporation

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the year period ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at		Addition		Capital reduction		Balance as at December 31, 2021			
					January 1, 2021		Number of		Number of		Number of		Number of	
					Number of shares	Amount	shares	Amount	shares	Book value	shares	Amount		
Sigurd Microelectronics Corp.	UTC Holdings Corporation (Stock)	Investments accounted for using equity method	UTC Holdings Corporation	Subsidiary	-	\$ -	621,561,007	\$ 5,403,179	290,000,000	\$ 2,900,000	331,561,007	\$ 2,503,179		

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be re attributable to owners of the parent in the calculation.

Sigurd Microelectronics Corporation
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the year ended December 31, 2021

Table 5

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 (Note)		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)	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Subsidiary	Sales	(\$ 356,985)	-42%	Net 30 days from the end of the month of when invoice is issued	-	-	\$ 92,443	35%	
Winstek Semiconductor Technology Co., Ltd..	Winstek Semiconductor Co., Ltd	Parent Company	Purchases	356,985	24%	Net 30 days from the end of the month of when invoice is issued	-	-	(92,443)	12%	

Note : The sales prices and payment terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices and terms are determined in accordance with mutual agreements.

Sigurd Microelectronics Corporation
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 December 31, 2021

Table 6

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	Footnote
					Amount	Action taken			
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	\$ 106,196	21.51%	\$ -	-	\$ -	\$ -	- Shown as ‘ Account receivable - related parties,net’
Sigurd Microelectronics Corp.	SIRIZE Technology (Suzhou) Corp.	Subsidiary	144,134	Note	-	-	-	-	- Shown as ‘Other receivables - related parties’

Nore : The calculation of turnover days excludes other receivables from related parties.

Sigurd Microelectronics Corporation
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Operating revenue	\$ 99,342	Note 6	0.60%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Accounts receivable	106,196	Note 6	0.29%
0	Sigurd Microelectronics Corporation	SIRIZE Technology (Suzhou) Corp.	1	Other receivables	144,134	Note 6	0.39%
0	Sigurd Microelectronics Corporation	TEST-SERV Inc.	1	Dividend	110,275	Note 6	0.66%
1	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	3	Operating revenue	356,985	Note 6	2.14%
1	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	3	Accounts receivable	92,443	Note 6	0.25%
1	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	3	Dividend	162,090	-	0.97%
1	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	3	Business revenue from coordinated management (shown as deduction of operating cost and operating	38,931	-	0.23%
2	VALUENET INTERNAIONAL LIMITED	OPS Electronic Ltd.	3	Other receivables	37,098	Note 6	0.10%
2	TPFUSION INC.	FLATEK, Inc.	2	Other payables	71,628	Note 6	0.20%
3	FLATEK, Inc.	OPS Electronic Ltd.	3	Operating revenue	28,803	Note 6	0.17%

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 year-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

Note 5: Including the amount of the parent company's fund loaned to subsidiary, according to the agreed interest rate plus interest.

Note 6: For these transactions, the prices and times were determined in accordance with mutual agreements.

Note 7: Only the transactions over \$20,000 are disclosed, and the related party transactions are not disclosed.

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	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 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Sigurd Microelectronics Corp.	Sigurd International Co., Ltd.	British Virgin Islands	Investment company	\$ 975,135	\$ 975,135	30,254,043	100.00	\$ 173,247	(\$ 5,503)	(\$ 5,329)	
Sigurd Microelectronics Corp.	Burgurd Co., Ltd.	Hongkong	International trade company	62,391	20,460	-	100.00	1,382	162	162	
Sigurd Microelectronics Corp.	TEST-SERV Inc.	Taiwan	Semiconductor assembly and testing	1,403,337	1,403,337	80,200,031	100.00	1,392,368	200,829	201,667	
Sigurd Microelectronics Corp.	Bloomeria Limited	Singapore	Investment company	1,643,776	1,643,776	2,202,218,293	100.00	2,788,099	263,244	273,657	
Sigurd Microelectronics Corp.	AMBERSAN medical technology Co., Ltd.	Taiwan	Medical equipment manufacturing and sales	36,300	18,150	3,630,000	55.00	24,926	(12,928)	(7,110)	
Sigurd Microelectronics Corp.	FLATEK, INC.	Taiwan	Digital Information supply service	100,000	100,000	10,000,000	58.77	96,756	15,028	8,719	
Sigurd Microelectronics Corp.	Flusol Co., Ltd.	Hongkong	Investment company	1,359,400	1,359,400	-	96.66	1,091,102	(89,790)	(94,385)	
Sigurd Microelectronic Corp.	Ge-Shing Cooperation	Taiwan	Investment company	10,000	10,000	200,000	0.65	17,239	265,193	1,714	
Sigurd Microelectronic Corp.	Sigurd UTC Corporation	Taiwan	Investment company	2,503,179	-	331,561,007	100.00	2,551,792	(246,546)	(1,372)	
Sigurd International Co., Ltd.	Sigurd Microelectronics (Cayman) Co., Ltd.	Cayman Islands	Investment company	795,850	795,850	35,503,018	78.33	118,280	(2,519)	-	
Sigurd International Co., Ltd.	Flusol Co., Ltd.	Hongkong	Investment company	47,106	47,106	-	3.34	38,085	(89,790)	-	

Sigurd Microelectronics Corporation
Information on investees
Year ended December 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	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 (Note 2(2))	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 2(3))	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Bloomeria Limited	Ge-Shing Cooperation	Taiwan	Investment company	\$ 2,390,105	\$ 2,390,105	\$ 30,736,712	99.35	\$ 2,649,342	\$ 265,193	\$ -	
Ge-Shing Cooperation	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	2,390,790	2,390,790	70,726,438	51.90	2,467,502	393,931	-	
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Packaging testing	2,875,740	2,875,740	310,000,000	100.00	2,958,224	85,535	-	
TEST-SERV Inc.	Winstek Semiconductor Co., Ltd.	Taiwan	Packaging testing	1,120	1,120	43,000	0.03	1,382	393,931	-	
FLATEK, INC.	OPS Electronic Ltd.	Hongkong	Investment company	40	40	10,000	100.00	71,035	39,677	-	
FLATEK, INC.	TPFUSION INC.	Taiwan	Digital Information supply service	11,250	11,250	1,125,000	75.00	(79,794)	3,973	-	
FLATEK, INC.	Valuenet International Ltd.	British Virgin Islands	Digital Information supply service	1,568	1,568	50,000	100.00	50,112	(1,013)	-	
TPFUSION INC.	TPfusion Corp.	Japan	Digital Information supply service	6,684	6,684	97,971	98.00	(70,559)	4,292	-	
Holding UTC Corporation	Sigurd UTC Corporation (UTAC (Taiwan) Corporation rename)	Taiwan	Packaging testing	6,247,262	-	101,929,982	100.00	2,571,462	(246,471)	-	

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1)The columns of 'Investee', 'Location', 'Main business activities', 'Initial investment amount' and 'Shares held as at December 31, 2020' should fill orderly in the Company's (public company's) information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company (public company) and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column..

(2)The 'Net profit (loss) of the investee for the year ended December 31, 2021' column should fill in amount of net profit (loss) of the investee for this year.

(3)The 'Investment income (loss) recognised by the Company for the December 31, 2021' column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognised by regulations.

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	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 as of December 31, 2021	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31 2021 (Note 2(2))	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Sigurd Micro Electronics (Wuxi) Co., Ltd.	Production and sales of microelectronic products	\$ 911,278	2	\$ 611,991	\$ -	\$ -	\$ 611,991	(\$ 2,220)	78.33	(\$ 1,739)	\$ 143,253	\$ -	Note 2(2)B、 Note 3
OPS Electronic (ShenZhen) Limited	Manufacture and sales of IC programmers and its parts, IC copiers, components for chip testers and electronic components	26,033	2	40	-	-	40	28,732	100	16,885	75,505	-	Note 2(2)B
SIRIZE Technology (Suzhou) Corp.	Design of testing application for integrated and advanced services of packing and testing for integrated circuit	1,359,700	2	1,359,700	-	-	1,359,700	(89,471)	100	(89,886)	1,133,379	-	Note 2(2)B

Sigurd Microelectronics Corporation
Information on investments in Mainland China
Year ended December 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

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 Investment in an existing company in the third area, which then invested in the investee in Mainland China. (Invested Sigurd Micro Electronics (Wuxi) Co., Ltd, through Sigurd Microelectronics (cayman) Co., Ltd; invested Flusol(Shenzhen) Co., Ltd and SIRIZE Technology (Suzhou) Corp. through Flusol Co., Ltd and invested OPS Electronic (ShenZhen) Limited through OPS Electronic Limited.
- (3) Others

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2021' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Self-contained financial statements.

Note 3: As of December 31, 2021, the accumulated amount of remittance including other investors from Taiwan to Sigurd Micro Electronics (Wuxi) Co., Ltd. is US\$27,700 thousand (NT\$ 826,153).

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
Sigurd Micro Electronics (Wuxi) Co., Ltd.	\$ 611,991	\$ 626,325	\$ 10,696,094
OPS Electronic (ShenZhen) Limited	40	40	89,291
SIRIZE Technology (Suzhou) Corp.	1,359,700	1,359,700	10,696,094

Note 4: The company acquired Flatek, Inc on September 6, 2019 and indirectly obtained the control of OPS Electronic (ShenZhen) Limited. Preceding investment has been submitted to MOEA for approval on September 17, 2021.

VI. Facts regarding the Company and its affiliated enterprises which have developed difficult financial standing in recent year and the period as of the Annual Report date

The Company and its affiliated enterprises have not developed difficult financial standing in the most recent fiscal year up to the date of publication of the annual report.

Seven. Review and analysis of financial standing and financial performance and the risk concern

I. Financial position

Unit: NTD Thousand Dollars; %

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	13,038,629	14,848,084	1,809,455	13.88
Property, plant and equipment	14,629,289	18,479,301	3,850,012	26.32
Intangible assets	101,740	192,547	90,807	89.25
Other assets	2,044,253	3,083,041	1,038,788	50.82
Total amount of assets	29,813,911	36,602,973	6,789,062	22.77
Current liabilities	8,938,619	7,694,314	(1,244,305)	(13.92)
Non-current liabilities	5,929,122	11,081,836	5,152,714	86.91
Total amount of liabilities	14,867,741	18,776,150	3,908,409	26.29
Share capital	4,316,114	4,520,782	204,668	4.74
Capital reserve	715,446	942,353	226,907	31.72
Retained earnings	7,380,612	9,342,927	1,962,315	26.59
Other equity	284,145	636,474	352,329	124.00
Treasury stocks	-	-	-	-
non-controlling equity	2,249,853	2,384,287	134,434	5.98
Total of equity	14,946,170	17,826,823	2,880,653	19.27
<p>1. Reason of change and the effects: (the amount changes for more 10% or more, and the changed amount accounts for 1% of the total assets for the year)</p> <p>(1) Increase in current assets: The increase in current assets is mainly due to the issuance of corporate bonds.</p> <p>(2) Increase in property, plant and equipment, total assets, and total liabilities: Mainly due to the strong demand of the orders, expansion of 5G, AI and internet related equipment, expansion of production capacity and improvement of the manufacturing process.</p> <p>(3) Increase in other assets: Mainly due to the acquisition of 100% issued shares of UTC Holdings Corporation incorporated in the consolidated statement.</p> <p>(4) Decrease in current liabilities: Mainly due to the Company's repayment of long-term loans one year earlier than the maturity date.</p> <p>(5) Increase in non-current liabilities: Due to the Company's issuance of ordinary corporate bonds and convertible corporate bonds, and the long-term loans raised for the operations.</p> <p>(6) Increase in retained earnings and total equity: The net income after tax increased on a year-over-year basis due to the increase in revenue compared to the previous year.</p> <p>(7) Increase in other equity: Mainly due to the increase in the 2021 income of investment in the stocks of TWSE/GTSM listed companies and non-publicly quoted companies measured at fair value in the valuation account compared to the previous year, which was further transferred to the retained earnings.</p> <p>2. Responding plan: none.</p>				

II. Financial performance

(I) Comparison and analysis of financial performance

Unit: NTD Thousand Dollars; %

Item	Year		Amount increased (decreased)	Change (%)
	2020	2021		
Operating revenue	12,428,549	16,681,264	4,252,715	34.22
Operating cost	8,819,196	11,732,806	2,913,610	33.04
Operating gross profit	3,609,353	4,948,458	1,339,105	37.10
Operating expenses	1,270,608	1,508,061	237,453	18.69
Operating incomes	2,338,745	3,440,397	1,101,652	47.10
Non-operating incomes and expenses	(60,169)	222,415	282,584	469.65
Pre-tax net profit	2,278,576	3,662,812	1,384,236	60.75
Income tax expenses	351,987	626,564	274,577	78.01
Net profit of the term	1,926,589	3,036,248	1,109,659	57.60
Other comprehensive income (after-tax net amount) of the term	143,746	373,562	229,816	159.88
The total comprehensive income of the term	2,070,335	3,409,810	1,339,475	64.70
Description of the material changed items: (The amount changes of 10% or more with the changed amount accounting for 1% of the total assets for the year)				
1. Increase in operating revenue, gross profit, operating income, pre-tax net profit, net profit and total comprehensive income: With establishments of 5G base stations and demand for 5G cellphones, mobile phone companies are racing to launch 5G cellphones, which led to strong sales of cellphones, network and power management chips from Sigurd's major customers, driving strong revenue growth for us.				
2. Increase in operating cost: Mainly due to the investment in new equipment and expansion of factories for the customers' products, which increased the repair, maintenance and depreciation expenses.				

(II) The potential effects from the expected sales quantity and its basis to the Company's future financial and business, and the responding plans: based on the historical data of operating revenues from previous years, and by referring the forecasts to the semiconductor industry and packaging/testing by professional forecasting agencies, the Company expects the sales quantity and revenue for the coming year is cautiously optimistic.

III. Cash flow

(I) Analysis and description of the changes to the cash flow in the most recent fiscal year

Unit: NTD Thousand Dollars; %

Item	2020	2021	Amount increased (decreased)	Percentage increased (decreased) (%)
Operating activities	4,588,977	7,139,313	2,550,336	55.58
Investment activities	(5,277,529)	(6,703,955)	(1,426,426)	27.03
Fundraising activities	1,716,665	1,953,911	237,246	13.82

Description of material changed items
1. Operating activities: The cash inflow from operating activities was mainly due to the increase in profit and depreciation in FY2021.
2. Investment activities: The net cash outflow from investment activities was mainly due the acquisition of property, plant, and equipment in FY2021.
3. Financing activities: The cash inflow from financing activities was mainly due to the increase in long-term loans in FY2021.

(II) Improvement plan to the illiquidity: not applicable.

(III) Analysis of cash flow for the next year (2022)

Unit: NTD Thousand Dollars

Balance of the cash at the beginning of the term	Net cash flows from operating activities for the full year	Cash outflows for the full year	Amount of residual (insufficient) cash	Remedies for insufficient cash amount	
				Investment plan	Financing plan
7,943,271	4,817,464	3,857,820	8,902,915	—	—
1. Analysis of the changes to the cash flow in next year:					
(1) The net cash flows from operating activities mainly result from the operating cash revenue of NT\$4,817,464,000.					
(2) The cash outflows are mainly applied to the operating expenses for the purchase of machines and equipment.					
2. Expected remedies to the short cash account and analysis of liquidity: not applicable.					

IV. Effect upon financial operations of any major capital expenditures during the most recent year

In 2021, the Company purchased machines and other factory equipment with the capital in hand and bank loans, for a total of NT\$7,366,952,000, mainly for the replacement of some old machines and equipment and the purchase of new equipment for the customers. The replacement and purchase helped us enhance the capabilities of production processes and improve the product development to meet the customer needs, which in turns had positive effects on the Company's finance and business.

V. The company's reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

(I) main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

December 31, 2021; unit: thousand NTD

Invested company	Profit/loss of investment in the most recent year	Policy	Profit/loss and the main reason thereof	Corrective action plan	Other future investment plans
Sigurd International Co., Ltd. Sigurd International Co., Ltd.	(5,329)	Offshore investment (BVI)	Main cause is to recognize the profit/loss of Sigurd Microelectronics (Cayman) Co., Ltd. and Flusol Co., Ltd.	Not applicable	None
Sigurd Microelectronics (Cayman) Co., Ltd.	Note	Offshore investment (Cayman)	Major reason is to recognize income/loss of Sigurd Micro Electronics (Wuxi) Co.,Ltd	Not applicable	None

Invested company	Profit/loss of investment in the most recent year	Policy	Profit/loss and the main reason thereof	Corrective action plan	Other future investment plans
Sigurd Micro Electronics (Wuxi) Co.,Ltd	Note	Manufacturing and sales of microelectronic products.	Main cause is the lease incomes and gains from foreign exchange	Not applicable	None
TEST-SERV Inc.	201,667	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Flusol Co., Ltd.	(94,385)	Hong Kong investment	Main cause is recognizing the loss of SIRIZE Technology (Suzhou)Corp.	Once the operation of the subsidiary is improved, the investment profit will be contributed.	None
Burgurd Co., Ltd.	162	Hong Kong trading	Mainly due to the exchange gains	Not applicable	None
SIRIZE Technology (Suzhou)Corp.	(89,866)	R&D of semiconductor testing software, and advanced packaging and testing services	Plant and equipment are being installed for mass production	The company will keep on focusing on the niche products and obtaining orders from clients.	None
Bloomeria Limited	273,657	Investing Company	Dividend revenue	None	None
UTC Holdings Corporation	(1,372)	Investing Company	Major reason is to recognize income/loss of Sigurd UTC Corp.	Not applicable	None
Sigurd UTC Corp.	Note	Packaging testing	Mainly due to the increase in customer size and revenue	Not applicable	None
Winstek Technology Co.,Ltd	Note	Packaging testing	Stable operation with recurrent profit	Not applicable	None
Winstek Semiconductor Technology Co.,Ltd	Note	Packaging testing	Stable operation with recurrent profit	Not applicable	None
AMBERSAN Medical Technology Co., Ltd..	(7,110)	Manufacturing and sales of medical equipment.	Main cause is that the reinvestment has not yet generated profit and thus became loss.	Not applicable	None
Ge-Shing Cooperation	1,714	External investments	Mainly due to investment revenue	Company established in 2020 to increase more investment opportunities	None
Flatek, Inc.	8,719	Service provider electronic information.	Main cause is recognizing the income/loss from investments in OPS electronics and TPfusion Technology	Not applicable	None
OPS Electronics Limited	Note	Investment business	Main cause is recognizing the income/loss from investments in OPS	Not applicable	None

Invested company	Profit/loss of investment in the most recent year	Policy	Profit/loss and the main reason thereof	Corrective action plan	Other future investment plans
			(Shenzhen)		
OPS Electronic(ShenZhen) Limited	Note	Production and sales of disk burner and accessories, copier, chip testing apparatus, and electronic components.	Mainly due to the stable operation with recurrent profit	Not applicable	None
TPFUSION, INC.	Note	Service provider electronic information.	Main cause is recognizing the income/loss from investments in TPfusion Corp.	Not applicable	None
TPfusion Corp.	Note	Service provider electronic information.	The company will keep on focusing on the niche products and increase the operating revenue	Not applicable	None
Valuenet International Limited	Note	Service provider electronic information.	Mainly due to the loss from foreign currency exchange	Foreign currency hedge	None

Note: The investment income or loss of each subsidiary includes the investment income or loss of reinvestments that should be recognized according to the regulations. Hence, no other forms should be filled out.

(II) Investment plan for the next year: Upon the approval of the Board of Directors on January 25, 2021, the Company acquired all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings (Cayman Islands) for an amount of US\$165 million (approximately NT\$4.62 billion), which was fully completed on April 14, 2021. The cash capital increase for UTC Holdings Corporation was completed on August 12, 2021; the cash capital increase for Sigurd UTC Corp. was completed on August 16, 2021, and the capitalization of capital reserves was completed on August 18, 2021. UTC Holdings Corporation was renamed as Sigurd UTC Corp. on August 19, 2021.

VI. Analyses and assessment of risks

(I) The 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:

1. Interest rate risks: The Group closely monitors the movement of interest rate. It is expected that there will be no material movement of the domestic interest rate level; however, the movement of interest rate will be monitored, and the fixed or floating rate borrowing will be adjusted accordingly, to mitigate the risks of increasing fund costs due to movement of interest rates. Therefore, it is expected the Company's profits (losses) are not exposed to a great risk of interest rate movement.

- 2: Movement of foreign exchange: the fair value changes along with the fluctuation of foreign exchange. With the proper financial operations, the assets and liabilities in foreign currencies are not expected to be exposed to material market risks. The transactions involving foreign exchange take a natural hedge approach for the effective control of risks. The movement of foreign exchange rate is under monitoring, to minimize the FX risks. Though TWD exchange rate fluctuates, but with proper financial control, the risks are mitigated, and thus the fluctuation of foreign exchange does not impact the profits (losses) of the Group's companies.
3. Risk of inflation: The profits (losses) of the Group has not been significantly affected by inflations; it is expected the inflation will not affect the Group in the future, either.
4. Future responding measures: to respond to the movement of interest rate and foreign exchange, the Company closely communicates with the banks to grasp the trends of market movement for prudential assessment as the reference of transaction. Moreover, before offering quotations to clients, the Business units conduct comprehensive considerations and assessment regarding future foreign exchange movement and the influential factors, to determine proper and reasonable prices, so that the fluctuation of foreign exchange does not affect the revenue and profit of the Company adversely.

(II) The company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. The Groups focuses on the major businesses, and takes no high-risk investments nor highly leveraged investments; each investment is conducted after prudential assessments. Procedures for Providing Endorsements/guarantees
2. Main reasons of profit/loss, and the measures to be taken in response:
 - (1) The Company has adopted the overall risk management and control system, to clearly identify, measure, and control all the risks to which the Company exposes, so that the management of the Company is able to effectively control and measure the market risks, credit risks, liquidity risks, and cash flow risks.
 - (2) To effectively control various objectives of market risk managements, the Group complies with related principles and adequately takes the economic environment, competition, and risks of market values into accounts, to achieve the optimized risk positions, maintenance of proper liquidity positions, and centralized management of all market risks.

(III) Future R&D plans and the expected R&D expenses: The future total R&D expenses are expected to be contained within 3.5% of the revenues and amount to approximately NT\$400 million.

1. Improvement of the SoC IC testing techniques for 5G mobile phones.
2. Improvement of the IC testing technology for 5G related equipment.
3. R&D of the 5G millimeter wave (mmWave) and antenna package AiP

testing technology.

4. With the expanding application and growing demand for AI (Artificial Intelligence), the Company is working with various research institutions and companies in the related industry to enhance its packaging and testing technology.
5. R&D of the Metaverse-related IC packaging and testing.
6. Development of the integrated IC testing technologies relevant to the IoT (Internet of Things).
7. Development of the RF related packaging and testing technology such as Wi-Fi 6/6E, WLAN SoC ICs, NFC (Near Field Communication) and Wireless Power (wireless charging).
8. Research on the IC testing specifications related to Wi-Fi 7, etc. for the development of the new internet generation.
9. Development of the related image IC integrated testing technology: Moving towards 8K4K (with a resolution of 7680x4320) video/audio Codec IC related testing technologies, based on the existing 4K2K package test.
10. Exploration of 3nm testing technologies.
11. Deepening the 4nm testing capability and scaling up mass production.
12. Improvement of the integrated backend production capacity of WLCSP and enhancement of relevant technological capabilities.
13. Enhancement of the GaN-related packaging and testing technology.
14. R&D of the SiC-related packaging and testing technology.
15. Enhancement of the low-earth-orbit satellite testing capability and increase of the mass production.
16. Increase of automotive electronics and vehicle-to-everything-related IC test volume and maximization of the scope of certification.
17. Promotion of a smart factory and the width and depth of equipment automation and maximization of intelligent production.
18. R&D of the logic and mixed-signal testers, and timely mass production as scheduled.

(IV) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response: the Company monitors the changes to the major domestic and foreign policies and laws at all times, and takes responding measures in time actively. For the most recent fiscal year up to the printing date of the annual report, there has been no finance/business affected by any change to the major domestic and foreign policies and laws.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial changes, and measures to be taken in response:

1. After experiencing the global recession, the management has taken more conservative approaches toward operations, with more prudential investments. Not only maintaining or enhancing the effective utilization of equipment and providing productivities, the Company also takes the maintenance of excellent quality as the first priority to regain the confidence of clients.
2. Description of assessment and analysis of cyber security risks:

- (1) The Company established the framework of information security management: To provide the uninterrupted operation system for the business operation of the Company, and comply with the related regulatory requirements, the ISMS information security management system, covering all managerial matters, to prevent unforeseeable system disruption risks resulting from natural disasters or man-made negligence that bring various potential risks and disasters. In order to effectively promote and fulfil different tasks related to information security, the “Information Security Promotion Committee” has been established to develop the objectives, strategies and management procedures regarding information security of the Company, facilitate the effectiveness of the information security management system, and further help the Company reach the established objectives for the information security management system. The committee reported the 2021 review of the information security risk management policy to the Board on November 3, 2021 (7th Meeting of 2021), and has been handling the related matters, such as the regular review of information security policy.
- (2) Description of assessment and analysis of cyber security risks: The information security policies and operational guidelines are reviewed on a regular basis to ensure the adequacy and effectiveness and further establish the safe and trustworthy information system service. To prevent the data destruction caused by unforeseeable natural disasters or man-made negligence, a data remote backup mechanism is established to send the backup media to other plants for remote storage. Meanwhile, the recovery simulation testing drill of the information system is also performed, so that the completeness of data and the rapid recovery of the system services are ensured to achieve the expected recovery time of system. To strengthen the protections to information security, ensure the confidentiality of the Company’s data, and the protection to the security of personal data, as well as mitigate the information security vulnerability of data leaking, all the computers in the Company have been installed with antivirus software, and all the USB external access are blocked. The e-mail and social media drills are conducted regularly and the defense system against invasion is established to monitor and identify the malicious actions and behaviors existing in the network and systems. The information security service conducts vulnerability scanning, to detect any vulnerability existing in the information system, fix it if any, and enhance the preventive measures.
- (3) Establishment of information security policies and concrete managerial programs: To enhance the information security management, the safe and trustworthy information system service is established, to ensure the confidentiality, completeness, and availability of data assets, and mitigate the risks including the followings: the internal and external data assets stolen due to man-made negligence, willful misconduct, or natural disasters; improper applications; leakage, tampering, or destruction of data. The service also helps us comply with the related regulatory requirements to provide the uninterrupted operation system for the business operation of the Company.

- ① Each information security managerial requirement must comply with the related regulatory requirements and the operational requirements, to conduct the risk assessment for the information systems, to confirm the security needs of the information operation, take proper information security measures, and ensure the security of the information system.
 - ② Based on the roles and functions, the information security training is conducted as necessary, while promoting the information security policies and related implementation guidelines.
 - ③ The access authorizations of each information system and services are separated as the minimum authorization for the business needs and the responsibilities, to prevent unauthorized access.
 - ④ The software and hardware management for the information system are deployed under an overall plan, to utilize the information resources effectively.
 - ⑤ The establishment of a new information system shall consider the information security factors, to prevent any circumstance hazardous to the system security.
 - ⑥ A safe and solid information machine room environment is established, and the related maintenance is conducted regularly, to ensure the stable operation of the information system.
 - ⑦ The drills of information system security continuity are conducted regularly, to ensure the information system operates properly if any material information security incident occurs.
 - ⑧ The information security audits are conducted regularly, to review the implementation of information security management systems.
 - ⑨ Pursuant to the requirements of the Personal Information Protection Act and the Intellectual Property Act, the personal information and intellectual rights are processed and protected cautiously.
 - ⑩ The assessments of information security policies are conducted regularly, to cause the policies conforming to the information security management, laws and regulations, technologies, and the latest circumstance of the Company's operation, to ensure the feasibility and effectiveness of the information security practices.
3. Disclose the response measures for any risks assessed to be material operational risks: The infection attack of virus on the server in November 2021 didn't cause major impacts to the confidential data and business operation of the Company.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Group's corporate image is good, and there is no corporate crisis management due to changes in corporate image.

(VII) Expected benefits and possible risks associated with any mergers and acquisitions, and mitigation measures being or to be taken:

1. On January 25, 2021, the board of directors approved the acquisition of all issued shares of UTC Holdings Corporation from UTAC Taiwan Holdings (Cayman Islands) for an amount of US\$165 million in cash

(approximately NT\$4.62 billion). UTAC Taiwan Holdings (Cayman Islands) also passed a board resolution on the same day to approve the transaction, with both parties signing a share purchase agreement. UTC Holdings Corporation holds the total issued shares of UTC Holdings Corporation in Hsinchu Science Park. The transaction has been approved by the Investment Commission of the Ministry of Economic Affairs R.O.C. In order to meet the market demand for 5G, networking, power management, and automotive electronics, the acquisition of UTC Holdings Corporation in Hsinchu Science Park can increase the Company's revenue, expand our market share, and relieve congestion in production on a short term perspective. In the long run, we can leverage the benefits of economy of scale by providing customers with more comprehensive packaging and testing services through a more complete line of products.

2. Realized benefits from the acquisition of UTC Holdings Corporation:

- (1) The Company's revenue can be increased (Sigurd's revenue in 2021 reached a historic high).
- (2) Our market share has been expanded (Sigurd ranked 7th among the packaging/testing groups in Taiwan in 2020, and rose to 6th place in 2021).
- (3) Most pieces of the equipment are of the same brands and models as Sigurd's equipment, which is convenient for the joint procurement and helps reduce the costs.
- (4) UTC Holdings Corporation's plants have adequate room, which can relieve the congestion in production.
- (5) More diversified packaging and testing services are available to the customers.
- (6) Located in Hsinchu Science Park, UTC Holdings Corporation is close to the major customers and thus able to provide convenient services, which is helpful in developing customers and strengthening the collaborative relationships with the customers.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: not applicable.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. Mitigating the risk of over-concentrated purchases: the Company seeks many suppliers assessed outstanding, to ensure the quality of procured materials, while mitigating the risks of supply shortage or disruption.
2. Mitigating the risk of over-concentrated sales: in the recent years, the Company has adjusted the product structures to meet the market demands. Not only does the Company increase the weight of the testing business, but also develops new product lines, and increases the demands from clients' markets. We increase various testing services, to enhance the overall competitive edges, to avoid the risk of over-concentrated 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 mitigation measures being or to be taken: none.

(XI) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: During 2021 up to the printing date of the annual report, there has been no change in governance personnel or top management.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes: none.

(XIII) Other important risks, and mitigation measures being or to be taken: none.

VII. Other key matters

None.

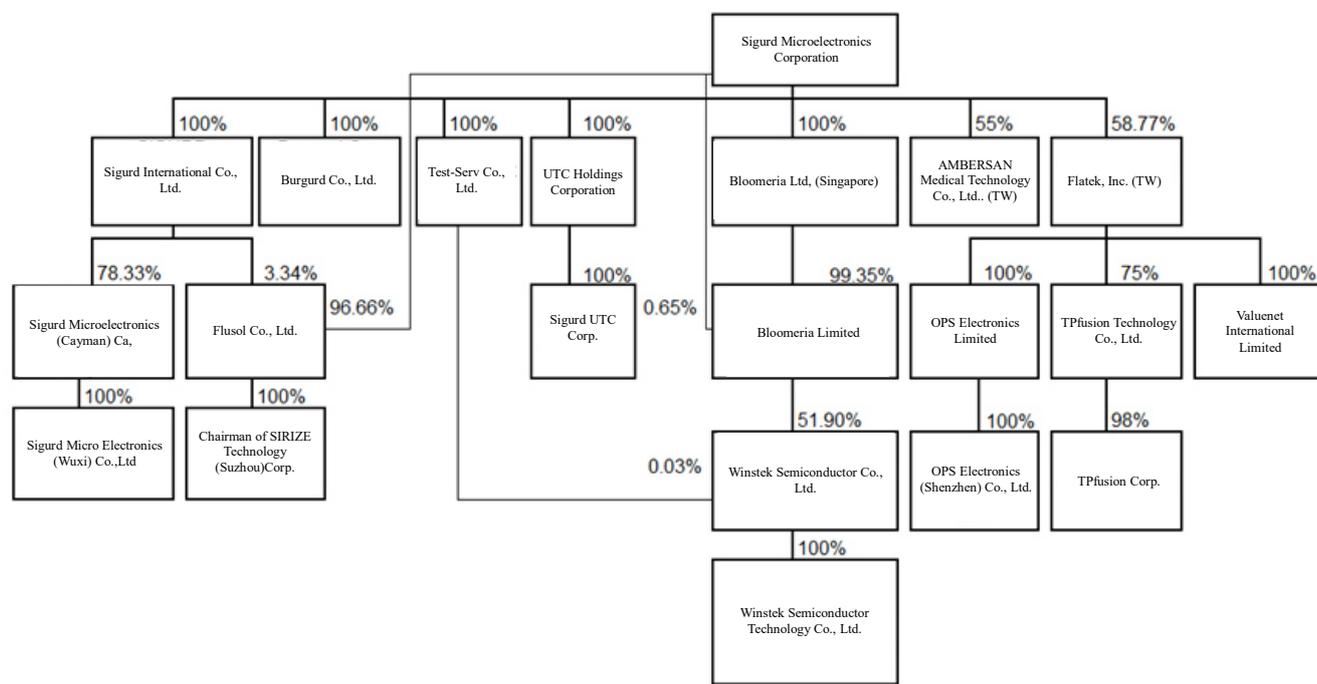
Eight: Special Mentioned Matters

I. Information of Affiliates

December 31, 2021

(I) Consolidated Business Report of Affiliates

1. Organizational chart of affiliates



2. Profile of each affiliate

Name of corporation	Date of establishment	Address	Paid-up capital	Major business/production
Sigurd International Co. Ltd.	September 28, 2000	B.V.I.	USD 30,254,000	Investing Company
SIGURD MICROELECTRONICS (CAYMAN) CO.,LTD. (Originally named SIGURD MICROELECTRONICS CORP. CO.,LTD.)	June 20, 2001	CAYMAN	USD 453,000	Investing Company
Sigurd Micro Electronics (Wuxi) Co.,Ltd	April 29, 1998	Wuxi, China	USD 28,000,000	Production and sales of microelectronic products.
TEST-SERV Inc.	February 24, 1992	Taiwan	NTD 802,000,000	Packaging and testing.
Flusol Co., Ltd.	October 18, 2010	Hong Kong	USD 46,554,000	Investing Company
Burgurd Co., Ltd.	October 18, 2010	Hong Kong	USD 2,186,000	International Trade Company
SIRIZE Technology (Suzhou)Corp.	September 6, 2019	Suzhou, China	USD \$45,000,000	R&D of semiconductor testing software, and advanced packaging and testing services
Bloomeria Limited	September 26, 2014	Singapore	USD 741,120,000	Investing Company

Name of corporation	Date of establishment	Address	Paid-up capital	Major business/production
UTC Holdings Corporation	March 13, 2020	Taiwan	NTD 3,315,610,000	Investing Company
Sigurd UTC Corp.	June 13, 1995	Taiwan	NTD 1,019,300,000	Packaging testing
Winstek Semiconductor Co., Ltd.	April 26, 2000	Taiwan	NTD 1,362,617,000	R & D and testing of integrated circuits IC
Winstek Semiconductor Technology Co., Ltd.	September 29, 2005	Taiwan	NTD 3,100,000,000	Wafer bumping and packaging service of wafer.
AMBERSAN Medical Technology Co., Ltd..	September 19, 2019	Taiwan	\$ 66,000 NTD	Manufacturing and sales of medical equipment.
Ge-Shing Cooperation	March 12, 2020	Taiwan	\$ 309,367 NTD	General investments
Flatek, Inc.	June 5, 2002	Taiwan	NTD 170,160,000	Service provider electronic information.
OPS Electronics Limited	January 21, 2009	Hong Kong	HKD 10,000	Investment business
OPS Electronic(ShenZhen) Limited	March 9, 2011	Shenzhen, China	HKD 6,500,000	Production and sales of disk burner and accessories, copier, chip testing apparatus, and electronic components.
TPFUSION, INC.	December 22, 2012	Taiwan	NTD 15,000,000	Service provider electronic information.
TPfusion Corp.	December 27, 2012	Osaka, Japan	JPY 30,986,000	Service provider electronic information.
Valuenet International Limited	July 8, 2005	B.V.I.	USD 50,000	Service provider electronic information.

3. Presumably sharing the same shareholder information with the parties under controlled or subordinated: none.
4. The businesses covered by whole affiliates' operations: designing, processing, testing, pre-burning treatment, producing and transacting for various IC; the export/import trading of the aforementioned materials and finished products; external investment.
5. Information of directors, supervisors, and general managers of affiliates

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding ratio
Sigurd International Co. Ltd.	Director	Shin-Yang Huang	30,254	100%
SIGURD MICROELECTRONICS (CAYMAN) CO.,LTD.	Director	Shin-Yang Huang; Tsan-Lien Yeh; Min-Hung Wu; Hsu-Tung Kuo	35,503	78.33%
	Director	Cheng-Yu Chen	1,263	2.79%
	Director	Lian-Chang Jiang	8,558	18.88%
Sigurd Micro Electronics (Wuxi) Co.,Ltd	Director	Shin-Yang Huang; Min-Hung Wu; Hsu-Tung Kuo	—	—

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding ratio
TEST-SERV Inc.	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation. Representative: Min-Hung Wu (Chairman) Directors: Yu-Chi Pan; Jin-Chuan Sun; Jen-Ju Lin; Kuang-Shun Yang	80,200	100%
	Supervisors	Representative of Supervisors, Sigurd Microelectronics Corporation: Chiao-Ling Kuan		
Flusol Co., Ltd.	Director	Min-Hung Wu	—	100%
Burgurd Co., Ltd.	Director	Shin-Yang Huang	—	100%
SIRIZE Technology (Suzhou)Corp.	Director	Hsu-Tung Kuo (Chairman), Min-Hung Wu, Ja-Hung Hsieh, Hsu-Ming Tsou, Wen-Hao Su	—	100%
	Supervisors	Chi-Chang Chen	—	—
Bloomeria Limited	Director	Min-Hung Wu; Tsan-Lien Yeh	2,202,218	100%
UTC Holdings Corporation	Director	Corporate Directors of Sigurd Microelectronics Corporation Representative: Shin-Yang Huang (Chairman) Director: Tsan-Lien Yeh	331,561	100%
Sigurd UTC Corp.	Director	Corporate Directors of UTC Holdings Corporation Representative: Shin-Yang Huang (Chairman) Directors: Tsan-Lien Yeh; Min-Hung Wu; Hsu-Tung Kuo; Ja-Hung Hsieh	101,930	100%
Winstek Semiconductor Co., Ltd.	Director	Corporate Directors of Ge-Shing Cooperation: Representatives: Shin-Yang Huang (Chairman); Tsan-Lien Yeh; Min-Hung Wu; Hsu-Tung Kuo; Ja-Hung Hsieh	70,726	51.90%
	Director	Chih-Li Weng	571	0.04%
	Independent Director	Min-Kai Lin, Ren-Yu Wei, Wen-chou Vincent Wang	—	—
Winstek Semiconductor Technology Co., Ltd.	Director	Corporate Director of Winstek Semiconductor Technology Co., Ltd. Representatives: Shin-Yang Huang (Chairman); Min-Hung Wu; Chi-Li Weng	310,000	100%

Name of corporation	Title	Name or representatives	Number of shares held	
			Shares (in thousand shares)	Shareholding ratio
AMBERSAN Medical Technology Co., Ltd..	Chairman	Shu-Fen Liao	495	7.5%
	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation: Shih-Hsin Hsu; Shin-Yang Huang; Tong-Lin Guan	3,630	55%
	Director	Advance Life Limited Representative: Yi-Peng Liang	1,980	30%
	Supervisors	Chi-Chang Chen	—	—
Ge-Shing Cooperation	Director	Representative of Corporate Director of Sigurd Microelectronics Corporation. Representatives: Shin-Yang Huang (Chairman); Tsan-Lien Yeh; Min-Hung Wu	200	0.65%
	Supervisors	Jen-Ju Lin	—	—
	Shareholders	Bloomeria Limited	30,737	99.35%
Flatek, Inc.	Director	Sigurd Microelectronics Corporation Representatives: Tsan-Lien Yeh (Chairman); Hsu-Tung Kuo; Ja-Hung Hsieh	10,000	58.77%
	Director	Tsung-Yi Lin	3,843	22.59%
	Director	Shou-Kang Chen	—	—
	Supervisors	Jen-Ju Lin	—	—
OPS Electronics Limited	Director	Tsuan-Mu, Lin-Chen	10	100%
OPS Electronic(ShenZhen) Limited	Director	Tsuan-Mu, Lin-Chen (Legal Representative)	註	100%
	Supervisors	Chia-Hsing Huang	—	—
Flatek, Inc.	Director	Flatek, Inc. Min-Hung Wu (Chairman); Tsung-Yi Lin; Jen-Ju Lin	1,125	75%
	Supervisors	Chiao-Ling Kuan	—	—
TPfusion Corp.	Director	Tsung-Yi Lin (Chairman), Mihashi Yasuhiko, Ching-Cheng Tien	98	98%
Valuenet International Limited	Director	Flatek, Inc. Representative: Tsung-Yi Lin (Chairman)	50	100%

Note: No shares are issued.

6. Overview of affiliates' operations

Unit: NTD Thousand Dollars

Name of corporation	Amount of paid-up capital	Total amount of assets	Total amount of liabilities	Net value	Operating revenue	Operating income (loss)	Income/loss of the period
Sigurd International Co., Ltd.	975,135	173,305	0	173,305	0	(86)	(5,503)
SIGURD MICROELECTRONIC S (CAYMAN) CO.,LTD.	14,662	163,827	12,825	151,002	0	(119)	(2,519)
Sigurd Micro Electronics (Wuxi) Co.,Ltd	911,278	144,779	1,526	143,253	0	(4,060)	(2,220)
TEST-SERV Inc.	802,000	1,857,142	506,810	1,350,232	1,261,935	230,030	200,829
Flusol Co., Ltd.	1,406,506	1,141,181	239	1,140,942	0	(97)	(89,790)
Burgurd Co., Ltd.	62,391	2,360	978	1,382	0	(259)	162
SIRIZE Technology (Suzhou)Corp.	1,359,700	3,369,321	2,235,942	1,133,379	654,447	(136,167)	(89,471)
Bloomeria Limited	2,242,871	2,803,905	149	2,803,756	0	(467)	263,244
UTC Holdings Corporation	3,315,610	2,572,069	6,607	2,565,462	0	(187)	(246,546)
Sigurd UTC Corp.	1,019,300	3,482,022	1,000,909	2,481,113	1,577,994	(153,499)	(246,471)
Winstek Semiconductor Co., Ltd.	1,362,617	5,198,261	322,350	4,875,911	1,162,807	379,098	393,931
Winstek Semiconductor Technology Co., Ltd.	3,100,000	4,204,041	1,245,816	2,958,225	2,283,150	101,293	85,535
AMBERSAN Medical Technology Co., Ltd..	66,000	47,210	1,889	45,321	169	(12,941)	(12,928)
Ge-Shing Cooperation	309,367	2,667,675	1,095	2,666,580	0	(7,666)	265,193
Flatek, Inc.	170,160	448,483	278,160	170,323	180,055	23,677	15,028
OPS Electronics Limited	40	205,611	134,576	71,035	185,627	38,650	39,677
OPS Electronic(ShenZhen) Limited	25,019	180,484	104,979	75,505	174,219	28,084	28,732
TPFUSION, INC.	15,000	24,308	105,513	(81,205)	47,978	6,670	3,973
TPfusion Corp.	6,684	24,055	94,614	(70,559)	47,978	6,741	4,292
Valuenet International Limited	1,575	56,554	6,442	50,112	0	(42)	(1,013)

Note 1: If an affiliate is a foreign company, the related figures are converted to NTD with the exchange rate of the report date. FX:USD (27.68); RMB (6.3720)

Note 2: The operating revenue, operating income, and income/loss of the period are listed in NTD with the average FX rate of 2021: USD (28.01); RMB (6.4524)

(II) Consolidated financial statements of affiliates: For Year 2021 (from January 1, 2021 to December 31, 2021), the companies to be consolidated pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” and the the companies to be consolidated pursuant to the IAS No. 27 are all the same. As the information to be disclosed in the consolidated financial statements of affiliates has been disclosed in the aforementioned consolidated financial statements of the parent company and subsidiaries, the consolidated financial statements of affiliates are not prepared separately; for the consolidated financial statements, please refer to Pages125~222.

(III) Report of relationships: not applicable.

II. Private placement of securities carried out by the Company during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None.

III. Holding or disposal of shares in this Company by the Company’s subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None.

IV. Other matters that require supplementary explanation

None.

V. During the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, any of the situations listed in Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act, which might materially affect shareholders’ interests or the price of the Company’s securities

On August 4, 2021, the Company announced the Board of Directors’ resolution of participation in the cash capital increase for UTC Holdings Corporation (hereinafter “UTC Holdings”) resolved by the UTAC (Taiwan)’s Board on August 3, 2021. Through this investment, the Company indirectly reinvested in UTC Holdings Corporation (hereinafter “UTAC (Taiwan)”) to expand the operation scale of the Company and the subsidiaries; the investment amount was NT\$701,337, while the total number of common shares of UTC Holdings obtained was 70,133,700. The situations correspond to Article 36, Paragraph 3, Sub-paragraph 2 of the Securities and Exchange Act specifying the material effect on shareholders’ interests or the price of the Company’s securities. This concern is described below. please note.

Description:

(I)The Company decides to participate in the cash capital increase of UTC Holdings Corporation. After completion of the investment, the Company will hold 331,561,007 outstanding common shares with a shareholding rate of 100%.

(II) The Company expects that this investment brings about an indirect investment in UTC Holdings Corporation to expand the operating scale. Hence, the Company expects that this investment will not materially affect shareholders’ interests or the price of the Company’s securities.

Sigurd Microelectronics
Corporation

Chairman:Shin-Yang Huang