



# 2021 ANNUAL REPORT

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## **I. Company Spokesman and Deputy Spokesman**

### **Spokesperson**

Name: Evan Tseng  
Title: CFO & Senior Vice President  
Tel: +8863 598-0300  
E-mail: [evant@pti.com.tw](mailto:evant@pti.com.tw)

### **Deputy Spokesperson**

Name: Yohan Lin  
Title: Vice President of Legal & Human Resources  
Tel: +8863 598-0300  
E-mail: [yohan@pti.com.tw](mailto:yohan@pti.com.tw)

## **II. Telephone Numbers and Addresses of Headquarters, Subsidiary, and Factory**

Address of Headquarters: 10 Datong Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan  
Address of 1st Plant: 879, Litoushan Section, Wunshan Rd., Hsinpu, Hsinchu 30550, Taiwan  
Address of 2nd Plant: 7 Sanmin Rd., Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan  
Address of 3rd Plant: 26 Datong Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan  
Address of 9th Plant: 4 Wen Hua Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan  
Tel: +8863 598-0300  
Address of Science Park Plant I: 15 Lihsin 3rd Rd., Hsinchu Science Park, Hsinchu 30078, Taiwan  
Tel of Science Park Plant: +8863 577-9980  
Address of Science Park Plant II: 9 Lihsin 4th Rd., Hsinchu Science Park, Hsinchu 30078, Taiwan  
Tel of Science Park Plant: +8863 579-5111

## **III. Stock Transfer Agent**

Name: Concord Securities Co, Ltd. Stock Affairs Department  
Address: B1 No. 176 Sec. 1, Keelung Rd., Taipei City, Taiwan  
Website: <http://www.concords.com.tw>  
Tel: 886-2-8787-1888

## **IV. CPA for Annual Financial Statements**

CPAs: Yu-Feng Huang, Cheng-Chi Lin  
Accounting Firm: Deloitte & Touche LLP  
Address: 12F, No 156, Minsheng East Road, Sec 3, Taipei, Taiwan  
Website: <http://www.deloitte.com.tw>  
Tel: (886) 2 2545-9988

## **V. Name of Overseas Exchange: Bourse de Luxembourg**

Website: <http://www.bourse.lu>  
ISIN NO. US7393681082

## **VI. Company Website: <http://www.pti.com.tw>**

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## I. Letter to Shareholders

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Annual General Meeting of Shareholders 2021

Dear Shareholders, Ladies and Gentlemen,

How time flies! A new year is upon us once again, so we would like to wish everyone all the best and a roaring trade in the Year of the Tiger. Thanks to the talent development, mentoring and organizational adjustment initiatives that PTI first embarked on two years ago, the impact from the latest wave of turnovers, personnel shortages, and recruiting difficulties were minimized.

At the same time, our proactive optimization of product combination as well as the development and manufacturing of advance technologies have borne fruit.

In memory products, Xi'an plant's service contract with Micron has expired so it will no longer affect group operations. The formal founding of Solidgm (subsidiary of SK Hynix) as an independent company at the start of the year meant the continuation of the long-term partnership between the two parties. Kioxia had disclosed in February that it was having issues with its production process but this was quickly resolved. On the whole, we believe that memory product revenues will hold steady this year and there will be no change to the current trend of sustained revenue growth in each quarter. In logic products, our overall performance has been outstanding. Greatek in particular was on a streak with annual revenues growing by 32.4% and net profits growing by 72.9%. Its parent company PTI maintains high utilization either. The production of Bumping, Flip Chip-Chip Scale Package (FCCSP), Flip Chip Ball Grid Array (FCBGA), system-level packaging (SIP/SIM) and die-stacking products all met their targets ahead of schedule.

The PTI Group delivered its best results ever in 2021 due to the support of our suppliers and customer partners as well as all of our employees working together. Consolidated revenues reached NT\$83.794 billion, net profit after tax attributable to the parent company reached NT\$8.898 billion, and with earnings per share (EPS) was NT\$11.54.

For the new ahead, the global economy is now faced with many challenges such as the rise of nationalism, regional trade conflicts, the Russian-Ukraine war, the US-China technology war, and the continued spread of COVID-19. The implementation of working and learning from home measures is changing how people work and live; at the same time, it is also accelerating the development of new technologies such as AI, 5G communications, self-driving vehicles, low-earth orbit satellites, and the metaverse. The semiconductor industry plays a critical role in the realization of this technology applications. Even though wafer foundries used to attract most people's attention, all of these applications require an advanced assembly & testing industry to make them happen. The advanced assembly & testing technology of PTI is among the best in the world. In the future, we plan to:

1. Increase our investment and upgrade our design of advanced products and process technologies, such as:

(1) Application of Through-Silicon Via (TSV) technology to

--CMOS Image Sensor (CIS)

--High Bandwidth Memory (HBM) and

--Bio-technology (Bio.Tech);

(2) Application of Fan-Out Panel Level Packaging (FOPLP) technology to

--High Performance Computing (HPC)

- Augmented Reality (AR)
- Artificial Intelligence (AI)
- Internet of Things (IoT) and
- Smart Driving etc.

2. Emphasize the upgrading of manufacturing capabilities to provide highly reliable, high-quality products and services.

3. Strengthen and enhance our ability to respond to global developments in order to become the trusted partner and strength of our customers, suppliers, employees and society.

4. Fulfill the goals of sustainable corporate development through the continued promotion of Environment, Society and Governance (ESG).

PTI will continue to move forward towards realizing our goal of “becoming the World No.1 in technology, quality, and service!”

Sincerely,  
D.K. Tsai

PTI Chairman

# **Powertech Technology Inc. 2021 Business Report**

## **I. 2021 Business Operations Report**

According to the "World Economy Watch" issued by the International Monetary Fund in (IMF) in January 2022, the global economy grew by 5.9% in 2021 and showed clear signs of sustained recovery compared to 2020. New COVID-19 surges however impacted on overall economy growth due to supply chain disruptions, labor shortages, high energy prices and rising commodity prices. Economic growth in developed economic bodies was therefore weaker than expected while China was also impacted by the spread of COVID-19 and power rationing. Economic growth is therefore expected to slow in the second half of the year so IMF forecast that the global economy will grow by around 4.4% in 2022.

In terms of the global semiconductor industry, the international research and consulting firm Gartner found that strong demand for computers and smart phone products driven by the stay-at-home economy was now gradually cooling with grow returning to past norms. Shortages due to growing demand from other applications for semiconductor products persist however so global semiconductor product revenues in 2021 are expected to reach US\$555.9 billion, an increase of 26.2% compared to 2020. Taiwan's semiconductor industry performed significantly better than the rest of the world. Statistics from the International Strategy Center of the Industrial Technology Research Center (ITRI) in February 2022 showed that the Taiwanese IC industry was worth NT\$4,082 billion (US\$145.8 billion) in 2021, up 26.7% compared to 2020. The IC packaging industry in particular was worth NT\$435.4 billion, up 15.3% from 2020, while the IC testing industry was worth NT\$203 billion, up 18.4% compared to 2020.

PTI 2021 revenue increased 10% from 2020 with strong remote demand on server, notebook, and mobile devices. PTI 2021 revenue and profit outperform industry average and peers and met our expectations. PTI will continue to invest in technologies to provide excellent quality and services going forward. PTI 2021 accomplishment contributed by its excellent quality and services, operations efficiency improvement, efficient cost control, new technologies and products

development, equipment investment, and strategic alliance strengthening.

Details of 2021 revenue and profitability are reported as follow:

### 1.2021 Operations Results

PTI Consolidated revenue of 2021 was NT\$83.79 billion, which was 9.99% increase from 2020 consolidated revenue of NT\$76.18 billion. 2021 net income belonged to parent company was NT\$8.90 billion which was 33.56% from 2020 NT\$6.66 billion.

### 2.Financial Status

2021 Consolidated Statement of Cash Flow		(in NT\$1,000)
a.	Net cash inflow from operating activities	24,649,382
b.	Net cash outflow from investing activities (Changes mainly from acquisition of machinery and equipment)	14,059,133
c.	Net cash outflow from financing activities (Mainly for distribution of cash dividends and repayment of bank loans)	8,715,936

### 3.Profitability Analysis

Analysis Items		2021	2020
Profitability	Operating Income / Capital Ratio	186.42%	137.56%
	Pre-tax Net Income / Capital Ratio	188.74%	133.41%
	Return on Assets	10.48%	7.78%
	Return on Equity	19.27%	14.44%
	Net Income (Loss) Ratio	10.62%	8.75%
	Net Income(Loss) Per Share	\$11.54	\$8.60

### 4.R&D Updates

PTI has been constantly devoted to new technologies and production technologies development to meet industry standards and customers' demand. 2021 R&D expenses were NT\$2.44 billion which was about 2.92% of consolidated revenue. In addition to DRAM and NAND Flash products, PTI has been developing advanced packaging & testing and heterogeneous integration, such as Flip Chip (FC), System in Package (SiP), Wafer Level Package (WLP), CMOS image sensor (CIS), 2.5D/3D Through Silicon Via (TSV), and Fan-Out Panel Level Package (FOPLP). PTI has completed the lab for Antenna in Package (AiP) and Radio Frequency (RF)

to provide certify services of 5G products. Apply TSV technologies on CIS products to enhance performance of health care, surveillance, and automotive devices. FOPLP has been engaged with customers in development and certification to provide comprehensive solutions.

## II. 2022 Operations Plans

### 1. Plan Outlines:

- (1) Promise, Technology and Integration are our core values.
- (2) Focus on the assembly and final testing sectors in semiconductor industry in order to generate the profits together with our customers and vendors.
- (3) Devoted to the research and development of advanced technologies and launch new products to enhance corporate growth momentum.
- (4) Provide full services to customers with quality and exquisite technologies.
- (5) Integrated corporate resources to enhance operation performances and ensure corporate profitability and sustainability.
- (6) Provided employee trainings to talent, addressed employee benefits and interest of shareholders to create mutual benefits.

### 2. Sales Forecast volume:

The World Semiconductor Trade Statistics (WSTS) estimated the global semiconductor market keep positive growth by 10.1% and will reach US\$ 606.5 billion in 2022. According to Industry, Science and Technology International Strategy Center of Industrial Technology Research Institute (ISTI of ITRI), the production value for Taiwan IC industry in 2023 will grow around 17.7% to NT\$ 4.8 trillion. Overall semiconductor industry outlook is optimistic with positive growth in both global and Taiwan market.

In 2022, growing popularity of emerging electronic applications such as well as the introduction of new functions in AI, 5G, electric and autonomous vehicles, data centers, distance learning, low-earth orbit satellites, e-healthcare, home electronic products and different mobile device will expand the scope of semiconductor applications. The semiconductor industry is therefore widely expected to enter a new golden decade.

COVID-19 remains the biggest variable in every end-user market. Vaccination rates have climbed greatly after two years of the pandemic and

COVID-19's impact on the global economy is expected to continue waning over time. There is a chance of a gradual return to pre-pandemic lifestyles in 2022. Friction in geopolitics and global trade remains a serious problem however and how they will impact on the overall economic market remains to be seen.

Continued growth is expected in the production output for all product types including logic IC packaging, memory IC packaging, and system module product packaging this year.

2022 Sale forecast volume:

<b>Item</b>	<b>Sale Forecast Volume</b>
Assembly	16 billion packages
Final Test	10 billion packages
Bumping	1,000 K wafers
Chip Probing	2.9 million wafers
SSD & SiP	150 million pcs

### 3. Production and Marketing Strategies:

- (1) Provide the turn-key services to customers for cycle time and overall cost reduction.
- (2) Maintain the leading position in memory packaging and testing market.
- (3) Continue developing Logic business and enhancing technology development for Flip-Chip, Solid State Drive (SSD), Wafer Level Packaging (WLP), Chip Probing (CP), and Fan-Out Panel Level packaging (FOPLP) to create business growth.
- (4) Developing new customers, new markets, and new products at the same time enhancing the relationship with existing customers.
- (5) Improve corporate competitive advantages by cost reduction and resources integration.

Chairman: D.K. Tsai

President: J.S. Leu

Head of Accounting: Evan Tseng

## II. Company Introduction

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I. Date Established: May 15, 1997

### II. Company History

- 1997** May -- Powertech Technology Inc. established, with paid-in Capital of NT\$ 600 million.
- Aug -- Received Powerchip's DRAM and Macronix's FLASH testing order and started memory IC testing services.
- 1998** Feb -- Received Securities and Futures Commission, Ministry of Finance approval for public offering.
- Started construction for PTI's Hsinpu Plant.
- March -- Cash Injection of NT\$ 600 million, Paid-in Capital of NT\$ 1.2 billion.
- May -- Passed ISO 9002 Quality Management System Certification (Testing).
- 1999** Jan -- Mr. Duh Kung Tsai from the Kingston Group joined as Chairman.
- May -- Cash injection of NT\$ 800 million, Paid-in Capital of NT\$ 2.0 billion.
- June -- Stage One of PTI Hsinpu Plant completed, rented to Powerchip's Chubei Branch.
- Aug -- Construction started on Stage two of PTI Hsinpu Plant.
- Received testing order from Toshiba for DRAM and SST for Flash.
- 2000** April -- Report prepared for the Taiwan Stock Exchange and GreTai Securities Market, started to receive guidance for listing on TSE and OTC.
- June -- PTI Hsinpu Plant completed and relocated to new plant.
- Oct -- Purchase backend equipment from Powerchip's Chubei Branch and added packaging business. Then obtained Powerchip's DRAM packaging orders and started to provide customers turnkey packaging and testing services.
- 2001** Jan -- Become listed as bonded factory.
- April -- Received quality certification from Mitsubishi.
- May -- Received ISO 9002: 1994 Quality Management System Certification (Packaging, Testing).
- Aug -- Surplus and Capital Reserve Capital Increase of NT\$ 218 million, Paid-in Capital of NT\$ 2.218 billion.
- 2002** Jan -- Received quality certification from Hitachi.
- March -- Received quality certification of testing and packaging from

TOSHIBA.

- Received TOSHIBA FLASH packaging and testing orders, provide turnkey services for TOSHIBA packaging and testing.
- June -- Passed quality certification from Sun Microsystems.
- Sept -- Cash Injection of NT\$ 119 million, Surplus Capital Increase of NT\$ 134.229 million, Paid-in Capital of NT\$ 2.463129 billion.
- Purchased Hukuo Plant's Land and Plant of FICTA.
- Oct -- Company Shares listed for trading as Emerging Stock of Gretai Securities Market.
- Nov -- Received quality certification from M-Systems and Sankyo.
- 2003** Jan -- Certified for ISO 14001:1996 Environmental Management Systems Certification.
- March -- Received quality certification from Sony.
- April -- Company Shares listed for trading on Gretai Securities Market.
- Company headquarters moved to Hukuo Plant in Hsinchu Industrial Park.
- Received quality certification from ProMOS.
- May -- Received quality certification from IBM.
- July -- Received quality certification from Hynix and received Hynix orders.
- Formally received ProMOS orders.
- Aug -- Received ISO 9002: 2000 Quality Management System Certification
- Sept -- Surplus Capital Increase of NT\$ 149.371 million, Paid-in Capital of NT\$ 2.6125 billion.
- Dec -- Received quality certification from Xanavi.
- 2004** Jan -- WBGA packaging formally into volume production.
- April -- Received land from the Hukuo Industrial Park about 3000 pings, for expansion of future operations.
- Received quality certification from Renesas.
- July -- DDR2 formally into volume production.
- Sept -- Cash Injection of NT\$ 300 million, Surplus Capital Increase of NT\$ 467.5 million, Paid-in Capital of NT\$ 3.38 billion.
- Received OHSAS 18001: 1999 Occupational Health and Safety Management certification.
- Started construction on Plant 3.
- Oct -- Received quality certification from Elpida.
- Nov -- Company Shares listed for trading on the Taiwan Stock



- Exchange.
- Foundry grade testing formally into mass production.
- 2005**
- Feb -- Implemented Green Product (GP) Management System.
  - March -- Received quality certification from IBM (uBGA).
  - Received quality certification from Sharp.
  - May -- Received quality certification from Sony Green Partner.
  - Sept -- Surplus Capital Increase of NT\$ 625 million, Paid-in Capital of NT\$ 4.005 billion.
  - Tera Probe, Inc., a joint venture formed in Japan with Elpida, Advantest and Kingston Technology Japan.
  - Dec -- Use the “Purchase Method” for simplified merger of 100% owned company, Lijia Investment Ltd.
  - MCP packaging process into volume production.
  - Started production of MicroSD Card.
  - Received ISO 14001: 2004 Environmental Management System Certification.
- 2006**
- Jan -- R&D Technology Center Established.
  - Headquarters (Plant 3) completed for use.
  - First time issuance of Global Depository Receipts (old shares), listed for trading on the Bourse de Luxembourg.
  - Aug -- Surplus Capital Increase of NT\$ 750 million, Paid-in Capital of NT\$ 4.711 billion.
  - Received ISO/TS 16949: 2002 Certification.
  - Nov -- Received land from the Hukuo Industrial Park about 1089 pings, for expansion of future operations.
  - Dec -- Received the “2006 Industrial Innovation Outcome Commendation” from the Ministry of Economic Affairs Department of Industrial Technology (MOEA DOIT).
- 2007**
- Feb -- Started construction of Hukuo Plant 2B
  - March -- Issued for the first time the private placement domestic unsecured convertible bonds, with amount issued of NT\$ 3.412 billion.
  - July -- Successful developed the wBGA DDP technology, providing the best DRAM stacking solution.
  - Aug -- Surplus Capital Increase of NT\$ 853 million, Paid-in Capital of NT\$ 5.563 billion.
  - Monthly Revenue exceed NT\$ 2 billion formally, packaged volume exceeding 100 million chips.
  - Received the “2006 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Tenth in

- Actual Import/Export.
- Nov -- Received the “Eight Industrial Elite Award” from the MOEA BFT.
- 2008** Jan -- Hukuo Plant 2B completed for operation.
- March -- Started to provide packaging services for Logic IC.
- June -- Received license from IBM for Metal Post Solder-Chip Connection (MPS-C2) technology. This is a key technology for fine-pitch Flip Chip packaging.
- Aug -- Surplus Capital Increase of NT\$ 7.45 million, Paid-in Capital of NT\$ 6.694 billion.
- Formed joint venture, TeraPower Technology Inc, with Japanese company Tera Probe, Inc, with paid-in capital of NT\$ 750 million, and our company holding 49% of the JV.
- Sept -- Received the “2007 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Ninth in Actual Import/Export.
- Nov -- Received land from the Hukuo Industrial Park about 5,953 pings, for expansion of future operations.
- 2009** July -- Surplus Capital Increase of NT\$ 386 million, Paid-in Capital of NT\$ 6.694 billion.
- Aug -- Received the “2008 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Fifth in Actual Import/Export.
- Formed overseas subsidiary Powertech Holding(B.V.I.) Inc.
- Sept -- Acquired Spansion Holdings (Singapore) Pte. Ltd. (name changed to PTI Technology (Singapore) Pte. Ltd.) through Powertech Holding(B.V.I.) Inc., and indirectly obtaining Spansion’s MCP packaging and testing plant in Suzhou, China. The China plant was renamed Powertech Technology (Suzhou) Ltd., and the Company formally entered China as a packaging and testing company.
- 2010** March -- Formed subsidiary in the Hsinchu Science Park, Macrotech Technology Inc.
- Established US subsidiary Powertech Technology (USA), Inc through overseas subsidiary Powertech Holding (B.V.I.) Inc. to serve as overseas sales and service center.
- April -- Paid-in capital increased to NT\$ 7,042,366,680 after conversion into common shares by convertible bonds.
- Sept -- Paid-in capital increased to NT\$ 7,153,668,040 after conversion into common shares by convertible bonds.
- Received the “2009 Golden Commerce Award” from the

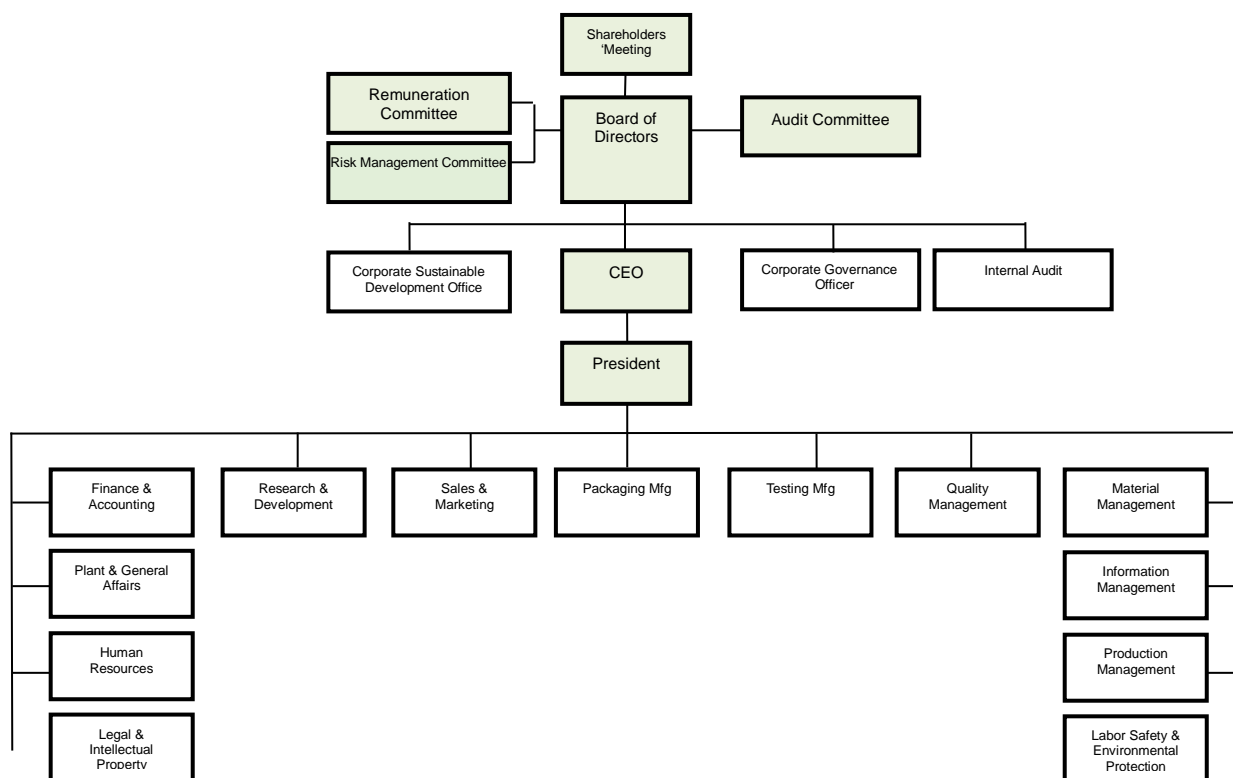
- MOEA Bureau of Foreign Trade (BFT) for Being Fifth in Actual Import/Export.
- Received the “Outstanding Innovation Company Award” portion of the 18<sup>th</sup> Industry Technology Development Award from the MOEA DOIT.
- Dec -- Paid-in capital increased to NT\$ 7,264,969,400 after conversion into common shares by convertible bonds.
- 2011** May -- New Plant in Hukuo started construction.
- Aug -- Surplus Capital Increase of NT\$ 7,264,969,400. Paid-in Capital of NT\$ 7,991,466,340.
- Received the “Creating Employment Contribution Award” from the Executive Yuan.
- Sept -- Received the “2010 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Sixth in Actual Import/Export.
- Dec -- Established Remuneration Committee.
- 2012** Feb -- Acquired 44% of Greatek Electronics through public tender offer.
- Apr -- During re-election at the extraordinary shareholders’ meeting, PTI formally become part of the Greatek Electronics’ management.
- Institutional director Shiren Investment Company sold more than 50% of company shares owned when it was elected director, so naturally dismissed as company director.
- Aug -- Purchased of company’s treasury stocks for the first time, with a capital reduction of NT\$ 200 million, paid in capital reduced to NT\$ 7,791,466,340.
- Dec -- For effective use of company resources and tax considerations, liquidated US subsidiary Powertech Technology USA Inc.
- 2013** Jul -- Elpdia Memory Inc. acquired by Micron Technology Inc. and changed the trading entity to Micron Japan.
- Sep -- Received 2012 Golden Trade Award for 10<sup>th</sup> place.
- Nov -- Grand Opening for plant 3C, and relocated HQ to the new plant.
- 2014** Feb -- Legal settlement reached with Tessera Inc. to early terminate product license agreement which help reducing future services costs.
- Jul -- Acquired 100% shares of Nepes Pte. Ltd. Singapore and changed name to Powertech Technology (Singapore) Pte.

- Ltd.
- Dec -- Signed investment agreements with Micron Inc. for providing package services in Xian, China.  
-- Merged Macrotech Technology Inc. and established Hsinchu Science Park branch on the site.
- 2015** Apr -- Became a member of Electronic Industry Citizenship Coalition (EICC).
- May -- Established Powertech Semiconductor (Xian) Co., Ltd.
- Oct -- Signed strategic alliance agreement with Tsinghua Unigroup through private placement.
- 2016** Apr -- Received 2015 Golden Trade Award for 4<sup>th</sup> place.
- Nov -- Received 2016 Taiwan Top 50 Corporate Sustainability Report Golden Award in Electronic Information Category.  
-- Certified for ISO 27001 Data Security Management System.
- Dec -- Certified for SA8000 Social Responsibility Management System.
- 2017** Jan -- Established Powertech Technology Japan Ltd.  
-- Mutual agreement among Powertech Technology Inc. and Tsinghua Unigroup Co., Ltd., and Tibet TouZhanChaungXin Investment Co., Ltd. authorized to terminate share subscription agreement.  
-- Became a member of Taiwan Alliance for Sustainable Supply and participate in Taiwan packaging and testing industry eco-cloud development program.
- Apr -- Contracted with Micron Inc to acquire its 39.6% holding of Tera Probe, Inc. shares by public tender offer and 100% Micron Akita Inc. operations.
- Jun -- Tera Probe, Inc. became a PTI subsidiary after completed acquisition of Tera Probe, Inc. with 59.44% consolidated holding.
- Aug -- Completed the acquisition of 100% Micron Akita Inc. and name changed to Powertech Technology Akita Inc.
- Nov -- Received 2017 Taiwan Top 50 Corporate Sustainability Report Golden Award in Electronic Information Category.
- 2018 Jan -- Named Top 100 Global Technology Leader by Thomson Reuters.
- Sep -- Groundbreaking for Hsin Chu Science Park Plant III as the Fan-Out Panel-Level Packaging (FOPLP) facility.
- Nov -- Board of Directors appointed Mr. DK Tsai as Chief Strategy Officer and Mr. JY Hung as Chief Executive Officer.  
-- Received 11<sup>th</sup> Annual Taiwan Institute for Sustainable Energy Top 50 Corporate Sustainability Report Platinum and Top 50 Corporate Sustainability.

- 2019 May -- Received “Preferred Quality Supplier Award” and” Good Partner Award” from key customer.
- Nov -- Received 2019 Annual Taiwan Institute for Sustainable Energy Top 50 Corporate Sustainability Report Platinum and Top 50 Corporate Sustainability.
- Dec -- Certified ISO 5001 Energy Management System
- 2020 Apr -- Board approved additional investment of US\$28 million for Powertech Technology (Suzhou) Ltd., a subsidiary of Powertech Technology Inc. Powertech Technology (Suzhou) Ltd. total register capital became US\$100 million after the addition.
- Aug -- Ranked 45th in the Large Enterprises category of the 2020 "Common Wealth Excellence in Corporate Social Responsibility Awards”
- Sep -- The Singapore subsidiary Powertech Technology (Singapore) Pte. Ltd. Was consolidated to a holding company.
- Oct -- Presented with four awards at the 2020 Taiwan Corporate Sustainability Awards (TCSA) hosted by the Taiwan Institute for Sustainable Energy including “The Most Prestigious Sustainability Awards  
-- Top Ten Domestic Enterprises (Manufacturing)”, “Corporate Sustainability Report Platinum Award”, “Growth through Innovation Award” and “Gender Equality Award.”
- 2021 Oct -- Completion and commissioning of Hsinchu Science Park Fab 3.
- Nov --Presented with six awards at the 2021 Taiwan Corporate Sustainability Awards by the Taiwan Institute for Sustainable Energy, including "Top 50 Taiwan Corporate Sustainability Award", "Corporate Sustainability Report Platinum Award", as well as the Best Performance in a Specific Category awards for "Human Rights Leadership", "Gender Equality Leadership", "Growth through Innovation", and "People Development".  
--Presented with the "Awards for Outstanding Trade Contributions and Emerging Markets Sales Promotion"at the 2021 International Trade Awards by the Bureau of Foreign Trade, MOEA.
- Dec --Certification for ISO 37001 anti-bribery management systems completed.

### III. Corporate Governance

#### 1. Company Organization



Responsibilities of Major Sections:

Major Section	Responsibilities
Chairman	Leading corporate strategies and objectives. Execute and monitor for continuing improvement.
CEO	Supervises of corporate strategies, objectives, execution of overall business and operations.
President	Management of corporate strategies, objectives, execution of overall business and operations.
Corporate Governance Officer	Responsible for regulation compliance for board and shareholders’ meeting.
Corporate Suitable Development Office	Responsible for corporate social responsibility regulation and execution. Risk management and emergency handling.
Internal Audit Office	Responsible for reviewing and assessing the effectiveness of the implementation of the Company’s internal control system.
Accounting & Finance	Responsible for finance, accounting and shareholder services.
Labor Safety & Environmental Protection	Responsible for factory safety and labor’s occupational health and hazard.
Human Resources	Responsible for Human Resources regulation creation and execution. Employee welfares and relationships.
Legal & Intellectual Property	Responsible for contract review, legal matters, and intellectual property management.
Research & Development	Responsible for development of new products.
Sales & Marketing	Responsible for market survey, development, and customer contact and coordination.
Packaging Manufacturing	Responsible for product packaging production and related process analysis, equipment maintenance.
Testing Manufacturing	Responsible for the production and related product testing process analysis, equipment maintenance.
Quality Management	Responsible for quality management policies, the design and implementation of quality indicators, customer complaints, reliability testing and equipment calibration.
Materials Management	Responsible for production scheduling, raw material procurement, warehousing and transportation management.
Information Management	Responsible for setting up and maintaining the information system.
Industrial Engineering	Responsible for facility layout planning and efficiency enhancement.
Production Management	Responsible for production capacity planning and scheduling.

## 2. Board of Directors, Independent Directors, CEO, Vice Presidents, Assistant Vice Presidents, Head of Each Department and Subsidiaries

### (1) Information Regarding Board of Directors and Independent Directors

#### Information Regarding Directors and Independent Directors (I)

Mar 31, 2022

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Chairman	D.K. Tsai	ROC	5/28/2020	Male	3 years	6/23/1999	4,130,000	0.54%	4,130,000	0.54%	-	0.00%	-	0.00%	Industrial Engineering from Taipei Institute of Technology General Manager, Kingston Technology Far East Corp. Chairman, Kingston Technology Far East Corp.	CSO of Powertech Technology Inc. Legal Representative Director of Greatek Electronics Inc. Director of Powertech Holding (B.V.I.) Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Suzhou) Ltd. Executive Director of Powertech Technology Japan Ltd. Director of Tera Probe, Inc. Director of Powertech Technology Akita Inc. Independent Director of Chicony Power Technology Co. Ltd. Chairman of PTI Education Foundation	-	-	-

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Director	J.Y. Hung	ROC	5/28/2020	Male	3 years	5/26/2017	200,000	0.03%	207,379	0.03%	0	0.00%	0	0.00%	Master of Industrial and Information Management from National Cheng Kung University Sr. VP of Siliconware Precision Industries Co. Ltd., Chairman & CEO of Smack International Corp. President & CEO of Powertech Technology Inc.	Independent Director of JMC Electronics Co. Ltd.			
Director	J.S. Leu	ROC	5/28/2020	Male	3 years	5/28/2020	62,356	0.01%	62,356	0.01%	0	0.00%	0	0.00%	Bachelor of Mechanical Engineering from Feng Chia University Deputy Director, Packaging Manufacturing, Powerchip Technology Corp.	President of Powertech Technology Inc. Chairman of Powertech Technology (Suzhou) Ltd. Chairman of Powertech Semiconductor (Xi'an) Co., Ltd Legal Representative Director of Greatek Electronics Inc. Director of PTI Technology (Singapore) Pte. Ltd Director of Powertech Technology (Singapore) Pte. Ltd.			
Director	Kingston Technology Corp. Investment Account Rep: Shigeo Koguchi	USA.	5/28/2020	Male	3 years	5/26/2017	29,875,000	3.83% 0.00%	29,875,000	3.93% 0.00%	0	0.00%	0	0.00%	Master of Engineering from University of Florida Master of Engineering from Hokkaido University Sr. Executive VP. Of Toshiba Corp. Director and Senior Advisor of Toshiba Corp.	None	-	-	-



Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Director	Kingston Technology Corp. Investment Account Rep: Daphne Wu	USA	5/28/2020	Female	3 years	5/26/2017	29,875,000	3.83% 0.00%	29,875,000	3.93% 0.00%	0	0.00%	0	0.00%	Bachelor of Accountancy from National Chengchi University CFO of Kingston Technology Far East Corp.	CFO of Kingston Technology Far East Corp. Supervisor of Kingston Solution Inc.	-	-	-
Director	Greatek Electronic Inc. Rep: Boris Hsieh	ROC	5/28/2020	Male	3 years	5/28/2020	4,750,000	0.61% 0.0%	10,000,000	1.32% 0%	0	0.00%	0	0.00%	Executive Master Degree in Business Administration from National ChiaoTung University General Manager of Kingston Technology Far East Corp. VP of Hon Hai Precision Industry Co Ltd Sr. VP of Powertech Technology Inc President of Microtech Technology Inc.	CEO of Powertech Technology Inc. Chairman & CEO of Greatek Electronics Inc. Director of Tera Probe, Inc.			
Director	Toshiba Memory Semiconductor Taiwan Corp. Rep: Kenjiro Hara	ROC	5/28/2020	Male	3 years	6/14/2005	3,655,309	0.47% 0.00%	3,655,309	0.48% 0.00%	0	0.00%	0	0.00%	Master of Mechanical Engineering from Tokyo University of Science Director of Procurement of Toshiba Memory Corporation	Chairman & President of Koxia Memory Semiconductor Taiwan Corp. President of Microtops Design Corp.			

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Independent Director	Jim W.L. Cheng	ROC	5/28/2020	Male	3 years	6/13/2008	191,614	0.04%	191,614	0.03%	0	0.00%	0	0.00%	Bachelor of Business Administration from Fu-Jen Catholic University Finance Manager of Yungtay Engineering Co., Ltd. Chairman, President & Finance VP of Taiwan Calsonic Co. Ltd.	Chairman of Yong Lien Corp. Chairman of Browave Corp Director of Center Laboratories Inc. Legal Representative Director of Lumosa Therapeutics Co. Ltd. Legal Representative Director of Yu-Cheng Consulting Co. Ltd. Legal Representative Director of Yu-Cheng Biotech Co. Ltd. Legal Representative Director of Uni-Calsonic Co., Ltd. Legal Representative Director of Yu Sheng	-	-	-
Independent Director	Pei-Ing Lee	ROC	5/28/2020	Male	3 years	5/26/2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Chemical Engineering from Syracuse University, New York Chairman of Inotera Memories, Inc.	Director & President of Nanya Technology Corp. Legal Representative Director of Formosa Advanced Technologies Co. Ltd.	-	-	-
Independent Director	Morgan Chang	ROC	5/28/2020	Male	3 years	5/28/2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Bachelor Degree in Computer and Control Engineering from National ChiaoTung University Manager of Acer Inc. Chairman of Kuang Chien Computer Co. Ltd. Deputy Mayor of Taichung City	Taiwan National Policy Advisor to the President CEO of Kuang Chien Computer Co. Ltd. Supervisor of Eastern Resins Industrial Co. Ltd. Independent Director of Max Echo Technology Corp.			
Independent Director	Jui-Tsung Chen	ROC	5/28/2020	Male	3 years	5/28/2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Honorary Doctorate from National Cheng Kung University Chairman of Compal Communications, Inc. President of Compal Electronics, Inc.	Vice Chairman & CSO of Compal Electronics, Inc. (Note )			

Note: Independent director Jui-Tsung Chen currently holding the following position:

Chairman for: Arcadyan Technology Corporation, Ripal Optotronics Co., Ltd., UniCore Biomedical Co., Ltd., Aco Smartcare Co.,Ltd., ARCE Therapeutics, Inc., Palcom International Corporation, General Life Biotechnology Co., Ltd., Ray-Kwong Medical Management Consulting Co., Ltd., Raypal Biomedical Co., Ltd., Raycore Biotech Co., Ltd., Compal System Trading (Kunshan) Co., Ltd., Chengdian Culture and Education Foundation, Compal Electronics, Inc., Kinpo&Compal Group Assets Development Corporation

Board of Director for: UNICOM GLOBAL, INC., Compal Broadband Networks, Inc., Kinpo Electronics, Inc., Kinpo Group Management Consultant Company, Mactech Co., Ltd., HengHao Technology Co. Ltd., Compal Management (Chengdu) Co., Ltd., Compal Optoelectronics (Kunshan) Co., Ltd., Compal Investment (Sichuan) Co., Ltd., Compal Investment (Jiangsu) Co., Ltd., Compal Information Technology (Kunshan) Co., Ltd., Compal Information (Kunshan) Co., Ltd., Compal Electronics Technology (Kunshan) Co., Ltd., Compal Electronics (Chengdu) Co., Ltd., Compal Electronics (ChongQing) Co., Ltd., Compal Electronics, (China) Co., Ltd., Compal Digital Technology (Kunshan) Co., Ltd., Kunshan Botai Electronics Co., Ltd., Compal Networking (Kunshan) Co., Ltd., Ascendant Private Equity Investment Ltd., Big Chance International Co., Ltd., Billion Sea Holdings Limited, Bizcom Electronics, Inc., Center Mind International Co., Ltd., Compal Display Holding (HK) Limited, Compal Electronics (Holding) Ltd., Compal Electronics International Ltd., Compal International Holding Co., Ltd., Compal International Holding (HK) Limited, Compal International Ltd., Compal Rayonnant Holdings Ltd., Compal USA (Indiana), Inc. · Compal Wise Electronic (Vietnam) Co., Ltd. · Compal Electronics Europe, Core Profit Holdings Ltd., Etrade Management Co.,Ltd., Flight Global Holding Inc., Forever Young Technology Inc., Fortune Way Technology Corp., Giant Rank Trading Limited, Goal Reach Enterprises Ltd., High Shine Industrial Corp., Intelligent Universal Enterprise Ltd., Jenpal international Ltd., Just International Ltd., Prisco International Co., Ltd., Prospect Fortune Group Ltd., Smart International Trading Ltd., Webtek Technology Co.,Ltd, Compal (Vietnam) Co., Ltd., Compal Development & Management (Vietnam) Co., Ltd., Unicom Global, Inc., Phoenix Innovation Venture Capital Co., Ltd., Arcadyan Holding (BVI) Corp., Arcadyan Technology N.A. Corporation, Arch Holding (BVI) Corp., Sinoprime Global Inc., Wah Yuen Technology Holding Ltd., Compal Wise Electronic (Vietnam) Co., Ltd.

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For Directors or Committee Members that are representatives of Institutional Shareholders, the main shareholders of the Institutional Shareholders (the Top Ten Shareholders)

Mar 31, 2022

Name of Institutional Shareholder	Main Shareholders of the Institutional Shareholders
Kingston Technology Corporation Investment Account	John Tu (50%), David Sun (50%)
Greatek Electronic Inc.	Powertech Technology Inc. (42.91%), Yunta High Dividend Yield Fund (4.46%), Chang Gung Medical Foundation (1.32%), Weltrend Semiconductor, Inc. (1.28%), Su-yu Wu(1.14%), Hung-Wei Venture Capital Co., Ltd (1.02%), Chu-sha Yang (1.01%), Chang Wah Electro-materials Inc. (0.97%), Cheng-shen Chu (0.88%), Citibank Taiwan in Custody for Norges Bank Investment Account (0.85%)
Kioxia Memory Semiconductor Taiwan Corp.	Kioxia Corporation (100%)

The main shareholders of the Institutional Shareholders in Table above whose main shareholders are Institutional Shareholders:

Mar 31, 2022

Name of Institution	Main Shareholders of the Institution
Powertech Technology Inc.	China Life Insurance Co., Ltd.(4.94%), Cathay Life Insurance Co. Ltd.(4.45%), Investment Account of Kingston Technology Corporation(3.94%), Hermes Investment Funds Public Limited Company(3.73%), Chunghwa Post Co. Ltd. (2.50%), Nan Shan Life Insurance Co., Ltd.(2.42%), New Labor Pension Fund(2.26%), KTC-SUN Corp.(1.81%), Labor Pension Fund Supervisory Committee-Labor Retirement Fund (1.38%), Vanguard Emerging Markets Stock Index Fund (0.82%)
Chang Gung Medical Foundation	Nan Ya Plastics Corp(19.27%), Formosa Chemicals & Fiber Corp (14.83%), Formosa Plastics Corp(14.23%), Wang Yong Zai (12.04%), Wang Yong Ching (27.87%)
Weltrend Semiconductor, Inc.	Rui-Min Chang(4.86%), Fulfund Investment Inc. (2.79%), Sam Lin (2.51%), Citibank (Taiwan) Ltd. in Custody for Polunin Emerging Market Fund (1.75%), JPMorgan Chase Bank N.A. Taipei Branch in Custody Vanguard Emerging Markets Stock Index Fund (1.07%), Buima Group Inc. (1.07%), JP Morgan Chase Bank in Custody for Vanguard Total International Stock Index Fund (0.85%), JP Morgan Chase Bank in Custody for Norges Bank Investment Account (0.82%)
Hung-Wei Venture Capital Co., Ltd.	Realtek Semiconductor Corp.(100%)
Chang Wah Electro-materials Inc.	Wah Lee Industrial Corp. (29.02%), Shin-shin Investment Inc.(8.32%), Fubon Life Assurance Co. Ltd .(6.79%), Yuan-yao Energy Inc.(6.17%), Citibank (Taiwan) Ltd. in custody for Government of Singapore(5.90%), Bestjet Investment Inc. (3.11%), JMC ELECTRONICS CO., LTD (1.99%), Citibank (Taiwan) Ltd. in custody for Monetary Authority of Singapore (1.52%), Wu-Fang Lee (0.79%), Kong-Tai Investment Corp. (0.73%)
Kioxia Corporation	Kioxia Holdings Corporation (100%)

## (1) Information Regarding Board of Directors

Name	Qualification	Specialty Field and Experiences	Independence	Independent Director of Public listed Company
DK Tsai		Business strategy and operational experiences CSO of Powertech Technology Inc. President of Kingston Far East Group and Chairman of Kingston Technology Corp. Not been a person of any conditions defined by Article 30 of the Company Law	NA	Chicony Power Technology Co. Ltd.
JY Hung		Business strategy and mfg operation experiences. Sr VP of Siliconware Precision Industries Co. Ltd., Chairman & CEO of Smack International Corp., President & CEO of Powertech Technology Inc. Not been a person of any conditions defined by Article 30 of the Company Law	NA	None
JS Leu		Business strategy and mfg operation experiences. President of Powertech Technology Inc. Deputy Director of Packaging Manufacturing in Powerchip Technology Corp. Not been a person of any conditions defined by Article 30 of the Company Law	NA	None
Kingston Technology Corp. Investment Account Rep: Shigeo Koguchi		Business strategy and mfg operation experiences. Sr. Executive VP. Of Toshiba Corp. Director and Senior Advisor of Toshiba Corp. Not been a person of any conditions defined by Article 30 of the Company Law	NA	None
Kingston Technology Corp. Investment Account Rep: Daphne Wu		Business strategy and finance & accounting experiences. CFO of Kingston Technology Far East Corp. CFO of Kingston Technology Far East Corp. Supervisor of Kingston Solution Inc. Not been a person of any conditions defined by Article 30 of the Company Law	NA	None
Greatek Electronic Inc. Rep: Boris Hsieh		Business strategy and mfg operation experiences. CEO of Powertech Technology Inc. Chairman & CEO of Greatek Electronics Inc. General Manager of Kingston Technology Far East Corp. VP of Hon Hai Precision Industry Co Ltd Sr. VP of Powertech Technology Inc President of Microtech Technology Inc Not been a person of any conditions defined by Article 30 of the Company Law	NA	None

Name	Qualification	Specialty Field and Experiences	Independence	Independent Director of Public listed Company
Toshiba Memory Semiconductor Taiwan Corp. Rep: Kenjiro Hara		Business strategy and supply management experiences. Chairman & President of Koxia Memory Semiconductor Taiwan Corp. President of Microtops Design Corp. Director of Procurement of Toshiba Memory Corporation Not been a person of any conditions defined by Article 30 of the Company Law	NA	None
Jim W.L. Cheng		Business strategy and finance & accounting experiences. Chairman of Yong Lien Corp. Chairman of Browave Corp Director of Center Laboratories Inc. Legal Representative Director of Lumosa Therapeutics Co. Ltd. Legal Representative Director of Yu-Cheng Consulting Co. Ltd. Legal Representative Director of Yu-Cheng Biotech Co. Ltd. Legal Representative Director of Uni-Calsonic Co., Ltd. Legal Representative Director of Yu Sheng Finance Manager of Yungtay Engineering Co., Ltd. Chairman, President & Finance VP of Taiwan Calsonic Co. Ltd Not been a person of any conditions defined by Article 30 of the Company Law.	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer, or of any of the above persons.	None
Pei-Ing Lee		Business strategy and mfg operation experiences. Over 38 years' experiences in Semiconductor and DRAM industry. Director & President of Nanya Technology Corp. Legal Representative Director of Formosa Advanced Technologies Co. Ltd. ° Not been a person of any conditions defined by Article 30 of the Company Law.	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer, or of any of the above persons.	Max Echo Technology Corp.
Morgan Chang		Business strategy and mfg operation experiences. Taiwan National Policy Advisor to the President CEO of Kuang Chien Computer Co. Ltd. Supervisor of Eastern Resins Industrial Co. Ltd. Independent Director of Max Echo Technology Corp. Manager of Acer Inc. Chairman of Kuang Chien Computer Co. Ltd. Deputy Mayor of Taichung City Not been a person of any conditions defined by Article 30 of the Company Law	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer, or of any of the above persons.	None
Jui-Tsung Chen		Business strategy and mfg operation experiences. Vice Chairman & CSO of Compal Electronics, Inc Chairman of Compal Communications, Inc. President of Compal Electronics, Inc. Not been a person of any conditions defined by Article 30 of the Company Law	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer, or of any of the above persons.	None

## Director Diversity and Independence:

1. 9<sup>th</sup> Term Board of Director are composed by of 11 directors with diverse profession skills including: (1) visionary and execution ability from DK Tsai, JY Hung, JS Leu, Boris Hsieh, Jui-Tsung Chen, and Morgan Chang (2) accounting & finance specialty from Daphne Wu and Jim W.L. Cheng (3) Technology expertise from Shigeo Koguchi and Pei-Ing Lee (4) supply management specialty from Kenjiro Hara.
2. Director diversification: (1) Nationality: 9 from Taiwan and 2 from Japan (2) 36% (4 person) as independent director higher than Taiwan Securities and Exchange Act requirement (3) Age distribution: 2 at 51-60, 6 at 61-70, and 3 at 71-80 (4) Gender distribution: 1 female director.
3. Board composition has surpassed the requirement of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies Article 20. Future implementation and improvement will be focus on but not limited to fundamental and professional skills to ensure board directors are up-to-date with regulation and industry trends.
4. Independence: Jim W.L. Cheng has served over 9 years as independent director whose specialty in accounting & finance, corporate governance, and legal made him a valuable asset to the company. Therefore, Mr. Cheng will continue serve as intendent director. The remaining 3 independent directors who served under 9 years.

(2) Information Regarding President, Vice Presidents, Assistant Vice Presidents, and Department Managers

Mar 31 2022 / Unit: share

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3 <sup>rd</sup> Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
CSO	D.K. Tsai	ROC	Male	11/02/2018	4,130,000	0.544%	-	-	-	-	Industrial Engineering from Taipei Institute of Technology General Manager of Kingston Technology Far East Corp. Chairman of Kingston Technology Far East Corp.	Chairman of Powertech Technology Inc. Legal Representative Director of Greatek Electronics Inc. Board Director of Powertech Holding (B.V.I.) Inc. Board Director of PTI Technology (Singapore) Pte. Ltd. Board Director of Powertech Technology (Singapore) Pte. Ltd. Board Director of Powertech Technology (Suzhou) Ltd. Executive Director of Powertech Technology Japan Ltd. Board Director of Tera Probe, Inc. Board Director of Powertech Technology Akita Inc. Independent Director of Chicony Power Technology Co. Ltd. Chairman of PTI Education Foundation	-	-	-
CEO	Boris Hsieh	ROC	Male	10/01/2020	48,000	0.006%					Executive Master Degree in Business Administration from National ChiaoTung University General Manager of Kingston Technology Far East Corp. VP of Hon Hai Precision Industry Co Ltd Sr. VP of Powertech Technology Inc. President of Microtech Technology Inc.	CEO of Powertech Technology Inc. Chairman & CEO of Greatek Electronics Inc. Board Director of Tera Probe, Inc			



Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3 <sup>rd</sup> Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
President	J.S. Leu	ROC	Male	10/01/2020	62,356	0.008%	-	-	-	-	Bachelor of Mechanical Engineering from Feng Chia University Deputy Director of Packaging Manufacturing, Powerchip Technology Corp.	Board Director of Powertech Technology Inc. Chairman of Powertech Technology (Suzhou) Ltd Chairman of Powertech Semiconductor (Xian) Co., Ltd. Legal Rep Director of Greatek Electronics Inc. Board Director of PTI Technology (Singapore) Pte. Ltd. Board Director of Powertech Technology (Singapore) Pte. Ltd.	-	-	-
COO & Sr. VP.	Y. C. Chen	ROC	Male	11/05/2021	0	0.000%	-	-	-	-	Bachelor of Industrial Engineering from Chung Yuan Christian University Mfg Manager of PowerChip Technology Corp.	Legal Rep Director of Greatek Electronics Inc. Board Director of PTI Education Foundation			
Quality Assurance Sr VP.	John Wang	ROC	Male	12/12/2002	91,056	0.012%	-	-	-	-	MBA from National Chia Tung University Assistant VP of R&D, Kingpak Technology Inc.	Board Director of PTI Education Foundation	-	-	-
Sr. VP & CFO	Evan Tseng	ROC	Male	05/01/2015	2,000	0.000%	-	-	-	-	Master of Accountancy from Soochow University Sr. AVP of Systex Corp.	Chairman of TeraPower Technology Inc. Board Director of Powertech Technology (Singapore) Pte. Ltd. Board Supervisor of Powertech Technology (Suzhou) Ltd. Board Director of Powertech Semiconductor (Xian) Co., Ltd. Board Director of Tera Probe, Inc. Representative Director of Powertech Technology Akita Inc. Supervisor of Tsai Lin Pu Social Welfare Foundation			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3 <sup>rd</sup> Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Sales Strategy Sr.VP	Phu Le	USA	Male	04/01/2011	0	0.000%					Bachelor of Mechanical Engineering from Shibaura Institute of Technology, Assembly Package Engineering Manager of Toshiba Microelectronics America Corp. Director of Assembly Package Operations of Payton Technology Corp. Sales Director of Kingston Technology Corp.				
Sales VP	Kevin Chiao	ROC	Male	10/01/2020	0	0.000%					Master of Industrial Engineering and Management from National Chiao Tung University Manager of Motorola, Inc. Manager of Macronix International Co., Ltd	None			
Packaging Operations II Sr. VP	Paul Wu	ROC	Male	03/09/2010	0	0.000%					Bachelor of Mechanical Engineering from Tamkang University Director of Amkor Taiwan	Board Director of PTI Education Foundation			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3 <sup>rd</sup> Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Testing Operations Sr. VP	Wilber Wu	ROC	Male	03/09/2010	10,786	0.001%					Master of Industrial Engineering from Chung Yuan Christian University Department Manager of PowerChip Technology Corp.	Legal Rep Director of TeraPower Technology Inc. Board Director of PTI Education Foundation			
Module Operations Sr. VP	Y.C. Chi	ROC	Male	05/10/2012	0	0.000%	25,000	0.003%			EMBA from National Central University Department Manager of PowerChip Technology Corp.	None			
Chief Packaging R&D Officer	David Fang (Note 1)	ROC	Male	05/01/2015	0	0.000%					Bachelor of Electronics Engineering from Chung Yuan Christian University Texas Instrument Inc. Holtek Semiconductor Inc. Deputy Manager of PowerChip Technology Corp.	None			
Plant Affairs VP	Perry Lin	ROC	Male	01/11/2019	20,715	0.003%					Associate degree of Mechanical Engineering from Minghsin Institute of Science & Technology Manager of Kingston Technology Far East Corp.	None			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3 <sup>rd</sup> Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Human Resources & Legal Affairs VP.	Yohan Lin	ROC	Male	01/11/2019	180,000	0.024%					J.D from Law School of Golden Gate University Attorney of PricewaterhouseCoopers Taiwan	Board Supervisor of Powertech Semiconductor (Xian) Co., Ltd Board Supervisor of Powertech Technology Akita Inc. Board Supervisor of TeraPower Technology Inc. Board Director of PTI Education Foundation			
Logic Testing R&D AVP	Vic Chen	ROC	Male	05/10/2012	87,000	0.011%					Master of Electrical Engineering from National Taiwan Science & Technology University AVP of Verigy Ltd. AVP of Agilent Technology Taiwan Ltd.	None			
WLP AVP	Victor Tung	ROC	Male	03/01/2016	0	0.00%	3,000	0.00%			Master of Industrial Engineering from Yuan Ze University Sr. Director of Amkor Taiwan	None			
Production Planning AVP	Jonny Chu	ROC	Male	11/06/2020	18,000	0.002%					Bachelor of Business Administration from Feng Chia University Manager of Amkor Taiwan	None			

Note 1: David Fang resigned from Chief Packaging R&D Officer on May 7 2021.

### 3 Remuneration Paid to Directors, CEO, and Vice Presidents

#### (1) Remuneration Paid to Directors

Unit : NT\$ Thousands

Title	Name (Note 1)	Director's Remuneration								Total Remuneration (A+B+C+D) as % of 2017Net Income (Note 10)		Compensation Earned by Director Who is also an Employee of PTI or PTI's Consolidated Entities						Total Compensation (A+B+C+D+E+ F+G) as % of 2017 Net Income (Note 10)		Compensati on Paid to Directors from Nonconsoli dated Affiliates		
		Base Compensation (A)(Note 2)		Severanc e Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)		Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employee Profit Sharing (G) (Note 6)								
		From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI(%)	From All Consolidated Entities(%)	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI		From All Consolidat ed Entities			From PTI(%)	From All Consolidated Entities(%)
																Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
Chairman	D.K. Tsai (Note 11)																					
Director	J.Y. Hung																					
Director	JS Leu																					
Director	Kingston Technology Corporation Rep: Shigeo Koguchi	0	0	0	0	120,128	161,573	840	1,490	1.36	1.83	41,400	56,416	0	0	18,019	0	29,512	0	2.03	2.80	NA
Director	Rep: Daphne Wu																					
Director	Greatek Electronic Inc. Rep: Boris Hsieh																					
Director	Kioxia Memory Semiconductors Taiwan Corp. Rep: Kenjiro Hara																					
Independent Director	Jim W.L Cheng	9,120	9,120	0	0	0	0	480	480	0.11	0.11	0	0	0	0	0	0	0	0	0.11	0.11	NA
Independent Director	Pei-Ing Lee																					
Independent Director	Morgan Chang																					
Independent Director	Jui-Tsung Chen																					

1. Independent director's compensation policy, procedure, standard and structure are dependent on liability, risk, and time involved:

Base on the Article of Incorporation, independent director compensation will be distributed monthly exclude from annual board compensation. Independent director compensation will be dependent on contribution and involvement of operations and approved by board. The approved compensation should also be reasonable with domestic and international peers.

2. Additional compensation for services for company disclosed in the annual report (such as outside consultant): NA

### Remuneration Paid to Directors Grade Table

Grade Scale of Remuneration paid to each director of PTI	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From PTI (Note 8)	From All Consolidated Entities (Note 9)	From PTI (Note 8)	From All Consolidated Entities (Note 9)
Under NT\$ 2,000,000				
NT\$ 2,000,000 ~ NT\$ 3,499,999	Jim WL Cheng, Pei-Ing Lee, Morgan Chang, Jui-Tsung Chen	Jim WL Cheng, Pei-Ing Lee, Morgan Chang, Jui-Tsung Chen	Jim WL Cheng, Pei-Ing Lee, Morgan Chang, Jui-Tsung Chen	Jim WL Cheng, Pei-Ing Lee, Morgan Chang, Jui-Tsung Chen
NT\$ 3,500,000 ~ NT\$ 4,999,999				
NT\$ 5,000,000 ~ NT\$ 9,999,999				
NT\$ 10,000,000 ~ NT\$ 14,999,999				
NT\$ 15,000,000 ~ NT\$ 29,999,999	JY Hung JS Leu Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu) Greatek Electronic Inc. Kioxia Memory Semiconductor Taiwan Corp	JY Hung JS Leu Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu) Kioxia Memory Semiconductor Taiwan Corp	JY Hung JS Leu Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu) Greatek Electronic Inc. Kioxia Memory Semiconductor Taiwan Corp	JY Hung JS Leu Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu) Kioxia Memory Semiconductor Taiwan Corp
NT\$ 30,000,000 ~ NT\$ 49,999,999	D.K. Tsai	Greatek Electronic Inc.	Greatek Electronic Inc.	
NT\$ 50,000,000 ~ NT\$ 99,999,999	—	D.K. Tsai	D.K. Tsai	D.K. Tsai , Greatek Electronic Inc.
Over NT\$ 100,000,000	—	—	—	—
Total Director Count	11	11	11	11

Note 1: The names of all directors are listed individually (institutional shareholders by the name of institutional shareholders and its representatives). The remuneration is disclosed by summary for each item. Because two directors or representatives serve as CEO and president, they are excluded from this table and will be listed in Table 3 below.

Note 2: Remuneration paid for 2021. According to the latest Article of Incorporation, independent directors' compensation will be paid monthly and no longer in title to annual profits sharing plan.

Note 3: Remuneration paid for 2021 profit sharing plan before the amendment of Board remuneration plan.

Note 4: Compensation for traveling.

Note 5: Includes 2021 salaries, wages, allowances, pensions, severance pay, bonuses, incentives, traveling expenses, special expenses, allowances, dormitories, vehicles and other offers received as both employees and directors.

Note 6: The amount was employees served as Board members and received employee's profit sharing. The amount was estimated by ratio of year of 2020 actual amount multiple by year of 2021 distribution rate because the actual amount was pending for shareholders meeting approval.

Note 7: Discloses the total remuneration by item paid to company's directors from all consolidated entities (including PTI).

Note 8: The total remuneration paid to each director by item from PTI, including the grade and disclosure of director's name.

Note 9: The total remuneration paid to each director by item from all consolidated entities (including PTI), including the grade and disclosure of director's name.

Note 10: After-tax net income refers to the after-tax net income of the PTI financial statements for 2021.

Note 11: One dedicated fulltime employee served as Chairman driver who was eligible for wages, bonuses, and benefits.

(2) Remuneration Paid to President and Vice President

Unit: NT\$ Thousands

Title	Name (Note1)	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances(C) (Note 3)		Employee Profit Sharing (D) (Note 4)				Total Remuneration (A+B+C+D) as % of 2017 Net Income (%)		Compensation Received from Non-consolidated Affiliates
		From PTI	From All Consolida ted Entities	From PTI	From All Consolida ted Entities	From PTI	From All Consolida ted Entities	From PTI		From All Consolidated Entities		From PTI	From All Consolidated Entities	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CSO	D.K. Tsai	45,209	45,209	0	0	66,517	81,793	34,056	0	45,549	0	1.64%	1.94%	NA
CEO	Boris Hsieh													
President	J.S. Leu													
COO & Sr. VP.	Y.C. Chen													
CQO & Sr. VP.	John Wang													
CFO & Sr. VP.	Evan Tseng													
Sales Management Sr. VP.	Phu Le													
Sales VP	Kevin Chiao													
Packaging Operations II Sr. VP.	Paul Wu													
Testing Operations Sr. VP.	Wilber Wu													
Module Operations Sr. VP.	Y.C. Chi													
CTI & VP.	David Fang (note)													
Plant Affairs VP	Perry Lin													
Human Resources & Legal Affairs VP.	Yohan Lin													

## Remuneration Paid to President and Vice President Grade Table

Grade Scale of Remuneration paid to each of PTI's CEO, President, and Vice Presidents	Name	
	From PTI (Note 7)	From All Consolidated Entities (Note 8)
Under NT\$ 999,999	—	—
NT\$ 1,000,000 ~ NT\$ 1,999,999	David Fang	David Fang
NT\$ 2,000,000 ~ NT\$ 3,499,999	—	—
NT\$ 3,500,000 ~ NT\$ 4,999,999	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	YC Chen , John Wang, Phu Le, Kevin Chiao , Paul Wu ,Wilber Wu, YC Chi, Perry Lin , Yohan Lin	YC Chen , John Wang, Phu Le, Kevin Chiao , Paul Wu ,Wilber Wu, YC Chi, Perry Lin , Yohan Lin
NT\$ 10,000,000 ~NT\$ 14,999,999	J.S. Leu, Evan Tseng	J.S. Leu, Evan Tseng
NT\$ 15,000,000 ~NT\$ 29,999,999	D.K. Tsai, Boris Hsieh	D.K. Tsai
NT\$ 30,000,000 ~NT\$ 49,999,999	—	Boris Hsieh
NT\$ 50,000,000 ~NT\$ 99,999,999	—	—
Over NT\$ 100,000,000	—	—
Total Number of Executives	14	14

Note: CTO& VP David Fang resigned on May 7 2021.

Note 1: The names of CEO, President, and Vice Presidents are separately listed, and total remuneration disclosed for each item paid. Director serving as CEO and President are listed in this table and Table 1.

Note 2: Remuneration included President and Vice President Payrolls and incentives in 2021.

Note 3: Remuneration included President and Vice President Bonuses, transportation incentives, special allowances, and other incentives in 2021.

Note 4: The amount was estimated using 2021 profit sharing ratio and approved by 2020 Board Meeting. Details listed in Table 3.

Note 5: The amount was the summary remuneration paid to company's CEO, President, and Vice Presidents from all consolidated entities.

Note 6: Each executive management compensation was disclosed in range.

Note 7: All compensation from consolidated statements was disclosed by range for each executive management.

Note 8: After tax net income refers to the after tax net income of the PTI financial statements for 2021.



### (3). Bonuses Paid to Management

Date: Dec 31 2021

	Title	Name	Stock (Fair Market Value)	Cash(NTD K)	Total(NTD K)	Total as % of 2021 Net Income
Management	CSO	D.K. Tsai	0	37,600	37,600	0.42%
	CEO	Boris Hsieh				
	President	J.S. Leu				
	COO & Sr. VP	Y.C. Chen				
	CQO & Sr. VP	John Wang				
	CFO & Sr. VP.	Evan Tseng				
	Sales Strategy Sr. VP.	Phu Le				
	Sales VP	Kevin Chiao				
	Packaging Operations II. Sr. VP.	Paul Wu				
	Testing Operations Sr. VP.	Wilber Wu				
	Module Operations Sr. VP.	Y.C. Chi				
	CTO & VP.	David Fang (Note)				
	Plant Affairs VP.	Perry Lin				
	Human Resources & Legal Affairs VP.	Yohan Lin				
	Testing RD AVP.	Vic Chen				
	Wafer Level Packaging AVP.	Victor Dong				
	Production Planning AVP	Jonny Chu				

Note: CTO & VP David Fang resigned on May 7 2021.

Note 3: The 2021 profit sharing amount was approved by Board of Directors but pending for Shareholders' Meeting approval. The estimation was based on 2021 actual amount multiple by proposed ratio for 2020. Net income after tax for 2021 was referred to 2021 PTI financial statement net income after tax.

Note 4: Applicable grades for management are based on ruling of FSC Letter No. 0920001301 MOF March 27, 2003. The grades are listed below:

- 1) President or equivalent grade
- 2) Vice Presidents or equivalent grade
- 3) Assistant Vice President or equivalent grades
- 4) Head of Finance Department
- 5) Head of Accounting Department
- 6) Other Corporate management affairs or have signing authority

Note 5: For Directors, President, and Vice President who received employee profit sharing, in addition to filling related tables, information is contained in this table.

### 4. The percentage of compensation to Board, Supervisor, President, Vice President:

Title	2021 Compensation Percentage of Net Income after Tax		2020 Compensation Percentage of Net Income after Tax	
	PTI Alone	Consolidated	PTI Alone	Consolidated
Board of Director (Including Independent Director)	1.47%	1.94%	1.49%	1.98%
President and Vice President	1.64%	1.94%	2.15%	2.20%

- (1) Compensation for Board of Directors were based on the percentage defined in Article of Incorporation. 2021 compensation was based on revised Article of Incorporation which was less than 1.5% of before tax income deducted annual board and employee compensation. Independent Directors were paid monthly and not entitled to board compensation.
- (2) Compensation for President and vice President were based on corporate payroll policy and employee profit sharing policy considering individual seniority, experiences, performance, and contribution. Compensation proposal will be reviewed by Remunerations Committee and approved by Board.
- (3) Weight of 2021 Board compensation over net income were similar with 2020 due to including salary compensation of one employee who served as additional Legal

Representative Director. Weight of 2021 management compensation over net income were lower than 2020 due to 2021 employee headcount increased.

#### 4. Corporate Governance Status

(I) Board of Directors Meeting Status:

##### Board of Directors Meeting Status

6 Board Meetings took place during 2021. The attendance status as follows:

Title	Name	Attend In Person	Attend By Proxy	Attendance Rate	Note
Chairman	D.K. Tsai	6	0	100%	
Director	JY Hung	6	0	100%	
Director	JS Leu	6	0	100%	
Director	Kingston Technology Corp. Rep: Shigeo Koguchi	6	0	100%	
Director	Kingston Technology Corp. Rep: Daphne Wu	5	1	83.3%	
Director	Greatek Electronic Inc. Rep: Boris Hsieh	6	0	100%	
Director	Kioxia Memory Semiconductors Taiwan Corp Rep : Kenjiro Hara	6	0	100%	
Independent Director	Jim W.L. Cheng	6	0	100%	
Independent Director	Pei-Ing Lee	6	0	100%	
Independent Director	Morgan Chang	6	0	100%	
Independent Director	Jui-Tsung Chen	5	1	83.3%	
Accumulated Average Attendance		64	2	96.97%	

Other Remark:

1. Any of the following situation should be clearly stated board meeting date, term, proposal details, all opinions from independent directors, and responses from the Company reading Independent Director opinion:

(1) Items listed by Article 14-3 of Securities and Exchange Act:

Audit Committee has been set up complied with Article 14-3 of Securities and Exchange Act and approved by Board. Details operations of Audit Committee can be found in Audit Committee Meeting Status in next section.

(2) Other written opinion or objection from Independent Directors regarding Board approval items:

None.

2. Independent Directors should leave during discussion for matters with conflict of interest. Name of directors, proposal details, reason of conflicts and voting results:

(1) Board Meeting on Mar 12, 2021

Item 6: Management promotion and compensation adjustment

DK Tsai, Boris Hsieh, and JS Leu were excused from the meeting due to

conflict of interests. Remaining participated directors approved the proposal.

(2) Board Meeting on Jul 9, 2021

Item 2: Proposal for removal of non-compete clause for board directors.

JY Hung and Kenjiro Hara were excused from the meeting due to conflict of interests. Remaining participated directors approved the proposal.

(3) Board Meeting on Aug 6, 2021

Item 1: Proposal for 2020 management compensation plan

DK Tsai, Boris Hsieh, and JS Leu were excused from the meeting due to conflict of interests. Remaining participated directors approved the proposal.

3. Self-professional targets set up for the Board (ex, set up of Audit Committee, improve corporation transparency) and keep track of progress:

<b>Review Frequency</b>	<b>Once a year</b>
Review Period	Jan 1 2021 to Dec 31 2021
Scope	Individual performance evaluation for director of board, audit and remuneration committee.
Evaluation Method	Each director will be reviewed by internal and self-evaluations. Or any other proper performance evaluation method.
Review Key Items	1. Board Operation Efficiency: Evaluation should include board's dedication, quality of decision making, quality of elected member, commitment of continuing education, and quality of internal control.
	2. Individual Director Performance : Realization of director responsibility, Awareness of corporate goals and progresses, involvement of operations, establishment of corporate communication, and improvement on professional learning and internal control.
	3. Functional Director Performance : Involvement of corporate operation, realization of director responsibility, quality of decision-making and elected members, and quality of internal control.

A performance category is rated as “exceptional” if the total completion rate was 90% or higher in the survey; A performance category is rated as “acceptable” if the total completion rate was between 80% (inclusive) and 90% in the survey; A performance category is rated as “improvement needed” if the total completion rate was less than 80% in the survey;

<b>Board Performance Evaluation</b>				
Index	Weight	Full Score	Evaluation	Achieved%
1.Involvement of Operations	7	21	21.0	100%
2.Improvement of Board conclusion quality	11	33	32.4	98%
3.Board structure and members selection	6	18	18.0	100%
4.Board member criteria and continue education	6	18	15.6	87%
5.Internal Evaluation	5	10	9.2	92%
Total	35	100	96.2	96%
Command	Achieve rate at 96% which met performance requirement.			
<b>Board Member Evaluation</b>				
Index	Weight	Full Score	Evaluation	Achieved%
1.Management of target achievement and progress	3	15	14.00	93%
2.Awarness of board duties	3	15	14.00	93%
3.Depth of operations involvement	6	30	26.55	88%
4.Bounding and communicate within the operations	3	15	13.36	89%
5.Board proficiency and continue education	2	10	8.64	86%
6.Internal Evaluation	3	15	13.45	90%
Total	20	100	90.00	90%
Command	Achieve rate at 90.00% which met performance requirement.			

<b>Audit Committee Evaluation</b>				
Index	Weight	Full Score	Evaluation	Achieved%
1.Depth of operations involvement	4	20	19.25	96%
2.Awarness of committee duties	5	25	23.75	95%
3.Improvement of Board conclusion quality	5	25	24.25	97%
4.Committee structure and members selection	3	15	14.75	98%
5.Internal Evaluation	3	15	14.50	97%
Total	20	100	96.50	96.5%
Command	Achieve rate at 96.5% which met performance requirement.			

<b>Remuneration Committee Evaluation</b>				
Index	Weight	Full Score	Evaluation	Achieved%
1.Depth of operations involvement	4	20	18.33	92%
2.Awariness of committee duties	4	20	18.33	92%
3.Improvement of Board conclusion quality	7	35	33.00	94%
4.Committee structure and members selection	4	20	19.33	97%
5.Internal Evaluation	1	5	5.00	100%
Total	20	100	94.00	94%
Command	Achieve rate at 94.00% which met performance requirement. °			

Method of improvement:

(1) Continuing education courses shall be arranged for all directors on professional knowledge and regulatory requirements related to corporate governance. Such courses will enhance the directors' understanding of their powers and duties as well as their participation in the operation of the company.

(2) The CPA shall be invited to attend Board meetings in a non-voting capacity when the annual financial reports are up for discussion. The participation of the CPA in the communication and discussion of the motion increases the opportunity for interaction between directors and the CPA.

4. An evaluation of the goals set for strengthening the functions of the Board (e.g. Establishment of Audit Committee, enhancing information transparency) and implementation status during the current and immediately preceding fiscal years:

The Company convened 6 meetings of the Board of Directors during 2021. An abstract of material resolutions passed by the Board were posted on the Market Observation Post System website in both English and Chinese on the same day immediately after each meeting in accordance with the principle of enhancing information transparency. Investor and press conferences were also held based on statutory or practical requirements to explain and answer questions about material information.

The "Rules for Performance Evaluation of Board of Directors" were passed by the 16th meeting of the 8th Board of Directors on March 10, 2020, to strengthen corporate governance and enhance Board functions, as well as improve the Board efficiency through the setting of performance targets. Under the Rules, an international evaluation of Board performance must be conducted annually and completed by the first quarter of the following year.

5. Succession planning for the Chairperson (or Board members) and Management including related training, development and timetables:

Under the Company's succession plan, a successor must not only possess exceptional strategic business planning, logical analysis and management skills but also demonstrate that their values are aligned with our corporate culture of humanism, honesty and integrity. They must strive to realize the goal of "Global No.1 in Technology, Quality and Service" to ensure the sustainable development of the company. Succession planning is now being carried out in the following areas:

1. Organizational adjustments and rotation

(1) Change of CEO and President:

A change of President and COO was carried out in 2021. The adjustment of organizational role served to refine our succession planning. The passing of the baton on the Chairperson's business

philosophy and management strategy will help pave the way for the President to take over the reins of the Company and its future direction of development.

(2) Rotation of senior managers:

Senior managers were appointed as the Chairperson or Board directors at subsidiaries while vice presidents of manufacturing operations were made managers at overseas subsidiaries. The rotation of assignments enhanced the business planning skills of senior managers and helped them build up experience in business administration.

(3) Appointment of factory directors:

The position of factory director was appointed for manufacturing operations to hone their management skills and build up their hands-on experience with all aspects of manufacturing operations. The assignment is used to cultivate successors for senior managers in manufacturing units.

2. Passing on of ideals and experience

(1) Institutionalization of business philosophy and management experience:

Business philosophy and management experience are institutionalized and documented by current senior management. The continuation of this legacy is assured through the definition of the Company's core and management competencies as well as the restructuring of roles and responsibilities.

(2) Establishment and participation in important Company meetings:

Middle and senior management's participation in Company meetings such as half-yearly meetings, business meetings, production and sales meetings, and information sessions by R&D units introduced them to core management operations, carry on the Company's business management philosophy, understand industry trends, and become familiar with the company's development strategy.

3. Successor nomination and development at all levels of management

(1) Successor nomination at all levels of management

Once a suitability assessment is conducted through annual performance management, managers can nominate personnel as potential successors.

(2) Development of potential successors

Managers at all levels are cultivated through a series of internal and external training programs to equip them with the necessary professional knowledge, skills, management ability, and ethics. Familiarization with the Company's corporate culture and business philosophy also prepare them for a future role in each level of management.

(II) Audit Committee Meeting Status:

4 meetings were hold during 2021. The attendance status as follow:

Title Name	Attendance	In Person	By Proxy	Attendance Rate	Note
Independent Director	Jim W.L. Cheng	4	0	100%	
Independent Director	Pei-Ing Lee	4	0	100%	
Independent Director	Morgan Chang	4	0	100%	
Independent Director	Jui-Tsung Chen	3	1	75%	

Other matters that require reporting:

1. Summary of the Audit Committee's operations during the year

The Audit Committee of the Company is made up of 4 independent directors. The purpose of the Committee is to ensure the quality and integrity of the Board of Directors during its execution of the accounting, auditing, and financial reporting processes as well as financial controls.

Key matters reviewed by the Audit Committee in 2021 included:

- (1) Financial report as well as accounting policy and procedure
- (2) Internal audit plan and the effectiveness of the internal control system
- (3) Change of internal audit officer
- (4) Loans to subsidiaries as well as the provision of endorsements and guarantees to subsidiaries
- (5) Distribution of earnings
- (6) Transaction of derivative financial products
- (7) Amendment to Code of Business Conduct and Ethics
- (8) Downsizing and shutting down of subsidiaries
- (9) Private placement of securities
- (10) Company risk control
- (11) Evaluation of CPA independence and competence.
- (12) Non-arm's length transaction

▲ Review of financial report

The 2021 business report, financial statements, and earnings distribution proposal were issued by the Board of Directors. The financial statements were audited by the accounting firm Deloitte Taiwan and an auditor's report issued. The business report, financial statements and earnings distribution proposal mentioned above were reviewed by the Audit Committee and no discrepancies found.

▲ Evaluation of effectiveness for internal control system

The Audit Committee reviewed periodic reports from the Company's audit department, CPA and management to evaluate the effectiveness of the Company's internal control policy and procedure (including controls for finance, operations, risk management, information security, and compliance). The Audit Committee concluded that the Company's risk management and internal control systems were effective, and that the Company has already adopted the necessary measures to supervise and rectify violations.

▲ Appointment of CPA, and evaluation of CPA independence and competence.

The Audit Committee is empowered to supervise the independence of the CPA as to provide reasonable assurance on the reliability of the financial statements. The CPA may not provide the Company with other services other than those related to taxation

or permitted under special dispensation.

To ensure the independence of the CPA, an independence evaluation form was drawn up by the Audit Committee based on Article 47 of the Certified Public Account Act, and the section on “Integrity, Objectivity, and Independence” in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10. The form is used to evaluate the independence, professionalism, and competence of the CPA. On March 12, 2021, the 12th meeting of the 3rd Audit Committee and the 4th meeting of the 9th Board of Directors concluded that the accountants Yu-feng Huang and Cheng-chi Lin of Deloitte Taiwan both satisfied the standard for independence and were qualified to serve as the CPA of the Company.

2. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(1) Items specified in Article 14-5 of the Securities and Exchange Act:

Board Meeting	Proposal Details & Follow Ups	Subject to Article 14-5	Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval
9th Term 4 <sup>th</sup> Meeting (Mar 12, 2021)	1. Review 2020 Operations Report and Financial Reports.	√	
	2. Review 2020 earnings distribution proposal	√	
	3. Authorized 2020 Internal Audit Report Declaration.	√	
	4. Reviewed Internal Control Procedures and Internal Audit Procedures.	√	
	5. In order to reduce currency exchange risks, proposed to extend trade long term forward exchange term with existing US\$130 m credit limit.	√	
	6. Approval for the issue of ordinary shares for cash to sponsor the issuance of depositary receipts (DRs), and/or issue of ordinary shares for cash, and/or private placement of ordinary shares for cash, and/or private placement of overseas or domestic convertible bonds no more than 77.9 million share in order to meet long term operational capital planning.	√	
	7. Review the independence and competence of hired CPA firm	√	
	All members of audit committee approved the proposals in the meeting on Mar 12, 2021.		
	All members of attended board members agreed with the conclusion reached by Audit Committee.		
9th Term 5 <sup>th</sup> Meeting (May 7, 2021)	1. Reviewed 1Q20 Financial Reports.	√	
	2. In order to reduce currency exchange risks, proposed to trade long term forward exchange term of US\$70 m.	√	
	All members of audit committee approved the proposals in the meeting on May 7, 2021.		
	All members of attended board members agreed with the conclusion reached by Audit Committee.		



Board Meeting	Proposal Details & Follow Ups	Subject to Article 14-5	Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval
9th Term 6th Meeting (Aug 6, 2021)	1. Reviewed 2Q20 Financial Reports.	√	
	2. In order to reduce currency exchange risks, proposed to trade long term forward exchange term of US\$90 m.	√	
	All members of audit committee approved the proposals in the meeting on Aug 6, 2021.		
	All members of attended board members agreed with the conclusion reached by Audit Committee.		
9th Term 7th Meeting (Nov 5, 2021)	1. Reviewed 3Q20 Financial Reports.	√	
	2. Approved 2022 Internal Audit Plan.	√	
	3. Proposed to lend Powertech Technology (Singapore) Pte. Ltd. no more than US\$15 b. Lending period less than one year and annual interest at 1.0%.	√	
	All members of audit committee approved the proposals in the meeting on Nov 5, 2021.		
	All members of attended board members agreed with the conclusion reached by Audit Committee.		

(2) Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval:

**None.**

2. Independent Directors should leave during discussion for matters with conflict of interest. Name of directors, proposal details, reason of conflicts and voting results:

**None.**

3. Communication between Independent Directors and CPA (ex. Issues regarding corporate financial, business operations, methods, results, and etc.):

- (1) Internal audit department email audit reports to independent directors in a monthly basis. The head of internal audit should have specified major findings during Audit Committee meetings.
- (2) Summarized quarterly consolidated and standalone financial statements information should be delivered and communicated with independent directors during Audit Committee meetings in order to comply with regulations defined in No 39 Statements of Auditing Standards and No.0930105373 of Securities and Futures Bureau.
- (3) No less than 1 Audit Committee meeting per quarter. Summarized communication among independent directors, head of internal audit, and CPA:

Date	Communication Summary	Action Item
2021/3/12	Matters communicated at the 3th session of the 3rd Audit Committee were as follow: 1. Report on the results of the internal audit for 2020 Q4. 2. Discussion of the results from the 2020 internal control review and self-assessment. A statement on the effective design and execution of internal controls was also issued. 3. Revision of the PTI “Internal Control System” and “Internal Audit System.”	There were no other recommendations than the items communicated on the left. The results from the internal audit for 2020 Q4 were reported to the Board of Directors;

Date	Communication Summary	Action Item
	<p>4. Approval for the issue of ordinary shares for cash to sponsor the issuance of depositary receipts (DRs), and/or issue of ordinary shares for cash, and/or private placement of ordinary shares for cash, and/or private placement of overseas or domestic convertible bonds.</p> <p>5. Accountant's report on the content and outcomes from their audit of the 2020 separate and consolidated financial statements. (including explanation of key audit matters in the audit report). Discussion and communication of major accounting estimate issues as well as recent amendments to tax and securities management regulations. In addition, review/audit planning for 2021 were also presented by the accountant. There was also discussion and communication over major audit risk items already identified by PTI.</p> <p>Communication with independent directors and recommendations:</p> <p>1. Independent directors asked about the policy of accounts receivables. CFO explained and answer independent directors' questions.</p> <p>2. CFO updated the progress of risk management committee and proposal for next board discussion.</p>	<p>Statement on the effective design and execution of internal controls for 2020, as well as the 2020 separate and consolidated financial statements were submitted to the Board of Directors for approval. Once approved, they were published and filed with the competent authorities on time.</p>
2021/5/7	<p>Matters communicated at the 4th session of the 3rd Audit Committee were as follow:</p> <p>1. Report on the results of the internal audit for 2021 Q1.</p> <p>2. Accountant's report on the content and outcomes from their audit of the 2021 Q1 consolidated financial statements. Discussion and communication of major accounting estimate issues.</p>	<p>There were no other recommendations than the items communicated on the left. The results from the internal audit for 2021 Q1 were reported to the Board of Directors; Once approved, they were published and filed with the competent authorities on time.</p>
2021/8/6	<p>Matters communicated at the 5th session of the 3rd Audit Committee were as follow:</p> <p>1. Report on the results of the internal audit for 2021 Q2.</p> <p>2. Accountant's report on the content and outcomes from their audit of the 2021 Q2 consolidated financial statements. Discussion and communication of major accounting estimate issues.</p>	<p>There were no other recommendations than the items communicated on the left. The results from the internal audit for 2021 Q2 were reported to the Board of Directors; Once approved, they were published and filed with the competent authorities on time.</p>
2021/11/5	<p>Matters communicated at the 6th session of the 3rd Audit Committee were as follow:</p> <p>1. Report on the results of the internal audit for 2021 Q3.</p> <p>2. Formulation of the 2022 internal audit plan.</p> <p>3. Accountant's report on the content and outcomes from their audit of the 2021 Q3 consolidated financial statements. Discussion and communication of major accounting estimate issues as well as recent amendments to tax and</p>	<p>There were no other recommendations than the items communicated on the left. The results from the internal audit for 2021 Q3 were reported to the</p>

Date	Communication Summary	Action Item
	securities management regulations. The accountant also outlined and discussed the key audit matters for PTI.	Board of Directors; Once approved, they were published and filed with the competent authorities on time.

(III) Variances and Reasons between PTI Corporate Governance Practices and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?	√		PTI Corporate Governance Best Practice Principles has followed “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” and approved by Board of Directors on Nov 5 2014 and amended on Feb 9, 2015 board meeting. The document was disclosed in PTI company website and MOPS.	Complied with Regulation.
2. Shareholding Structure & Shareholders’ Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	√		1. PTI has dedicated spokesman and shareholders’ affairs department to handle inquiries for shareholders. Contact information is available on company website. Legal inquiries will be handling by legal department.	Complied with Regulation.
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	√		2. Regular reports and shareholder lists will be provided by stock transfer agent. PTI has disclosed information required by authority and kept good communication with major shareholders.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	√		3. Procedures for activities with related parties has been established and followed.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	√		4. “Prohibition against Insider Trading” policy has been established to educate and prevent insiders trading for who has access to significant internal information.	
3. Composition and Responsibilities of the Board of Directors:				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	√		1. Each director qualifies for requirements defined by Corporate Governance Best Practice Principles. 11 Board Directors met professional requirements, including no less than 4 and no less than 1/3 as independent directors. One of director is female.	Complied with Regulation.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)				
	Yes	No	Explanation					
(2) Other than the Remuneration Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	√		2. The company has set up the Remuneration Committee and Audit Committee as directed by law. Other committees will be set up as needed.					
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	√		3. Board performance evaluation method has been approved in Mar 10, 2020 board meeting. Annual review will be performed and take into consideration for individual director compensation and future nomination. Current board of directors have been performed at the highest standards for shareholders' interests. 2021 evaluations were done by Feb 2022 and results will be discussed in Mar 10, 2022 board meeting.					
(4) Does the Company regularly evaluate its external auditors' independence?	√		4. Starting from 2015, annual independence review of CAP will be performed and major items are: a. Review CAP qualification and experiences. b. Declaration of Independence from CPA including audit team members and their spouses and dependents don't have conflict of interests to influence their independency. c. Search on internet for records of employed CPA breach of independence. d. Evaluate employed CAP independency using check list defined by No. 10 Article 23 of Certified Public Accountant Act. e. Reviewed on Mar 12, 2021 Audit Committee meeting. f. Present the evaluation for Board of Directors on Mar 12, 2021.					
4. Has the Company established dedicated person(s) or department to handle corporate governance issues (including but not limited to provide evaluation data for board of directors and supervisors hold board meeting and shareholder meeting, apply incorporation registration and modification, and record meeting minutes for board meetings and shareholder meetings)?	√		The Finance Department is in charge of corporate governance related issues and major tasks were listed in below. CFO was appointed as Corporate Governance Officer on Nov 6 2020 Board meeting. 1. Plan annual shareholder and board meetings agenda and schedule. 2. Planning for board meetings details and notify attendance directors board meeting agenda 7 days before the meeting. 3. Remind conflict of interests' attendance to leave when necessary. 4. Meeting minutes recording. Copy directors and file the meeting minute document within 20 days of meeting. 5. Register for annual shareholder meeting with authorization with completed meeting notice, meeting agenda, annual report and meeting minutes within required period. File for amendment within 15 days after annual shareholder meeting. 6. Public announcement of board and shareholder meeting conclusions comply with regulation and investor interests. 7. Assist Directors for continue education programs.					
5. Has the Company established a means of communicating with its	√		Stakeholders communication methods as below: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Related Party/Major Topics</td> <td style="width: 50%;">Communication Method</td> </tr> <tr> <td>Shareholders/Investors</td> <td>Shareholders' Meeting</td> </tr> </table>	Related Party/Major Topics	Communication Method	Shareholders/Investors	Shareholders' Meeting	Complied with Regulation.
Related Party/Major Topics	Communication Method							
Shareholders/Investors	Shareholders' Meeting							

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?			Operations performance, Risk management, Code of business conduct & ethics, Regulation compliance, Technology & Series, and Corporate governance	Financial Reports Host Quarterly Institutional Investor Conference Established spokesman and Investor Relations Department Company Website
			<u>Employees</u> Compensation, Communication between employer and employees, work environment safety, career path development, Human rights of employees, Talent recruitment and retainment, and employee identify protection	Employees Benefits Committee Electronic Platform & Announcement Procedures for Improvement Proposal Reviewing Employee and Employer Meeting Suggestion Box Psychological Consultant and Aids
			<u>Customers</u> Technology & Services, IP management, Risk management, Code of business conduct and ethics, Supplier management, Green product, Climate change management, and customer communication	Sales Meetings Customer Satisfaction Survey Customer Service Annual Customer Audit
			<u>Suppliers</u> Supplier management, Risk management, Code of business conduct and ethics, Conflict minerals, and Procurement policy.	Electronic Procurement Platform Procurement Contract Management Supplier Management Meeting Supplier Audit Procedure Supplier Evaluation
			<u>Government</u> Regulation compliance, Corporate governance, Code of business conduct and ethics, Human rights of employees, Working environment safety, Pollution prevention, Water resource management, Climate change management, and Energy and Carbon footprint management	Emails and Official Notice in Mail Seminars and Public Hearings Host by Officials Supplement Documents from Officials
			<u>Community</u> Pollution prevention, Water resource management, Academic-Industry Collaboration, and Giveback to Community	Company Website General Affairs Contact Window
			PTI has set up a section for stakeholders on the company website to disclose corporate social responsibilities, and CSR hotline and email account. Dedicated staff will take care of reported problems.	
6.Has the Company outsource professional stock affair organization	√		Concord Securities Co. Ltd assisted PTI for shareholder affairs.	Complied with Regulation.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
for assistance?				
7. Information Disclosure				
(1) Has the Company established a corporate website to disclose information regarding its financial and corporate governance status?	√		Company website has been set up and well maintained. Financial and Corporate Governance information will be disclosed on the website upon occurrence.	Complied with Regulation.
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors' conference etc.)?	√		The Company has dedicated personnel in charge of disclosure on MOPS following authority regulations. Investor Relations section under company website discloses information in both Chinese and English. Spokesman and deputy spokesman are in place. The Company has been hosting physical quarterly Institutional Investor Conference. Live webcasting and replay of conference available on company website for investors.	
(3) 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		√	PTI complied with Security and Exchange Act Article 36 filing date.	
8. 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 set up Sustainable Development Practice Guidelines and Sustainable Development Committee to review and monitor corporate sustainable development progress every quarter.</p> <p>2. Employees Rights and Employees Care: Please refer to Sustainable Development Status Item 4 A-E.</p> <p>3. No less than one board meeting per quarter with more than 50% director attendance. No less than 1 audit committee members attend the board meeting.</p> <p>4. Schedule Board of Directors and managements attending training sections. Please refer to table below for training details.</p> <p>5. The Company has established Risk Management Committee to put Sustainability Policy in practice. Risk Management Committee was composed by 2 independent directors and 1 board director with no less than one meeting per year. Risk management committee is responsible for established policy and monitor progress of risk assessment.</p> <p>6. The Company has enrolled Board of Directors (including independent directors) and management for liability insurance. The previous coverage expired on Aug 26, 2021 and policy was renewed with Chubb Insurance Taiwan Ltd. with US\$30 m premium at</p>	Complied with Regulation.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			<p>annual costs of US\$45,150. Period from Aug 26, 2021 to Aug 26, 2022. Insurance coverage and details was reviewed on Nov 5, 2021 board meeting.</p> <p>7. The Company has published Article of Sustainable Development Committee. Quarterly meeting will review and discuss the progress and improvement of corporate sustainable issues.</p> <p>8. The Company has established Sustainable operation procedures and dedicate committee to train and enhance ability to react during emergency.</p> <p>9. Annual report, financial reports, and sustainable report to disclose corporate governance related information.</p> <p>10. PTI has been certified with ISO27001 Information security management system in Oct 2016 for effectively protect corporate and customer IP and assets.</p>	

9. Please describe improvements made in response to the results of the Corporate Governance Evaluation System in recent years, and propose what areas and measures will be prioritized for future improvements. PTI did not receive points for certain items in 6th Corporate Governance Evaluation (for 2020). Improvements made for the 8th Corporate Governance Evaluation (for 2021) are outlined below:

Type of Indicator	Indicator Description	Improvement Status	Explanation for non-improvement or improvement
Protecting Shareholder Rights and Interests, and Treating Shareholders Equitably	1.15 Did the company adopt bylaws prohibiting insiders, including directors and employees, from using information not available in the market for personal gain?	No	One representative of institutional director engaged in short-term trading. More emphasis will be placed on education and reminders in the future.
Enhancing Board Composition and Operation	2.13 Did the members of the Remuneration Committee each attend at least two Committee meetings a year, and disclose information such as regarding their periodical reviews of the policies, systems, standards, and structure for the performance assessment and remuneration of the directors, supervisors, and managerial officers?	Yes	
	2.14 Did the company have any functional committees other than statutorily required committees, and did such functional committees have not less than three members, with at least half of the members being independent directors, and did the company disclose the organization, functions, and operations of such committees?	Yes	Shall be established in the future if they are required by the company.



Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
	2.21	Has the company appointed a corporate governance officer responsible for corporate governance matters, and disclosed on the company's website and in its annual report the corporate governance officer's scope of authority, key activities carried out during the year, and the status of continuing education?	Yes	
	2.22	Has the company adopted risk management policies and procedures that have been passed by the board, and disclosed the scope of risk management, the corresponding organizational structure in place, and the status of risk management operations?	Yes	
	2.23	Have the rules adopted by the company for assessing the performance of the board of directors been passed by the board, with the express requirement that an external assessment be carried out at least once every three years, and has it furthermore carried out the assessment during the year being evaluated by the specified deadline, and disclosed the implementation status and assessment results on its website or in its annual report?	No	The existing Board evaluation excluded this item. Amendment of evaluation maybe needed.
	2.28	Has the company adopted an approval method for the recruitment, evaluation, and remuneration of its internal auditors, whether by submission to the board for approval, or by submission by the chief internal auditor to the chairman of the board for approval, and disclosed the method on the company's website?	No	The Company has adopted comprehensive employee recruitment and evaluation systems. There is no need to adopt recruitment and evaluation systems targeted specifically at internal auditors at present.
	2.30	Did at least one of the company's internal auditors possess a certificate of qualification as a Certified Internal Auditor, Certified Information Systems Auditor, or Certified Public Accountant?	No	Encouraging existing staff to obtain the certificate.
Improving Transparency	3.4	Did the company file the audited annual financial reports within 60 days of accounting year end?	No	CPA cannot completed the audited report within the time frame.



Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			3.8 Did the company voluntarily disclose its financial forecast quarterly, without having any corrections ordered by the competent authority or having any demerits imposed by the TWSE or TPEX?	No The Company provides voluntary disclosure of financial forecasts. A institutional investor conference is convened quarterly to brief investors on current business operations.
			3.10 Were the company's financial reports approved by the board of directors or reported to the board of directors by 7 days before the filing deadlines, and were the financial reports published within 1 day after such approval or reporting?	No Pending for future improvement.
			3.13 Did the annual report voluntarily disclose individual compensation for board director and supervisor?	No Pending for board director approval.
			3.21 Did the annual report voluntarily disclose individual compensation for President and Vice President?	No Pending for President approval.
Practices on Corporate Social Responsibility			4.7 Did the company sign any contract/agreement with employee union organization?	No Well employee welfare programs in place. No intention of forming any employee organization.
			4.9 Did the company disclose its employee welfare measures, retirement plan, and the implementation thereof on its website and in the annual report?	Yes

1. Policy to encourage board of directors to enroll in well-rounded programs:

Article of Incorporation 20-3 stated: board members should not be discriminated against gender; all members should be capable in knowledge, skills, and mind set. All board of directors should be capable in:

1. Operational judgments;
2. Financial analysis;
3. Management skills;
4. Crisis management;
5. Industry knowledge;
6. International perspectives;
7. Leadership skills;
8. Decision Making.

2. Target and Progress:

Target	Progress Status
No less than 4 independent directors	Completed
Independent directors accounted for no less than 1/3 of board	Completed
No less than one female board director	Completed
Employees accounted for less than 1/3 of directors	Completed

### 3. Execution Status:

Name	Nationality	Gender	Employee of PTI	Age Range			Independence Director Seniority (Terms)		Operational Judgment	Financial Analysis	Management Skills	Crisis Management	Industry Knowledge	International Perspectives	Decision Making
				51 - 60	61 - 70	71 - 80	<3	>3							
DK Tsai	ROC	Male	√			√			√		√	√	√	√	√
J.Y. Hung	ROC	Male	√		√				√		√	√	√	√	√
J. S. Leu	ROC	Male	√		√				√		√	√	√	√	√
Shigeo Koguchi	Japan	Male				√			√		√	√	√	√	√
Daphne Wu	ROC	Female		√					√	√	√	√			
Boris Hsieh	ROC	Male	√		√				√		√	√	√	√	√
Kenjiro Hara	Japan	Male		√					√		√	√	√	√	√
Jim W.L. Cheng	ROC	Male			√			√	√	√	√	√			√
Pei-Ing Lee	ROC	Male			√		√		√		√	√	√	√	√
Morgan Chang	ROC	Male			√		√		√		√	√	√	√	√
Jui-Tsung Chen	ROC	Male				√	√		√		√	√	√	√	√

### 2. Evaluation of independency of CPA Yu-Feng Huang and Cheng-Ze Lin:

Events Influence CPA Independency:	Yes	No
1. Do the CPAs have direct and major financial relationship with the Company?		√
2. Do the Company or any board member lend or endorsement guarantee to CPAs?		√
3. Do the CPAs lend or endorsement guarantee to the Company?		√
4. Do the CPAs have frequent business relationship with the Company?		√
5. Do the CPAs have frequent business relationship with any board or management members?		√
6. Do the CPAs employee by the Company as board of director, management, or any position could significantly impact on audit now or last 2 years?		√
7. Are the CPAs going to be employed by the Company as board of director, management, or any position could significantly impact on audit in the future?		√
8. Do the CPAs as family members of board of director, management, or any position could significantly impact on audit?		√
9. Do the CPAs receive any significant valuables or gifts from board of director or management?		√
10. Do the CPAs employed by the Company for consecutive 7 years?		√

### 3. Status of 2021 Continue Education for Board of Directors and Management:

Title	Name	Date	Host By	Course	Duration (Hours)
Chairman	DK Tsai	2021/11/05	Taiwan Corporate Governance Association	Running Corporate and Risk Management	6
Director	JY Hung	2021/10/28	Taiwan Corporate Governance Association - Securities & Futures Institute	2021 Guidance for management shares trading	3
		2021/12/09	Taiwan Academy of Banking and Finance	Corporate Governance Series (96 <sup>th</sup> section)	3
Independent Director	Jim W.L. Cheng	2021/08/19	Taiwan Corporate Governance Association	What investor wants – ESG investment to corporate sustainability	3
		2021/11/04		Tips on commercial contract review	3
		2021/11/04		Case study of Commercial Case Adjudication Act	3
Independent Director	Pei-Ing Lee	2020/11/27	Taiwan Corporate Governance Association - Securities & Futures Institute	Global economic trend under the influence of pandemic	3
		2020/11/27		Importance of cyber security post US-China conflict and pandemic	3
Independent Director	Morgan Chang	2021/11/15	Taiwan Corporate Governance Association - Securities & Futures Institute	Case Study of M&A focus on Hostile Merge	3
		2021/11/25		How board director control corporate risk through financial analyst	3
Independent Director	Jui-Tsung Chen	2020/12/10	Taiwan Corporate Governance Association - Securities & Futures Institute	The choices between merger and alliance	3
		2021/11/12	Taiwan Corporate Governance Association - Securities & Futures Institute	Corporate risk and opportunity with climate change and zero emission policy	3
		2021/11/17	Taiwan Securities Association	Corporate Governance 3.0- Blue print of corporate sustainability	3
CFO & Sr. VP	Evan Tseng	2021/01/14	Accounting Research and Development Foundation	Corporate Governance 3.0- Blue print of corporate sustainability	3
		2021/01/15		Analyst and use of corporate financial data	3
		2021/01/22	Taiwan Corporate Governance Association	Case study of proxy fight	3
		2021/03/23		2021 Board and shareholders' meeting Guide	3
		2021/04/20		Key amendment of liability insurance for board directors	3
		2021/11/05		Must know for corporate governance	3
Internal Audit	Huck Shen	2021/10/18	The Institute of Internal Auditors – Chinese Taiwan	Case study of taxation audit and regulation of China and Taiwan	6
		2021/11/15		Case study of Shareholders' meeting and Corporate Law	6

#### 4. Status of 2021 Remuneration Committee Members and Attendance:

##### 1. Information Regarding Remuneration Committee Members

Title	Criteria Name	More than 5 years of working experiences and professional filed	Test for Independent	Number of Remuneration Committee of other Public Listed Company	Note
Chair/ Independent Director	Jim W.L. Cheng	Note	Note		
Independent Director	Pei- Ing Lee	Note	Note		
Independent Director	Morgan Chang	Note	Note		

Note :Refer to Board of director table for details.

##### 2. Attendance of Remuneration Committee Members

(1) Total 3 members of Remuneration Committee.

(2) Service Period: Jun 5 2020 to May 27 2023 (4<sup>th</sup> Term)

4 meetings took place during 2021, and attendance status as below:

Title Name	Attendance	In Person	By Proxy	Attendance Rate	Note
Chair	Jim W.L. Cheng	4	0	100%	
Member	Pei-Ing Lee	4	0	100%	
Member	Morgan Chang	4	0	100%	

##### Annotations:

I. The meeting minutes should clearly indicate Board meeting date, proposal details, decision, and opinions from Remuneration Committee when Board Meeting rejected or amended proposals from Remuneration Committee: No such incident.

II. The meeting minutes should clearly indicate Remuneration Committee decision, date of the meeting, proposal details, and all members' opinions when any of the members rejected or disagree with the decision: No such incident.

<b>Date of Meeting</b>	<b>Meeting Summary</b>	<b>Conclusion</b>	<b>Follow Up Action</b>
<b>Mar 12 2021</b>	1. Review 2020 Director of Board Compensation and employee compensation proposal. 2. Review 2020 management compensation adjustment proposal.	Approved by all attendant committee members.	Propose in Board meeting seeking for all Board approval.
<b>May 7 2021</b>	1. Review management promotion proposal.	Approved by all attendant committee members.	Propose in Board meeting seeking for all Board approval.
<b>Aug 6 2021</b>	1. Review 2020 management compensation proposal. 2. Review proposal for amendment of procedures of appointed legal representative and individual board director.	Approved by all attendance committee members.	Propose in Board meeting seeking for Board approval.
<b>Nov 5, 2021</b>	1. Review new hired management compensation proposal.	Approved by all attendance committee members.	Propose in Board meeting seeking for Board approval.

3. Regular review of directors'/managerial officers' performance evaluation and other information such as salary policy, system, standard and structure.
  - (1) Information from PTI's review and assessment of remuneration in 2021 is as shown in the above table.
  - (2) The Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and submit recommendations to the board of directors for discussion.
    - A. PTI remuneration rules are regularly reviewed and amendments proposed.
    - B. Establish and regularly review the annual and long-term performance targets for directors and managerial officers, as well as the policies, systems, standards, and structure for their remuneration.
    - C. PTI directors and managerial officers are regularly assessed on their ability to meet performance targets. The content and amount of their individual remuneration are set accordingly.
  - (3) The PTI Remuneration Committee shall carry out its duties in accordance with the following principles:
    - A. Ensure that the remuneration arrangements of the Company conform to the law and are sufficient to attract quality talent.
    - B. The performance evaluation and remuneration of directors, supervisors and executives should take prevailing industry standards into account and take into consideration the amount of personal time invested, responsibilities, personal target completion, performance in other roles and company compensation for other people in equivalent roles in recent years. The achievement of the company's short-term and long-term business objectives as well as the company's finances are used to evaluate the correlation between personal performance, company business performance and future risks.
    - C. The remuneration plan should not entice directors and managers into exceeding the Company's capacity for risk in pursuit of personal remuneration.
    - D. Short-term performance bonuses for directors and senior managerial officers, and the timing of variable salary payments/remunerations shall be set with reference to the

- particular industry characteristics and the nature of the Company's business.
- E. Whether the content and amount of director and managerial officers' remuneration is reasonable should be taken into account. It is inadvisable for the remuneration decided for directors and managerial officers to diverge excessively from financial performance.
  - F. Members of the Committee may not participate in the discussion and voting on their personal remuneration.

(V) Fulfillment of Corporate Sustainable Development as well as deviations from Corporate Sustainable Development Best Practice Principles for TWSE/TPEX listed companies and their reasons:

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
I. Did the company implement a governance framework for the promotion of sustainable development, and establish an exclusively (or concurrently) dedicated unit in charge of promoting sustainable development, enforced by managerial officers with the authority of the Board of Directors, and reports to the Board of Directors?	✓		<p>1.A dedicated "CSR Office" was established by the Company on August 1, 2014, ensure proper CSR management, and was approved by the Board of Directors on February 9, 2015. The CSR Office was changed to the "Sustainable Development Management Office" in March 2022, and is responsible for the development and execution of corporate sustainability policies, systems, as well as related management strategies and action plans. A "Corporate Sustainability Committee" is also convened quarterly to brief senior managerial officers on current progress. An annual report is also made to the Board of Directors.</p> <p>2.The establishment of the "Risk Management Committee" was approved by the Board of Directors in May 2021 to ensure the sustainable development of the company. The Committee reports to the Board and consists of two independent directors and one director. It is convened at least once a year and its responsibilities include assisting with reviews of risk management policies, strategies, risk tolerance, and supervising the enforcement of risk management systems to ensure the sustainability of the Company. The "Risk Management Promotion Team" was also set up under the Risk Management Committee to support its activities. The team is organized as a task force and is headed by the President who also appoints a deputy team leader. The Chief Governance Officer serves as the executive secretary and team members are made up of selected tier-1 managers from each department. The task force meets every quarterly to discuss risk topics and an annual report is made to the Risk Management Committee for discussion to ensure effective risk management.</p>	None.
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk	✓		1.The Corporate Sustainability Promotion Team used experience from past engagements with different stakeholders and the four reporting principles (materiality, stakeholder	None.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
management policies or strategies?			<p>inclusiveness, sustainability context and completeness) of GRI Standards as a reference. The process for identification of material issues is used to analyze sustainability issues and establish their materiality in the environmental, social and corporate governance aspects. These provide an important reference for determining the strategy and goals for the promotion sustainable development.</p> <p>2.To identify the degree of influence from environmental, social and governance risks, the "Risk Management Committee "was established as the Company's top advisory body on risk management. To mitigate the impact of operating risks, the Business Continuity Management (BCM) Committee was established and a risk identification meeting is convened every year to examine potential emergencies or impacts on business continuity, Risk management policies or strategies that encompass management goals, organizational structure and accountability are then formulated. Risk management and response are then strengthened through effective identification, measurement and execution. The risk assessments encompassed environmental, social, and corporate governance issues related to the company operations.</p> <p>Potential risks were identified for six issues in 2021, namely "personnel safety - large epidemics", "environmental and climate change", "supply chain management", "regional conflict", "IT security", and "regulatory change." Dedicated personnel were assigned to manage and respond to different categories of risk. Early warning, response, crisis management, business continuity plan and recovery operations were used to establish a safety net that ensures the continuity of operations. The content of relevant risks were also reported and explained to the Board of Directors.</p>	



Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
<p>III. Environmental Issues</p> <p>(I) Has the Company established a proper environmental management system based on the characteristics of the industry?</p>	✓		(I) PTI has established an environmental management system based on the characteristics of our industry to fulfill our corporate responsibility on environmental protection as well as look after the safety and health of our employees. Certification for ISO 14001 environmental management system was obtained in 2003, followed by OHSAS 18001 (now ISO 45001) occupational safety and health management system in 2004. All factories also progressively obtained ISO 50001 energy management system certification from 2019 onwards. Environmental, safety and health management activities are now conducted in accordance with these standards. Environmental, safety and sustainability goals are now set and reviewed on a regular basis. The operation of the international standard management systems enables PTI to effectively control emissions, water pollution and waste from the production process. In addition, IECQ QC08000 hazardous substance management system certification was obtained in 2008. The certification ensured that PTI products do not contain substances harmful to human health or the environment, and complied with international regulations and customer requirements, reducing the environmental impact of our products and increasing their competitiveness.	None.
<p>(II) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?</p>	✓		(2) Refer to Note 1.	
<p>(III) Does the company evaluate the potential risks and opportunities to its business from climate change now and in the future, and take appropriate measures to counter climate change issues?</p>	✓		(1) Refer to Note 2.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
(IV) Does the company disclose the annual emissions of greenhouse gases (GHG), water consumption, and total weight of waste for the past two years, and set management policies for energy conservation, reduction of GHG emissions, water use and other wastes?	✓		(4) Refer to Note 3.	
IV. Social issues (I) Does the Company formulate management policies and procedures based on the relevant laws, regulations and the International Bill of Human Rights?	✓		(I) The “Responsible Business Alliance” (RBA) is committed to supporting the rights and well-being of workers and communities worldwide affected by the global supply chain. The “RBA Code of Conduct” is a set of standards on social, environmental and ethical issues in the global industry supply chain that references key international human rights standards including the “United Nations Guiding Principles on Business and Human Rights”, the “Declaration of Fundamental Principles and Rights at Work “of International Labor Organization (ILO), and “Universal Declaration of Human Rights.”	
			The “RBA Code of Conduct” introduced by PTI in 2009 covers labor, health and safety, environment, ethics and management systems. PTI became a formal member of RBA on April 20, 2015. The Social Accountability 8000 International Standard (SA8000) was formulated with reference to International Labor Organization ILO, UN Convention on the Rights of the Child, and Universal Declaration of Human Rights. It is a management standards system for the protection of labor rights, occupational environments and labor conditions. Workplace PTI has been working actively to introduce the SA8000 social responsibility management system. Certification was achieved in 2016 and all subsequent annual audits passed successfully. PTI is committed to providing employees with safe and healthy working environment where employees can realize their true potential; to fulfill this commitment, we comply with local laws and regulations, and	None.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
			<p>have also formulated the relevant management policies and procedures based on the RBA Code of Conduct and the international labor/human rights standards set out in SA8000.</p> <p>3. Human rights risk assessments and due diligence investigations are conducted every year to monitor and mitigate human rights risks.</p> <p>4. Training on labor rights, RBA and SA 8000 social responsibility management systems are conducted every year to enhance employee awareness on human rights protection.</p> <p>The Company is committed to providing employees with a safe, healthy working environment where they can fulfill their potential. To fulfill this commitment, we comply with local laws and regulations, and have also formulated the relevant management policies and procedures based on the Responsible Business Alliance (RBA) Code of Conduct, SA8000 and other related international labor and human rights standards.</p>	
(II) Has the company formulated and implemented reasonable employee benefits (including salary, leave, and other benefits), and ensured that business performance or results are adequately reflected in employee remuneration?	✓		(2) Refer to Note 4.	
(III) Does the company provide employees with a safe and healthy working environment, and administer safety and health training on a regular basis?	✓		(3) Refer to Note 5.	
(IV) Has the company established an effective career development and training program for employees?	✓		(IV) PTI's planning of the education and training system ensures our training investment is aligned with business philosophy. The interaction between different training mechanisms provide employees with a complete blueprint for training and career development. Training tailored to each role and grade ensure that our talent cultivation and development will meet PTI's needs for business growth.	
(V) Does the company's products	✓		(V) The PTI "Code of Business Conduct and	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and were relevant consumer protection and grievance procedure policies implemented?			<p>Ethics” required relevant policies to be formulated for all company R&amp;D, purchasing, production, operation and service processes, such as: Policies for preventing stakeholders from being harmed by products or services, prohibition against leaking of confidential information, prohibition against violation of intellectual property rights, or engaging in unfair competition. PTI management of intellectual property is explained in item 6 of the following table.</p> <p>The relevant complaints procedure has been established by PTI. In addition to internal announcements, complaints channels are also disclosed on our corporate website to safeguard the interests and rights of both internal and external stakeholders.</p>	
(VI) Does the company adopt supplier management policies requiring suppliers to comply with the relevant provisions regarding issues such as environmental protection, occupational safety and health, or labor rights, and specify the status of implementation?	✓		<p>(VI) PTI considers suppliers/contractors to be our partners. Our supply chain management strives for steady development and sustainability through mutual cooperation. Targets and assessments are continuously set for quality, delivery time, cost and technology. Planned visits and on-site audits of business systems are conducted every year as well. The audit systems include:</p> <ol style="list-style-type: none"> <li>(1) Quality management system</li> <li>(2) Green product management system for non-use of hazardous substances in raw materials</li> <li>(3) RBA Code of Conduct management system on labor and human rights, the environment and ethics</li> <li>(4) Environmental, safety and health risk management</li> </ol> <p>Our “Code of Business Conduct and Ethics” require potential suppliers to undergo an assessment of their past business associations. A suitable screening process is used to examine their business dealings and determine whether they have a past record on environmental and social impact. PTI’s supply chain management practices are explained in item 7 of the following table.</p>	
V. Does the company refer to international reporting standards or guidelines for the preparation of corporate social responsibility reports and other	✓		The compilation and drafting of the Company's 2021 Sustainability Report adhered to the "Core" option of the GRI Standards published by the Global Reporting Initiative (GRI), the Task	None.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Summary Explanation	
reports that disclose non-financial information? Does the company obtain third-party verification or assurance for the reports above?			Force on Climate-Related Financial Disclosures (TCFD) framework, and the Semiconductor Sustainability Accounting Standard 2018 issued by the Sustainability Accounting Standards Board. Independent third-party verification was also conducted by the British Standards Institution (BSI) against the AA1000 AS Type II high-level assurance. Limited assurance was also conducted by the accounting firm PwC based on the ISAE 3000 standard. The information for "salary of permanent employees in non-management positions" was verified by the accounting firm Deloitte.	
<p>VI. If the Company has established corporate sustainable development principles based on "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe any difference between the principles and their implementation:</p> <p>PTI referred to the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and other relevant laws and regulations in formulating our own "Corporate Sustainable Development Best Practice Principles." The Corporate Sustainable Development Best Practice Principles were approved for implementation by the Board of Directors on November 8, 2013. Amendments were passed by the Board on November 4, 2016, to improve Corporate Sustainable Development performance, promote better corporate governance, develop a sustainable environment, protect social welfare and strengthen the disclosure of Corporate Sustainable Development information. There is no difference between the defined principles and their implementation. These principles apply to the overall business activities of PTI and all subsidiaries.</p>				
<p>VII. Other supplement information: Referred to Note 8.</p>				

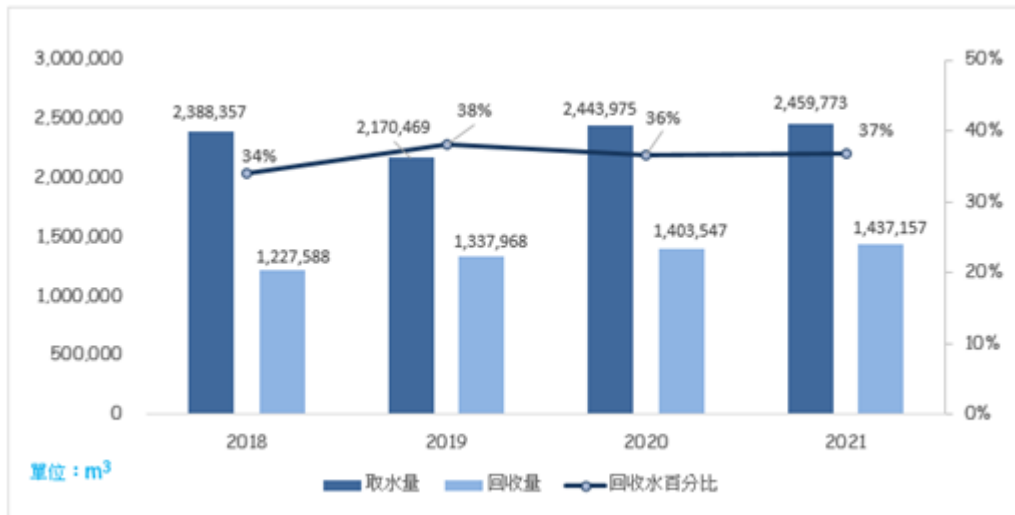
Note 1 Performance management targets for energy/resource recovery were set by PTI to improve resource utilization and reduce the environmental impact of production activities.

1. The results are reviewed on a regular basis; We also assessed and advocated the use of reclaimed materials with low environmental burden/impact where it does not affect product quality. To protect the environment as well as cope with the effects of climate change and water resource depletion, we are gradually increasing our waste recycling and energy savings every year. Reclamation of process water has also been increased as an alternative to tap water use.

Last 3 years' energy usage details as below:

Item	2019	2020	2021
Waste Recycle (Tone)	890.15	1,023.06	1,021.72
Electronic Saving (kWh)	25,249,932	11,595,401	13,036,455
Waste Water Recycle (Tone)	1,337,968	1,403,547	1,437,157

2021 recycled 37% waste water during assembly process.



Note: Packaging facility including: Plant 1A, 2A/B, 3A, 3C, 8, and 11A.

## 2. Renewable energy consumption targets

Two plans will be progressively rolled out between 2022 and 2023 on renewable energy use. These were:

- (1) Installation of solar power equipment on the roof of the planet in 2022 with power generation to commence in 2023.
- (2) Purchase of green energy from renewable energy providers and engage in green energy wheeling from 2023 onwards.

The two projects are expected to supply around 7.5 MWh of renewable energy each year and reduce carbon emissions from electricity consumption; it will also meet two years early the requirement for major electricity consumers to use renewable energy for 10% of their contract capacity by 2025 set by the government.

II PTI is responding actively to the threats posed by extreme climate events and is committed to the continued reduction of greenhouse gases, waste, and wastewater discharge. We are working actively on plans and configurations that optimize our energy efficiency, conducting R&D on low-carbon or energy-efficient products, and continuing to review our risks and opportunities under the TCFD framework every year. Response and management plans have been put into place to turn crisis into opportunity. These positive changes are also being pushed out to our suppliers to build a resilient climate change culture so that we can realize our goals and responsibilities on sustainability. The outcomes of the 2020 TCFD assessment were as follow:

1. Risk factors: Increase in demand for use of green electricity, increase in carbon prices (carbon taxes), and increase in demand for alternative low-carbon products and services.
2. Opportunities: Development of low-carbon or energy-efficient products, upgrading of green production, distribution and logistics processes, improvements to energy efficiency.
3. Response: The four core elements of governance, strategy, risk management, and metrics and targets in the TCFD framework were used to identify climate change risks and opportunities. The results were then used to formulate response measures and business continuity plans that help mitigate the impact of climate risks. PTI can then take advantage of climate opportunities to the

resilience of our business operations.

III. Measures such as energy conservation, carbon reduction, greenhouse gas reduction, reduced water consumption and waste management were promoted by PTI through the internal management system and various pollution control facilities to fulfill our corporate social responsibility. Our goal is to promote sustainable environment. An explanation of the statistics from the past two years is provided below:

1. GHG emissions, water consumption and total amount of waste

(1) Greenhouse gas emissions

A voluntary GHG inventory has been conducted by PTI every year since 2007. The inventory outcome serves as the basis for reduction efforts. The 2021 GHG emission statistics for PTI were based on data from actual inventories conducted at each production site that were verified by an independent third-party (BSI). Direct GHG emissions (Scope 1) accounted for 4.83 % of total emissions. The main source of indirect GHG emissions (Scope 2) was electricity consumption and accounted for 95.17% of total emissions. The GHG reduction strategy implemented by PTI focused therefore on electricity management and reduction of electricity use. GHG emissions over the past two years are shown in the table below:

Emissions of greenhouse gases by PTI in the last two years are as follow:

<b>Greenhouse Gas Emission (Unit: ton CO2e/ year)</b>		
<b>Item</b>	<b>2020</b>	<b>2021</b>
Category 1	34,572.7889	20,503.6511
Category 2	380,119.4173	404,036.9123
<b>Total Emission</b>	<b>414,692.1862</b>	<b>424,540.5634</b>

(2) Water Usage

Extreme weather caused by climate change significantly impacted the water resources. PTI has been taking proactive actions for usage reduction, recycle and re-use. Table summarized the water usage for 2020 and 2021:

<b>Item</b>	<b>2020</b>	<b>2021</b>
Tap Water (Tons)	2,634,492	2,617,123
Unground Water (Tons)	159,960	200,128

(3) Waste Material

PTI generated 6,068.65 tons of hazard wasted material and recycled 1,021.72 tons in 2021. All hazard wasted material were handle by qualified suppliers. In additional to reduce waste material, PTI will focus on recycle and reuse to reduce the impact of the environment.

2. Promote energy saving, greenhouse gas reduction, water usage reduction, waste management and other measures in responds to climate change, PTI has annual goals and manage the results of our environmental protection outcome via data management. This includes:

(1) Annual Goals

- Average Waste Recycling rate at 44.67%
- Dicing & Grinding Wastewater Recovery Rate 88%
- Reduce CO2e Emission from 2015 in 2030 target for 15%



## (2) Environmental Management Plan

To fulfill company's corporate social responsibility and through the correct use of pollution monitor system, PTI has a long-term plans and measures for environmental management:

- A. Air Emission: PTI Taiwan installed air pollution prevention equipment especially designed for reducing Volatile Organic Compound (VOCs) emissions. They are tested regularly to comply with the treatment efficiency tests.
- B. Wastewater Recycle: Recycle and reuse the wastewater from the dicing and grinding process in order to reduce the use and protection of water resource.
- C. Waste Removal: PTI complies with the law in regard to the treatment of generated waste. We implement a proper recycling program at the source of the waste to improve the recycling efficiency. By collecting, classifying, reducing, and recycling, our major strategy focuses on "recycling" instead of "dumping." Transforming waste to resources will not only reduce impact on environment, but also increase the value generated by recycling.
- D. Audition and Coaching the Contractor: PTI audit our supplier and outsourcer with environmental pollution risks regularly. We also coach our contractor to carry out environmental protection duties; altogether we fulfill our responsibility of environmental protection as enterprise, and the goal of sustainable supply chain.
- E. Energy Saving and Carbon Reduction: An energy-saving cross-department task force to monitor energy saving project and the reduction of energy and greenhouse gas emission. PTI voluntarily provide carbon emission information in order to correspond with global trend.
- F. Autonomous Environmental Monitoring: Consist of wastewater properties, noise, air quality and waste monitoring in order to control the effective and impact of enterprise activities.
- G. Alternation of Environmental Permit: Update our environment permits to corporate with our enterprise activities and allow our activities and emissions in accordance to the law

## 3. Environmental Protection Department

The company has Occupational Safety and Environmental Protection Section, specific in the management and promotion of occupational Safety and environmental protection, also, supervise pollution prevention facilities are function normally. Furthermore, the occupational safety and environmental protection committee consists of high ranking supervisors and selected departmental representative, which, in charge of drafting, responding to, and executing topics related to sustainable environment.

## 4. Environmental Safety and Health Policy

To implement environmental safety and health protection values into business operations and every employee, the company has established "Environmental, Health and Safety Policy" and put actions on our employees, customers and other interest groups. Detailed illustrations are as follow:

1. Convey our environmental, health and safety policy to our employee, customers and other interest groups.
2. Comply with policies which demand for environmental protection, health and safety and the demand of the customers.
3. Participation of damage, disease and accident prevention and damage control from all employees.
4. Compliance with international environmental protection tendency, promote energy saving and reduce waste.

## 5. 2020 Results

With active plans to combat global climate change, PTI has notable results in 2021 as follow:



- Climate Change Program rated B  
PTI has rated B in the Climate Change Program launched by Carbon Disclosure Project (CDP) and has an index of management.
- Water Questionnaire (WQ) rated B-  
PTI has rated WQ and has an index of management.
- PTI has identified risks of climate change through the guidance of TCFD in 2021.  
More analysts need to be done to comply with regulation, technology, market demand, social, and operations risks.

4. PTI Taiwan total employee other incentives and fringe benefits were NT\$286 million in 2021.

Details in below:

Category	Details
Other Incentives	<ul style="list-style-type: none"> <li>· Annual Incentives : distributed in Jun and Dec</li> <li>· Quarterly Incentives : base on company financial performance target</li> <li>· Compensation/Encouragement Incentives : base on company financial performance target, individual employee job performance and contribution</li> <li>· Pay Raise : annual adjustment</li> </ul>
Fringe Benefits	<ul style="list-style-type: none"> <li>· Special Events (Weeding 、 Childbirth 、 Hospitalization 、 Funeral)</li> <li>· Birthday</li> <li>· New Year Festival 、 Dragon Boat Festival 、 Mid-Autumn Festival</li> <li>· Movie Tickets</li> <li>· Travel Vouchers</li> <li>· Meals discounts</li> <li>· Free group insurance coverage( Life insurance for spouse &amp; dependent 、 accident insurance 、 medical insurance 、 cancer insurance, etc.)</li> <li>· Free annual physical check-ups</li> <li>· Club Activities</li> <li>· Other Events ( Year-end party 、 Family Day etc.)</li> <li>· Discounted Stores (over 600 discounted stores)</li> <li>· Emergency Fund for employees in need</li> </ul>

5. Given the consideration of the working environment and the importance of personal protective equipment, PTI is to provide a safe and healthy working environment. The protection of employee's safety measures is as follow:

1. Implementation of "Environmental Safety and Health Policy"

To prevent occupational injuries and accidents and ensure the safety and health of our workplace, we implemented our "Environmental Safety and Health Policy."

- (1) Notify employees, customers and related parties with environmental, safety and health policy.
- (2) Comply with the legislation of environmental protection, safety, health and customer requests.
- (3) Participate in prevention of injury, illness, accident and lost control by the entire employees.
- (4) Accommodate international environmental trend to drive energy-saving and waste-minimizing activities actively.
- (5) Review and constantly improve the environment and OH&S management system to promote the whole performance.

2. Follows the Health and Safety Management System

Based on ISO 14001 and OHSAS 18001 systems to manage

### 3. Measurement of Operating Environments

PTI conducts measurements of operating environments every six months to understand the hazard exposure in workplace environments. If the measurements return abnormal readings, we perform monitoring and improvement on the affected areas.

### 4. Personal Protective Equipment

To ensure the safety and health of employees and minimize exposure to harmful factors, PTI has implemented its personal protective equipment management regulations and required that employees wear appropriate personal protective equipment when handling hazardous operations.

### 5. Health Care

We provide comprehensive employee care and health care system to ensure every employee's mental and physical health. Including comprehensive channels for open communication, psychological counseling system, manage and follow up on health conditions with regular and special health examinations and medical counseling service. We value the health of working mothers and manage the prevention of disease triggered by abnormal workload toward employees, thus, creating an excellent work environment and a healthy corporate culture.

### 6. Training & Development

To raise the awareness of environmental safety and health, beside from training for new employees, PTI organizes various training courses annually. Such as, waste management, greenhouse gas inspection, hazardousness identification, risk and environmental assessment, personal protective equipment management, automatic check, emergency response and health seminars.

### 7. Health promotion and management

A number of health promoting activities were held in 2021, including: Flu vaccination, employee health exam, blood donation and bone density testing. On-site physician services were provided 289 times in 2021.

### 8. Occupational Injury Management

In 2021, there were no cases of occupational disease among PTI employees and 9 cases of injuries. Analysis found that "crushing/clamping injuries" and "other" were the most common with each accounting for 25% of all injuries. In addition to maintaining a safe environment and facilities, training for new or re-assigned employees were strengthened with regular awareness education. Departmental safety SOPs and operating environment information were drawn up with input from department supervisors to raise the safety awareness of employees and enforce safety management initiatives.

### 9. Industrial safety inspections

A comprehensive inspection system was established to ensure that health and safety personnel can use the corrective and preventive actions of the management system to identify problem areas and prevent accidents in the factory and its surrounding area. They are also expected to cooperate with the site manager on self-inspections or joint inspections. Identified deficiencies and their correction rate are analyzed by department and type then submitted to the monthly industrial safety meeting and the quarterly meeting of the Occupational Health and Safety Committee for review.

	<b>Responsible Personnel/Content</b>	<b>Frequency</b>
1	Site inspections by industrial safety personnel	No less than once a day
2	Environmental safety inspections by industrial safety personnel	No less than once a week
3	Special environmental inspections by industrial safety personnel	No less than once a month
4	Topical inspections by industrial safety personnel (In response to regulatory changes, incidents, and after internal/external audits)	Random
5	Cross-audit of industrial safety performance management	Once a quarter
6	Industrial safety inspection of production sites	No less than once a week
7	Walk-about management by site management	Random
8	Internal joint inspections by factory director/department heads	Once a month

The Intellectual Property Management Department is the designated company unit for intellectual property (IP) management. The relevant plans and management activities are as shown below. The status of planning and execution was reported during the 8th meeting of the 9th Board of Directors on November 5, 2021. The details were as follow:

1. Intellectual property strategy

PTI initially focused on boosting our “patent count” to protect our business freedom and strengthen our competitive advantage. Our patent strategy began shifting towards “patent quality” in 2012. We have been integrating our patents with products and technologies over the past years to create value and revenue. We also developed an IP management plan based on the patent strategy of our R&D department, continued to make improvements of the IP management system, and engaged in the production, management and application of IP to maintain our technical leadership.

2. Intellectual property management system

The “Guidelines for Patent/Trademark Application and Management” and “Patent Proposal/Application Management System” were formulated and introduced by PTI to encourage the conversion of R&D outcomes into patent proposals by research personnel. These streamlined the process for researchers to submit proposals and allow members of the review committee to determine the value of proposals from all aspects. Patent engineers can also track the progress of patent applications and ensure the quality of execution.

PTI also formally applied for Taiwan Intellectual Property Management System (TIPS) certification in 2020 and certified in Dec 2020. Certificate was renewal and good through 2023. Random audit will be performed by TIPS to ensure the quality of execution.

3. Potential IP risks and responses

- (1) Implementation of regulatory compliance: In the future, business strategy must be connected to IP management and meet the requirements set by IP indicators newly added to the “Corporate Governance Evaluation “in order to achieve regulatory compliance. IP management must therefore be linked to

our business strategy to maximize the returns from IP created by PTI and continue improving our ranking in the Corporate Governance Evaluation. The IP management system will be expanded to all local and overseas subsidiaries of PTI Group as well to secure customer recognition of our IP management capability.

- (2) Implementation of IP management: PTI is required by customers to engage in data loss prevention. We have strengthened our management of information security and trade secrets but more work needs to be done to prevent risks from inadequate control of intellectual property rights as a whole. IP audits, IP management documentation and standardized management must be implemented to ensure that PTI and customers' interests are not harmed.
- (3) Protection and application of R&D accomplishments: It is essential for PTI to establish a long-term technological advantage due to the trend towards diversification and high-technology in the packaging & testing industry. We our own in-house R&D capability and the ability to cultivate customers that provide a stable source of orders but there is a risk that competitors may develop similar products. A sound IP management system must be established for preemptive protection and application R&D outcomes to prevent the development of similar products by competitors that impact on our competitiveness in the industry.

#### 4. Future planning

PTI will build on the results of TIPS mentoring to ensure the proper implementation of the IP management system. All documentation and forms will be bilingual in Chinese and English making them suitable for use in all domestic and foreign PTI subsidiaries. The development of a trade secrets protection system will highlight our IP capabilities and demonstrate our competitiveness.

#### 5. PTI IP awarded as of end of Apr 2022:

IP Case Number	■ Innovation Patten	Domestic	Applied : <b>27 cases</b>	Approved : <b>257 cases</b>	International	Applied : <b>107 cases</b>	Approved : <b>158 cases</b>
	■ New Patten	Domestic	Applied : 0 cases	Approved : <b>5 cases</b>	International	Applied : 0 cases	Approved : <b>3 cases</b>
	■ Logo	Domestic	Applied : 0 cases	Approved : <b>18 cases</b>	International	Applied : 0 cases	Approved : <b>23 cases</b>
IP Category	Copyrights	International : <b>2</b>		Trade Secrets	Listed in index		

#### 7. Supplier Management Guidance:

PTI has established effective and comprehensive supplier management guidance to secure suppliers and company sustainability.

### New Supplier Evaluation

- Assess new suppliers, including paper, factory, and sample evaluations.
- Supplier candidates must sign the “Business Integrity Commitment” .
- Those who meet PTI’ s requirements are eligible suppliers.

### Supplier Assessment

- Assessing supplier of raw materials every season/six months.
- Assessment criteria include quality, delivery, cost, and technology.
- Suppliers who fail the assessment are required to improve within a time limit and shall provide evidence of improvement or be inspected on-site.

### Supplier Audit

- Major raw material suppliers are audited annually according to the plan.
- Auditing categories include quality management system, green product system, environment, safety, and health system, and RBA system (Labor Rights).
- When deficiencies are identified, suppliers are required to submit appropriate improvement plans with specific goals and time limit. Those who fail to achieve the goals in the time limit are disqualified as suppliers.

### Supplier Consultation and Training

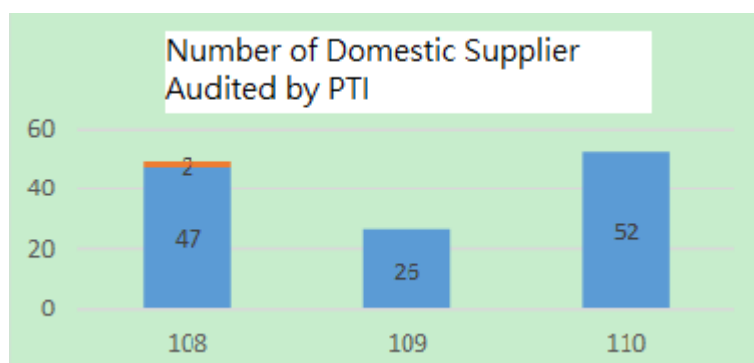
- Regular on-site consultation and training.
- Supplier Social Responsibility Promotion Workshops are held for promoting green policies, quality policies, integrity, ethics, and CSR.
- Direct material suppliers must have international certifications such as the ISO 9001 Quality Management System. Those without certification must implement plans.
- Encourage suppliers to use electronic receipts to help reduce consumption of natural resources.

## 1. Supplier evaluation

Key raw material suppliers must pass supplier evaluation and undergo regular audits to ensure that they comply with PTI requirements on sustainability management and partner quality. All of PTI’s raw material suppliers are evaluated quarterly against quality, delivery, cost, and technology targets. If any quality or delivery issues are identified during the evaluation, the supplier will be required to carry out immediate corrective action. They must then also provide supporting documentation on their corrective actions or undergo an on-site audit. All raw material suppliers evaluated in 2020 reached the standard for supplier eligibility.

## 2. Supplier audits

Key raw material suppliers are screened by PTI and evaluated on the basis of quality of process requirements. The evaluation outcome is then used to organize the audit plan. A total of 52 domestic suppliers were audited in 2021. These included key suppliers of raw materials and labor services. In 2021, PTI Taiwan conducted a total of 74 “quality system audits” or “RBA Code of Conduct system audits” for key suppliers of raw materials used directly in products, contractors and labor service suppliers. The majority of non-conformities identified during on-site supplier audits in 2021 related to process control, occupational health and safety management, fire safety, SOP implementation and 6S management on the production line. Suppliers were asked to implement corrective action by the given deadline. Follow-up inspections found that corrective action was carried out for all non-conformities and no supplier were disqualified as a result of audits.



### 3. Hosting of “Supplier Social Responsibility Conference”

A supplier conference is held by PTI every year to establish a sustainable supply chain and effectively convey the concepts of corporate social responsibility. In addition to promoting joint growth and positive relations with suppliers, the conference is also used to share trends in sustainable development and the social responsibility activities on each side. By working together to promote the ideals of social responsibility, PTI and its suppliers can have realized the shared values of sustainable development and mutual success.

A total of 127 vendors and more than 142 representatives of chemical, material and human resources companies took part in the 2021 “Supplier Social Responsibility Conference.” The conference agenda encompassed developments and requirements of international GP regulations, information security awareness, environmental health and safety reviews, and creating sustainable new value together through CSR. These topics helped suppliers understand the direction that PTI is taking on sustainability so that everyone can work together towards the common goal of a sustainable future.

## 8. Status and Results of the Practice of CSR

### Social Aspects:

#### 1. Talent Recruitment

PTI continues to provide job opportunities by employing over 1,705 employees in 2021.

At the same time, we hire from the minority groups which helps resolve their economic pressure. In 2021, we have 99 employees from minority group.

#### 2. Employment for Disabled People

To attend the needs of disable people and improve our work environment, we welcome physically or mentally disadvantaged persons to work at PTI. PTI continues to hire disabled people in accordance to the law, as of Dec. 2021, PTI have 116 employees from disadvantaged group and we have hired 45 persons in 2021.

Year	2017	2018	2019	2020	2021
Number of Employee with Disability	108	109	112	116	116

#### 3. Establishment of “PTI Education Foundation”

PTI has established the "PTI Educational Foundation" (the Foundation) in 2017, to promote technology education, culture education, and talent development, as well as to be responsible corporate citizens. The foundation has been actively involved in community services to make the world a better place to live in.

2021 community give back included:

✧ Bridging the education gap to create endless possibilities for children:

The PTI Education Foundation sponsors the club activities held every Wednesday afternoon at Danan Elementary School in Miaoli County and the local Sinpu-Chingshuei Elementary School, a rural school. In 2021 we began sponsoring the Little League baseball team at Taoyuan Elementary School to help the children realize their baseball dream. We have invested educational resources in multiple areas in the hopes of improving the quality of education and reducing the resource gap for children. We aim to give every child an equal opportunity for high-quality education and self-development.

✧ Youth Inspiration :

No matter how bad the pandemic became, talent development continued without pause. The 2021 PTI Future Star Summer Internship Program was launched on schedule and a variety of highly focused, content-rich online courses were also designed. We provided a comprehensive training mechanism led students on an exploration of the semiconductor packaging and testing industry that inspire their creative thinking skills and encouraged them to put what they learned to good use.

✧ Christmas Wishes Come True :

For the annual Christmas holiday, PTI Education Foundation organized the "Love at Christmas" end-of-year thanksgiving event to make children's dreams come true. PTI volunteers dressed up as Christmas angels and delivered mystery gifts prepared by their colleagues to the institutions so that the children could enjoy a fun and unforgettable Christmas.

✧ Science Education Promotion :

As the organizing enterprise for the Gap of Learning & Field (GOLF) alliance, PTI worked actively to promote and expand GOLF's learning resources: In 2011, we set up the Semiconductor Digital Academy and produced a number of courses that gave students a better understanding of the semiconductor industry. PTI also recognized the importance of cultivating AI talent so cadre personnel was dispatched to take part in external training. The knowledge obtained through specialist courses could then be applied to enhance our corporate competitiveness.

4. Volunteers Activity

PTI founded the volunteering club and with the resource from PTI Education Foundation. We were able to actively promote community service and care, also, be responsible corporate citizens. The company events invite charity groups to setup stalls to increase fundraising for the minority children, elderly living alone, and charity groups.

5. Industrial-Academy Collaboration

PTI has dedicated to the cultivation of students, enthusiastically working with nearby schools to create more job opportunities. PTI promotes industry-academy collaboration to ensure talents are properly developed and willing to stay with the company, thereby creating a win-win collaboration between corporate and sociality.

**Employee Aspects:**

1. Policy for Positions Retained without Pay

Following government regulations, PTI (Taiwan) allows applications for positions retained without pay from any gender to encourage childbirth. As for 2021, there are a total of 362 childbirths under this policy.

2. Positions Retained without Pay:

✧ In 2021, 175 employees applied for maternity/ paternity leave without pay, and over 15.4% were male employees. Among those who applied for position retained without pay for maternity or paternity, 76% of employee returned to their positions. After returning to their positions for one year, retention rates were 87%.

✧ Breastfeeding Room: We encourage postnatal employees to feed and collect breast milk.



All plants are equipped with breastfeeding rooms with refrigerators installed for breastfeeding mothers to use.

- ✧ Reserved Parking Spots for Pregnant Women: To allow pregnant women and postnatal mothers to have more convenient workplace, we have reserved parking spots for pregnant women for their priority parking.
- ✧ Partner maternal and child institutions: The Company has contracted with 34 institutions in employee neighborhoods such as hospitals, clinics, post-natal care centers, quality kindergartens and childcare centers to provide employees with high-quality services from pregnancy, post-natal care to childcare and child development.

## VI. Status of Business Conduct and Ethics

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	√		The Company's Board of Director has approved "Corporate Conduct and Ethics Policy" base on the guidance of "Public Company Conduct and Ethics Practice Principles" on April 30 2013, and approved the 1st amendment on Feb 9 2015. 2 <sup>nd</sup> amendment approved on Nov 2 2018. 3 <sup>rd</sup> amendment approved on Mar 10 2020. 4 <sup>th</sup> amendment approved on mar 10 2022.	
(2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	√		The Company has established the following guidance: Prohibition against Providing or Accepting Improper Benefits Prohibition against and Handling Procedure for Facilitating Payments Avoidance of Conflict of Interest Procedures for Making Political Contributions, Charitable Donations or Sponsorships Procedures for Developing & Establishing Business Relationship Disclosure of Ethical Management Policy to the Public Prohibition against Insider Trading Prohibition against Disclosure of Confidential Information Prohibition against Infringement of Intellectual Property Rights Prohibition against Acts of Unfair Competition Preventing Products or Services from Damaging the Stakeholders	Comply with regulations.
(3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed	√		Please refer to Note 1.	



Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
Companies and any other such activities associated with high risk of unethical conduct?				
2. Ethic Management Practice				Comply with regulations.
(1)Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	√		Please refer to Note 2.	
(2)Does the company set up a unit which is dedicated to or tasked with promoting the company’s ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	√		The Company has set up a CSR Office on Aug 1, 2014 and renamed as Corporate Sustainability Development Office and approved on Mar 10 2022 board meeting. The office is dedicated to promote and enforce ethical practices and reported directly to the Board of Directors. No less than once per year report to board.	
(3)Does the company establish policies to prevent conflict of interests provide appropriate communication and complaint channels and implement such policies properly?	√		Employment contract stated all employees should avoid conflict of interests. Every employee every year signs “Agreement of Avoidance of Conflicts of Interest.” starting from 2015. 2016 implement online training course for Code of Ethic and weighted in training scores with annual evaluation.	
(4)To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditor s or CPA periodically?	√		The Company has established comprehensive accounting and internal control procedures and reporting system.	
(5)Does the company provide internal and external ethical conduct training programs on a regular basis?	√		Please refer to Note 3.	
3. Implementation of Complaint Procedures				Comply with regulations.
(1)Does the company establish specific complaint and reward procedures, setup conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	√		The Company has established communication channels and complaint reporting system. Dedicated personnel handle complaints and make sure whistleblower identity will remain anonymous.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	√		Please refer to Note 4.	
(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	√		The Company has established proper procedure to keep whistleblower identity anonymous and away from wrongful conducts.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (“MOPS”)?	√		The information and results of Code of Business Conducts and Ethics were available on MOPS and company website. <a href="https://www.pti.com.tw/zh/ir/corporate/majorinternalpolicies">https://www.pti.com.tw/zh/ir/corporate/majorinternalpolicies</a>	Comply with regulations.
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. PTI has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation. For more details, please refer to “ <u>Code of Business Conduct and Ethics</u> ” from the company website.				
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). PTI has been regularly reviewed the conduct and ethics compliance practices. 4th amendment was approved by Board on Mar 10 2022. Amendment was intended to improve the performance of the practice. Corporate Sustainability Development office was in charge of the implementation and directly report to the Board.				

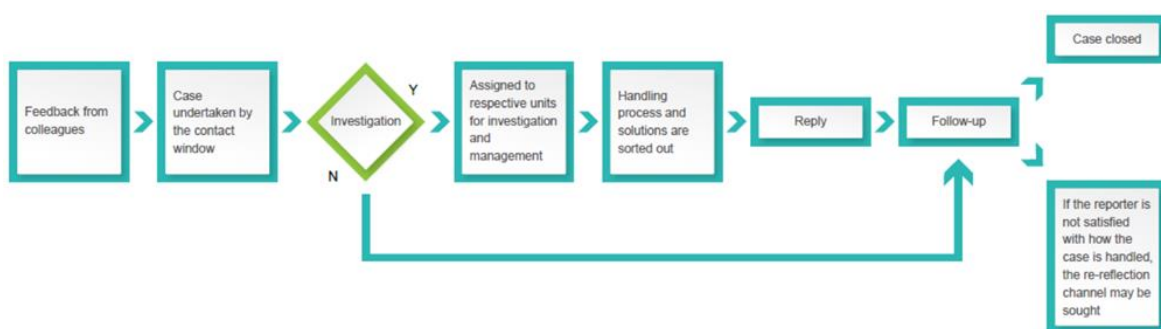
Note:

- (1) The Company has placed the following procedures in place for business activities with higher risk of ethical conducts defined by Article 7 Item 2 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies:
  - a. Standard procedures and guidance for behaviors to avoid violate code of ethics.
  - b. Set up internal balancing structure to eliminate risk of breach of ethics conducts.
  - c. Promote the code of ethics and aware the consequences of violation.
  - d. Standard procedures for whistle blowing and investigation.
  - e. Evaluation of procedures and results.
  - f. Quantified management results and makes data available on company website, annual report, and MOPS.
  - g. Certified for ISO 37001 Anti-Bribery Management System as a guide for corporate governance enhancement
2. Evaluation for risk of ethic conducts before engaged with suppliers. Evaluation items included:
  - a. Operation locations, organization structure, operation policy, and payment location.
  - b. Ethical conduct status and practice.
  - c. Located in high risk of countries.
  - d. Industry belongs to high risk category.
  - e. Long term profitability and reputation.
  - f. History of bribery or misconduct.

3.2021 Code of Business Conduct and Ethics Training Details:

Type of Employee	Course	Number of Employees	Hours per person
New Hired	Training for new hire employees.(Including data security, and code of ethics)	1,130	753
Existing	Individual Identity Security.	11,144	11,144
	Law of Trade Secret	11,144	11,144
	Corporate Ethics Conduct.	11,144	11,144
Total		34,203	34,562

3. Standard flow of investigation and procedure:



VII. Posting of Code of Business Conduct and Ethics:

Information for Code of Business Conduct and Ethics can be found on:

MOPS website: <http://mops.twse.com.tw>

Company website: <http://www.pti.com.tw>

VIII. Other Significant Information Regarding Code of Business Conduct and Ethics:

None.

(IV) Internal Control System Execution Status

1. Statement of Internal Control System

Powertech Technology Inc.

Statement of Internal Control System

Mar 10, 2022

Based on the findings of a self-assessment, Powertech Technology Inc. (PTI) states the following with regard to its internal control system during the year 2021:

1. PTI'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 of our financial reporting, and compliance with applicable laws and regulations.
2. 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 PTI takes immediate remedial actions in response to any identified deficiencies.
3. PTI 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.
4. PTI has evaluated the design and operating effectiveness of its internal control system according to the aforesaid regulations.
5. Based on the findings of such evaluation, PTI believes that, on December 31, 2021, we have 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 of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of PTI's Annual Report for the year 2021 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 Law.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar 10, 2022, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Powertech Technology Inc.

Chairman: D.K. Tsai

CEO: Boris Hsieh

President: J.S. Leu

2. For entrusted to CPA for auditing and reviewing international control, should disclose the CPA's audited report: None.

(X) In the most recent year and as of publication date of this annual report, incident of company or staff being penalized, staff violating internal audit system and being penalized, major defects and status for improvements: None.

(XI) Major conclusions of board and shareholders meeting:

1. Shareholder Meeting Major Conclusion and Execution

Date	Type of Meeting	Major Conclusion
Jul 29, 2021	Annual Shareholder Meeting	<p>1. Approved 2020 Business Report and Financial Reports.</p> <p>2. Approved and distributed 2020 profit sharing distribution. Implementation status: NT\$5.00 cash distribution on Sep 3, 2021 for shareholders holding position on Aug 7, 2021.</p> <p>3. Approved amendment of Article of Incorporation. Implementation status: Information posted on MOPS on the same day of AGM. Completed filing with Ministry of Economic Affairs on Aug 17 2021 and made document available on the company website.</p> <p>4. Approved amendment of Board Election Procedure. Implementation status: Information posted on MOPS on the same day of AGM and made document available on Aug 13 2021.</p> <p>5. Approved amendment of Procedures for Lending Funds to Others and Procedures for Endorsement and Guarantee. Implementation status: Information posted on MOPS on the same day of AGM and made document available on MOPS Aug 16 2021.</p> <p>6. Approval for the issue of ordinary shares for cash to sponsor the issuance of depositary receipts (DRs), and/or issue of ordinary shares for cash, and/or private placement of ordinary shares for cash, and/or private placement of overseas or domestic convertible bonds. Implementation status: The private placement has been active for almost a year but no suitable strategic investor has been found. On March 10, 2022, the 10th meeting of the 9th Board of Directors resolved not to proceed with the private placement and to report the decision to the 2022 Shareholders' Meeting.</p>

2. Board Meeting Major Conclusion and Execution

Date	Type of Meeting	Major Conclusion
Mar 12, 2021	Board Meeting (9th Term 4th meeting)	<p>1. Approved 2021 business operations proposal.</p> <p>2. Approved 2020 business operations report and financial reports.</p> <p>3. Approved 2020 profit distribution proposal.</p> <p>4. Approved 2020 Board of Directors and employees' annual compensation proposal.</p> <p>5. Approved 2020 Internal Control Declaration and reviewed the results of 2020 Internal Control execution.</p> <p>6. Approved management compensation proposal.</p> <p>7. Approved termination of management.</p> <p>8. Approved amendment of Article of Incorporation.</p> <p>9. Approved amendment of Board Election Procedure.</p> <p>10. Approved credit application with financial institutions.</p>

Date	Type of Meeting	Major Conclusion
		11. Approved credit limit for foreign currency trades. 12. Approved of discontinue of 2019 capital increase through private placement 13. Approved capital increase by issues new shares or GDR, or private placement, or convertible bonds. 14. Reviewed independence of CPA. 15. Approved 2021 shareholder meeting proposal.
May 7, 2021	Board Meeting (9th Term 5th meeting)	1. Presented 1Q21 financial reports. 2. Approved set up of Risk Management Committee and its Article of Organization. 3. Approved 1 <sup>st</sup> Term Risk Management Committee members. 4. Approved management promotion and compensation adjustment. 5. Approved management retirement. 6. Approved credit application with financial institutions. 7. Approved credit limit for foreign currency trades.
Jul 9, 2021	Board Meeting (9th Term 6th meeting)	1. Approved new date for 2021 shareholder meeting. 2. Approved remove of non-compete clause of board director. 3. Approved date of 2020 dividends pay out.
Aug 6, 2021	Board Meeting (9th Term 7th meeting)	1. Presented 2Q21 financial reports. 2. Approved of 2020 management compensation proposal. 3. Approved remove of non-compete clause of board director. 4. Approved amendment of Procedures of appointment of legal representative and individual board director. 5. Approved increase credit limit from finance institution. 6. Approved credit limit for foreign currency trades.
Nov 5, 2021	Board Meeting (9th Term 8th meeting)	1. Approved 3Q21 financial statement 2. Approved 2022 Internal audit plan proposal. 3. Approved amendment of Guidance for Shareholders' Meeting. 4. Approved loan application of a subsidiary. 5. Approved management promotion and compensation adjustment proposal.
Nov 29, 2021	Board Meeting (9th Term 9th meeting)	1. Approved shares buy back proposal for protection of shareholders' interests.

(XII) Different opinions from board or supervisor regarding major decision of board: None.

(XIII) Termination of chairman, president, head of accounting, head of finance, head of internal control, or head of R&D as the date of report printing:

1. Mr. David Fang retired from Chief Technology Officer and Vice President on May 7 2021.

## 5. Professional Audit Services Information

CPA Firm	Name of CPA	Audit Period	Audit Fee	Non Audit Fee	Total	Note
Deloitte & Touche LLP	Yu Feng Huang	Jan 1 ~ Dec 31, 2021	10,190	1.Design of control system NT\$1,181,000	12,331	
	Cheng-Chih Lin	Jan 1 ~ Dec 31, 2021		2.Transfer Pricing report NT\$526,000 3.Taxation and compensable fees NT\$193,000 4.Sales tax filing NT\$161,000 5.Audit on Investment tax credit for Undistribution tax NT\$ 40,000 6.XBRL filing NT\$20,000 7.Audit for Payroll disclosure on MOPS NT\$20,000		

- (1) The amount paid to CPA accountant, accounting firm, and related industries for non-audited fees over 25%, should disclose the audited and non-audited amount and the content of non-audited service items.
- (2) If change CPA firm and the amount paid for audited fee currently is less than previous year's audited fees, should disclose the amount of audited fee reduction, proportion, and reason: None.
- (3) If the audited fee has reduced by over 15% from previous year, should disclose the amount of audited fee reduction, the proportion, and reason: None.

## 6. Change of Accountant

### (1) Former CPAs

Date of Change	Mar 10 2022		
Reason and Explanation for Change	In compliance with regulatory requirements on rotation.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Status/Client	CPA	Consignor
	Terminate Assignment Voluntary		
	Assignment Rejected (Continue)		
The Opinions other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinion	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	√	
Note			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

### (2) Successor CPAs

<b>Accounting Firm</b>	<b>Deloitte &amp; Touche</b>
Name of CPA	Yu-Feng Huang, Cheng-Chih Lin
Engagement Date	Mar 10, 2022
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPAs Opinions	None

NOTE: In compliance with CPA firm regulatory rotation requirements, Yu-Feng Huang and Cheng-Chih Lin appointed as CAPs to replace Yu-Feng Huang and Su-Li Fang.



(3) Reply by predecessor CPA regarding Article 10, Subparagraph 10, Item 1 and Item 2-3 of this guideline: None.

7. Chairman, CEO, Head of Financial or Accounting Department – Information Relating to Serving at Accounting Firm of CPAs or related companies: None.

**8.Changes in Shareholding and Changes in Pledge of Shares by Board of Directors, Independent Directors, Managers, and Shareholders owning more than 10% of company shares in most recent year and as of publication date of annual report**

(1) Changes in Shareholding and Changes in Pledge by Board of Directors, Independent Directors, Managers holding more than 10% of company shares

Unit: Shares

Title	Name	2021		As of Mar 31, 2022	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	D.K. Tsai	0	—	0	—
Director	JY Hung	(8,000)	—	23,379	—
Director	Kingston Technology Corp. Investment Account Rep: Shigeo Koguchim, Daphne Wu,	0	—	0	—
Director	Greatek Electronic Inc. Rep: Boris Hsieh	3,830,000	—	0	—
Director	Kioxia Semiconductors Taiwan Corp. Rep: Kenjiro Kara	0	—	0	—
Independent Director	Jim W.L. Cheng	0	—	0	—
Independent Director	Pei-Ing Lee	0	—	0	—
Independent Director	Morgan Chang	0	—	0	—
Independent Director	Jui-Tsung Chen	0	—	0	—
CEO	Boris Hsieh	0	—	48,000	—
Director & President	J.S. Leu	0	—	0	—
Manager	John Wang	0	—	0	—
Manager	Phu Le	0	—	0	—
Manager	Y.C. Chen	0	—	0	—
Manager	Paul Wu	0	—	0	—
Manager	Wilber Wu	(5,000)	—	0	—
Manager	Y.C. Chi	0	—	0	—
Manager	David Fang(Note)	0	—	0	—
Manager	Kevin Chiao	0	—	0	—
Manager	Perry Lin	0	—	0	—
Manager	Yohan Lin	0	—	0	—
Manager	Vic Chen	0	—	0	—
Manager	Victor Tung	0	—	0	—
Manager	Jonny Chu	20,000	—	(2,000)	—
Finance & Accounting Manager	Evan Tseng	0	—	0	—

Note : David Fang resigned from Chief Technology Officer and VP on May 7 2021.

(1) Stock Trade or Stock Pledge with Related Party: None.

**9. Information on Top 10 Shareholders of company shares who are spouses or within Second-degree Relative of Consanguinity to Each Other:**

Mar 31 2022

Name	Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Name and Relationship Between PTI's Top 10 Shareholders as Defined in the Statement of Financial Accounting Standards No. 6		Note
	Shareholding	%	Shareholding	%	Shareholding	%	Title (or Name)	Relationship	
China Life Insurance Co., Ltd. Rep: Stephanie Hwang	37,471,000 0	4.94% 0.00%	—	—	—	—	None	—	—
Cathay Life Insurance Co. Ltd. Rep: Tiao-Kuei Huang	33,802,000 0	4.45% 0.00%	—	—	—	—	None	—	—
Investment Account of Kingston Technology Corporation	29,875,000	3.94%	—	—	—	—	KTC-SUN Corp.	The CEO of that company and the rep. of that shareholder is the same person	
Hermes Investment Funds Public Limited Company	28,279,990	3.73%	—	—	—	—	None	—	—
Chunghwa Post Co. Ltd. Rep: Hong-Mo Wu	18,988,900 0	2.50% 0.00%	—	—	—	—	None	—	—
Nan Shan Life Insurance Co., Ltd. Rep: Tang Chen	18,365,000 0	2.42% 0.00%	—	—	—	—	None	—	—
New Labor Pension Fund	17,130,300	2.26%	—	—	—	—	None	—	—
KTC-SUN Corp. Rep: David Sun	13,765,362 0	1.81% 0.00%	—	—	—	—	Investment Account of Kingston Technology Company	The CEO of that company and the rep. of that shareholder is the same person	—
Labor Pension Fund Supervisory Committee-Labor Retirement Fund	10,499,000	1.38%	—	—	—	—	None	—	—
Vanguard Emerging Markets Stock Index Fund	10,127,550	1.33%	—	—	—	—	None	—	—

**10. Shareholding Information Regarding the Same Invested Company of Company, Company's Board of Directors, Committee Members, Managers, and Businesses That Are Directly or Indirectly Controlled by Company**

Units: Shares; %

Invested Company (note)	Investment by Powertech Technology Inc.		Investments directly or indirectly controlled by Directors, Committee members, managers, and company		Combined Investments	
	Shareholding	%	Shareholding	%	Shareholding	%
TeraPower Technology Inc.	73,385,830	49.00%	76,381,170	51%	149,767,000	100.00%
Powertech Holding (BVI) Inc.	50,000	100.00%	0	0%	50,000	100.00%
Greatek Electronics Inc.	244,064,379	42.91%	0	0%	244,064,379	42.91%
Powertech Technology (Singapore) Pte. Ltd.	85,000,000	100.00%	0	0%	85,000,000	100.00%
Powertech Technology Japan Ltd.	—	100.00%	0	0%	—	100.00%

Note: Investment using Equity Method Evaluation.

## IV. Capital and Shares

### 1. Capital and Shares

#### (1) Sources of Capital

##### 1. Capitalization

Month / Year	Issue Price Per Share (NT\$)	Authorized Share Capital		Capital Stock		Remark		
		Shares (thousand shares)	Amount (NT\$ thousands)	Shares (thousand shares)	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash	Others
5/1997	10	200,000	2,000,000	60,000.0	600,000	Company established, with paid-in Capital of NT\$ 600 million	None	None
4/1998	12	200,000	2,000,000	120,000.0	1,200,000	Cash Injection of NT\$ 600 million	None	Note1
5/1999	11	200,000	2,000,000	200,000.0	2,000,000	Cash Injection of NT\$ 800 million	None	Note2
8/2001	10	280,000	2,800,000	221,800.0	2,218,000	Surplus and Capital Reserve Capital Increase of NT\$ 218 million	None	Note3
9/2002	10	280,000	2,800,000	235,222.9	2,352,229	Capitalization of retained earnings of NT\$ 134.229 million	None	Note4
9/2002	11.5	280,000	2,800,000	246,312.9	2,463,129	Cash Injection of NT\$ 110.9 million	None	Note5
9/2003	10	280,000	2,800,000	261,250.0	2,612,500	Capitalization of retained earnings of NT\$ 149.371 million	None	Note6
9/2004	10	440,000	4,400,000	308,000.0	3,080,000	Capitalization of retained earnings of NT\$ 467.5 million	None	Note7
9/2004	43	440,000	4,400,000	338,000.0	3,380,000	Cash Injection of NT\$ 300 million,	None	Note8
6/2005	10	580,000	5,800,000	400,500.0	4,005,000	Capitalization of retained earnings of NT\$ 625 million	None	Note9
6/2006	10	580,000	5,800,000	471,000.0	4,710,000	Capitalization of retained earnings of NT\$ 705 million	None	Note10
6/2007	10	580,000	5,800,000	556,300.0	5,563,000	Capitalization of retained earnings of NT\$ 853 million	None	Note11
6/2008	10	750,000	7,500,000	630,800.0	6,308,000	Capitalization of retained earnings of NT\$ 745 million	None	Note12
7/2009	10	750,000	7,500,000	669,385.2	6,693,852	Capitalization of retained earnings of NT\$ 385.852 million	None	Note13
5/2010	60.6	750,000	7,500,000	704,236.7	7,042,367	Conversion into common shares by convertible bonds of NT\$ 348.515 million	None	Note14
9/2010	58.4	750,000	7,500,000	715,366.8	7,153,668	Conversion into common shares by convertible bonds of NT\$ 111.301 million	None	Note15
12/2010	58.4	750,000	7,500,000	726,496.9	7,264,969	Conversion into common shares by convertible bonds of NT\$ 111.301 million	None	Note16
8/2011	10	1,000,000	10,000,000	799,146.6	7,991,466	Capitalization of retained earnings of NT\$ 726.497 million	None	Note17
8/2012	10	1,000,000	10,000,000	779,146.6	7,791,466	Note Purchased of company's treasury stocks, with a capital reduction of NT\$ 200 million	None	Note18
4/2022	10	1,000,000	10,000,000	759,146.6	7,591,466	Note Purchased of company's treasury stocks, with a capital reduction of NT\$ 200 million	None	Note19

Note1: 2/17/1998 MOF (1) No. 18910

Note2: 3/2/1999 MOF (1) No. 22357

Note3: 6/21/2001 MOF (1) No.139798

Note4: 7/10/2002 MOF (1) No.0910137911

Note5: 7/10/2002 MOF (1) No.0910137913

Note6: 7/8/2003 MOF (1) No.0920130303

Note7: 6/25/2004 MOF (1) No.0930128233

Note8: 7/6/2004 SEC (1) No. 0930128234

Note9: 6/24/2005 FSC (1) No. 0940125391

Note10: 6/27/2006 FSC (1) No.0950126720

Note11: 6/28/2007 FSC (1) No.0960032903

Note12: 6/25/2008 FSC (1) No.0970031487

Note13: 7/2/2009 FSC (1) No.0980032960

Note14: 5/5/2010 YST No.09901091340

Note15: 9/21/2010 YST No.09901214270

Note16: 12/31/2010 YST No.09901291530

Note17: 8/31/2011 YST No.10001183300

Note18: 8/27/2012 YST No.10101177670

Note19: 4/15/2022 YST No.10101177670

## 2. Capital and Shares

Unit: Shares

Type of Stock	Authorized Share Capital			Note
	Shares Outstanding	Unissued Shares	Total	
Common Stock	759,146,634	240,853,366	1,000,000,000	TSE Listed

### 3. Total reporting and filing related information: Not applicable

#### (2) Composition of Shareholders

Mar 31 2022

Shareholder Composition Amount	Government Agencies	Financial Institution Investor	Other Institutional Investor	Domestic Individual Investor	Foreign Institution & Individual Investor	Total
Number of Shareholders	5	30	438	50,261	589	51,323
Shareholding	36,647,100	141,603,000	83,694,595	141,113,000	356,088,939	759,146,634
Holding (%)	4.83%	18.65%	11.03%	18.59%	46.90%	100.00%

#### (3) Distribution Profile of Share Ownership

Apr 1, 2021; Unit: Shares

Shareholder Ownership (Unit: Share)	Number of Shareholders	Shares Owned	Ownership (%)
1 ~ 999	24,120	1,596,592	0.21%
1,000 ~ 5,000	21,990	42,157,118	5.55%
5,001 ~ 10,000	2,538	19,817,798	2.61%
10,001 ~ 15,000	744	9,496,251	1.25%
15,001 ~ 20,000	460	8,479,981	1.12%
20,001 ~ 30,000	410	10,432,807	1.38%
30,001 ~ 40,000	211	7,584,485	1.00%
40,001 ~ 50,000	119	5,489,540	0.72%
50,001 ~ 100,000	257	18,584,111	2.45%
100,001 ~ 200,000	162	22,883,534	3.01%
200,001 ~ 400,000	109	30,436,893	4.01%
400,001 ~ 600,000	47	23,321,283	3.07%
600,001 ~ 800,000	21	14,757,830	1.95%
800,001 ~ 1,000,000	19	17,236,378	2.27%
1,000,001 or more	116	526,872,033	69.40%
Total	51,323	759,146,634	100%

**(4) Major Shareholders**

Mar 31 2022

<b>Name of Shareholders</b>	<b>Shareholding</b>	<b>Total Shares Owned</b>	<b>Ownership (%)</b>
China Life Insurance Co., Ltd.		37,471,000	4.94%
Cathay Life Insurance Co. Ltd.		33,802,000	4.45%
Investment Account of Kingston Technology Corporation		29,875,000	3.94%
Hermes Investment Funds Public Limited Company		28,279,990	3.73%
Chunghwa Post Co. Ltd.		18,988,900	2.50%
Nan Shan Life Insurance Co., Ltd.		18,365,000	2.42%
New Labor Pension Fund		17,130,300	2.26%
KTC-SUN Corp.		13,765,362	1.81%
Labor Pension Fund Supervisory Committee-Labor Retirement Fund		10,499,000	1.38%
Vanguard Emerging Markets Stock Index Fund		10,127,550	1.33%

(5) Net Worth, Earnings, Dividends, Market Price per Common Share, and Related Information Over the Last Two Years:

Unit: Thousand Shares/NT\$

Year		2020	2021	As Of Mar 31, 2022
Item				(Note 8)
Market Price Per Share	Highest Market Price	117.50	117.00	100.50
	Lowest Market Price	66.40	92.00	92.30
	Average Market Price	96.55	103.80	96.69
Net Worth Per Share (Note2)	Before Distribution	59.02	63.54	-
	After Distribution	54.02	-	-
Earnings Per Share	Weighted Average Shares	779,147	770,870	-
	Earnings Per Share (Note3)	8.60	11.54	-
Dividends Per Share	Cash Dividends	5.0	6.8 (Note1)	-
	Stock grants	-	-	-
		-	-	-
	Accumulated Undistributed Dividend (Note4)	-	-	-
Return on Investment	Price/Earnings Ratio (Note5)	11.23	8.99	-
	Price/Dividend Ratio (Note6)	19.31	15.26 (Note1)	-
	Cash Dividend Yield (Note7)	5.18%	6.55% (Note1)	-

Note 1: Pending on shareholders' approval.

Note 2: Based on shares issued at yearend and completed after resolution by shareholders' meeting the following year.

Note 3: If there are stock grants that must be adjusted retroactively, should list the EPS before and after adjustment.

Note 4: if the terms of issuance of securities have accumulated dividends that are not paid until there are earnings, must disclose separately the accumulated dividends that are unpaid for current year.

Note 5: Price/Earnings Ratio = Average Market Price/ Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price/Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share/Average Market Price

Note 8: The net worth per share and earnings per share should be provided based on the last quarter audited by CPA as of printing of annual report; information for other items should be provided based on information from current year up till the printing of annual report.

(6) Company's Dividend Policy and Implementation Status

1. Stock Dividend Policy:

Powertech Technology Inc. belongs to a capital intense industry. Thus, the stock dividend payout policy must consider the factors such as company's current and future investment environment, capital needs, market competition, and capital expenditures, etc. Under the consideration of balancing shareholders' & committee members' benefits, dividends paid, and the long term financial planning of the company, the payment of dividends will be in the form of cash and/or stock with cash dividends greater than 20% of total amount of dividends being distributed.

2. The dividend distribution status:

(1) The payout ratios were about 50% (about 80% in cash and 20% in stocks) during year of 2003 to 2010.

(2) The payout ratios were increased to about 66% after year 2011 and going forward. In

year 2013, NT\$2 cash dividends were paid from capital reserved with net loss from legislative settlements.

(3) Powertech Technology Inc. proposed to pay \$6.80 cash in per share which was about 59.0% of 2021 profit earning.

3. 2020 dividend distribution status:

PTI proposed to pay NT\$5,162,197,111 (NT\$6.8 per share) in cash from 2021 earnings Actual distribution subject to shareholders' approval.

(7) The impact of the proposed stock grants at this shareholders' meeting on the Company's operating performance and earnings per share:

There is no stock grant proposals for the earnings distribution for 2021.

(8) Employee Profit Sharing and Directors' & committee members' compensation

1. The Company's Article of Incorporation states information regarding the amount and scope of employee profit sharing and Directors' & committee members' compensation. The principal of distribution from the Company's annual net income are:

(1) Make up for losses from previous years at top of priority.

(2) 5.0%-7.5% employee compensation and less than 1.5% for Board compensation should be reserved from operating income before tax.

(3) Employee compensation could be in cash or stock and employees included all subsidiaries defined by Board. Board compensation can only be in cash. Independent directors were paid monthly and were excluded from the annual board compensation plan.

2. This period's basis of estimating the employee profit sharing and Directors' & committee members' compensation distribution of stock grants' share calculation basis and the accounting handling of the actual distributed amount being different from estimated amount.

The basis for estimating the employee profit sharing and Directors' & committee members' compensation was based on the annual net income. If the actual resolution for distribution by the shareholders' meeting is different from the estimated amount, then it will be viewed as changes in estimation and accounted into annual profit or losses of the distribution year.

3. The board meeting on Mar 10, 2022 approved the 2021 distribution of employee profit sharing and directors' compensation proposal and details in below:

(1) 5.42% of operating income before tax for employees' profit sharing (NT\$600,641,851) and 1.08% of operating income before tax for directors' compensation (NT\$120,128,370) distributed in cash and no discrepancy with estimation made in 2021.

(2) The ratio of employees' profit sharing distributed in stock: Not Applicable.

(1) Actual distribution of previous year employees profit sharing and directors' compensation:

	Amount (NT\$)
Employee profit sharing — in cash	449,702,689
Directors' compensation — in cash	89,940,537
Total	\$ 539,643,226

No discrepancy with board approval.

(9) Buyback of Common Stock:



Event number	3 <sup>rd</sup> Buyback
Buyback Objective	Protect company image and shareholder interests
Buyback Period	2021/11/30~2022/01/26
Buyback Price Range	NT\$90.00 ~ 130.00
Buyback Type and Shares	Common Shares / 20,000,000 shares
Buyback Amount	NT\$1,961,754,173
% of buyback execution	100%
Cancellation shares	Canceled 20,000,000 shares
Accumulated shares owned by Company	0 shares
Accumulated % shares owned by Company	0%

**2. Issuance of Corporate Bonds:** None.

**3. Issuance of Preferred Shares:** None.

#### 4. Issuance of Global Depository Receipts

Mar 31, 2022

Date Issued		Jan 23, 2006	Feb 10, 2006
Item			
Issuance & Listing		Bourse de Luxembourg	
Total Amount (US\$)		103,650,000	12,092,500
Offering Price Per DR (US\$)		6.91	
Units Issued		15,000,000 at first issuance	1,750,000 units at follow-up issuance
Underlying Securities		No more than 33,500,000 PTI common shares held by selling shareholders to serve as underlying securities of the overseas depository receipts.	
Common Shares Represented		30,000,000 shares	3,500,000 shares
Rights & Obligations of DR Holders		The rights and obligations of the overseas depository receipt holders, such as voting rights, dividends, shares preferential subscription rights and other rights and interests, are based on the applicable laws of the Republic of China and the relevant provisions of the Depositary Agreement.	
Trustee		None	
Depositary Bank		JP Morgan Chase Bank	
Custodian Bank		JP Morgan Chase Bank, Taipei Branch	
DR Outstanding		44 DR units	
Apportionment of Expenses for Issuance & Maintenance		<p>Issuance: including but not limited to, underwriting fees, legal fees, listing fees, accountant fees, financial advisory fees and any other related costs. Unless otherwise specified by law, and other regulations by the issuer, the underwriter, the selling shareholder and the depository institution, the obligation to include the annual listing fees, information disclosure and other expenses rests with the selling shareholder(s).</p> <p>Maintenance: Unless otherwise specified by law, and other regulations by the issuer, the underwriter, the selling shareholder and the depository institution, the obligation to include the annual listing fees, information disclosure and other expenses rests with the Company.</p>	
Terms and Conditions in the Deposit Agreement & Custody Agreement		<p>Depositary Agreement: 1. Sale / delivery 2. Information available 3. Depository Receipts original issue, redeem and re-issue 4. Dividends, other distributions and stock options 5. Registration reference date 6. Voting rights 7. Transfer 8. Original changes securities 9 Taxes 10. Amendments and Termination</p> <p>Custodian Agreement: 1. Deliver securities to the original issuance of DR 2. Notify depository institution issuing depository receipts 3. DR against the securities back to the time of the original delivery 4. Monthly billing to confirm the number of shares 5. the Number of shares registered confirmed on base date.</p>	
Market Price	2020	Highest Market Price	US \$ 8.35
		Lowest Market Price	US \$ 6.75

Date Issued		Jan 23, 2006		Feb 10, 2006	
Item					
Per Share		Average Market Price	US \$ 7.43		
	As Of Mar 31 2022	Highest Market Price	US \$ 7.25		
		Lowest Market Price	US \$ 6.55		
		Average Market Price	US \$ 6.91		

**5. Status of Employee Stock Option Plans and Employee Restricted Stocks:** None.

**6. Status of New Share Issuance in Connection with Merger and Acquisitions:** None.

**7. Financing Plans and Implementation**

As of Mar 31, 2022, there are no situation of incomplete previous issuances and private placement of securities or complete plans whose benefits are not realized.

## V. Operational Highlights

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### 1. Business Activities

#### 1. Business Scope

##### 1. Main Business Scope:

- (1) CC01080 Electronic Parts and Components Manufacturing
- (2) CC01101 Electronic Parts and Components Manufacturing
- (3) CC01110 Computers and Computing Peripheral Equipment Manufacturing
- (4) CC01120 Data Storage Media Manufacturing and Duplicating
- (5) CC01990 Electrical Machinery, Supplies Manufacturing
- (6) F119010 Wholesale of Electronic Materials
- (7) F219010 Retail Sale of Electronic Materials
- (8) H201010 Investment
- (9) I301010 Software Design Services
- (10) I501010 Product Designing
- (11) JE01010 Rental and Leasing Business

##### 2. Revenue Proportion :

Established in May 1997, the Company's primarily provides Integrated Circuit (IC) packaging and testing services. Revenue proportion as of 2021 is as followed :

Unit : NT 1,000s

Items	Net Revenue 2021	Revenue Proportion
Packaging Service	53,334,463	63.65%
Testing Service	12,708,536	15.17%
Module Service	7,675,143	9.16%
Wafer Level Packaging	4,260,983	5.08%
Wafer Level Testing	5,742,084	6.85%
Others	72,363	0.09%
Total	83,793,572	100.00%

##### 3. Current Product/Services :

- (1) High Pin-count Thin Small Outline Package (TSOP) packaging and testing services
- (2) Quad Flat No-leads (QFN) Packaging Services
- (3) Multi-Chip Packaging (MCP, S-MCP) Packaging and Testing Services
- (4) Ball Grid Array (wBGA, FBGA) IC packaging and testing services
- (5) Secured Digital Memory Card (SD, microSD) · USB packaging and testing services
- (6) Solid State Drive(SSD) · Embedded Memory (eMMC, eMCP, UFS) packaging and testing services
- (7) DRAM Chip-Stacking packaging and testing services
- (8) Mobile memory packaging and testing services
- (9) Wafer testing services
- (10) Wafer bumping packaging services
- (11) System-in-Package (SiP) packaging services
- (12) Redistribution Layer (RDL) services
- (13) Wafer Level Chip Scale Package (WLCSP) packaging services

- (14) Package on Package / Package in Package (PoP, PiP) packaging and testing services
- (15) CMOS Image Sensor (CIS) packaging and testing services
- (16) Flip-Chip Packaging Services
- (17) Copper Pillar Bump Flip Chip (Cu Pillar Bump Flip Chip) packaging services
- (18) Electro Magnetic Interference (EMI) shield package packaging services
- (19) Fan-Out Panel Level (FOPLP) packaging and testing services
- (20) Module and System packaging services

#### 4. Product/Service in Development :

- (1) Developing ultra-fine RDL line and space 2/2um to provide high efficiency, I/O count, band width, and heterogeneous integration package technologies.
- (2) Developing bumping technology use on Fan-out on substrate to provide performance competitiveness solution with 2.5D Si interposer solution.
- (3) Continue to develop the Chip Last Fan-out architecture based on the combination of Flip Chip and Redistribution Layer technologies. The goal is to commence pilot production in early 2023 once customer validation is completed
- (4) Continue to develop the Pillars in Fan-Out (PiFO®) process for smart phone, wearable device and other consumer product applications.
- (5) We are currently working with a number of Top 5 international CMOS Image Sensor (CIS) customers by market share. Our cutting-edge Through Silicon Via (TSV) technology will help customers continue to expand their market share and technological leadership in the field.
- (6) A number of domestic IC design houses are also seeking to leverage PTI's proprietary advanced TSV technology to become the leaders of the CIS market; At least three well-known domestic design houses will engage in collaborative process development with us this year.
- (7) For the application of TSV to High Bandwidth Memory, at least two potential customers have opened talks with us this year to discuss the specifications and technical capabilities; A number of products based on the application of advanced TSV technology to AI components are expected to enter development this year.
- (8) Develop 3D stacked packaging based on the integration of logic IC, 4 HBM DRAM memory IC along with TSV and uBump bonding process to meet the requirements for high-performance, high-density, and high-bandwidth in AI, HPC and high-speed networking applications.
- (9) Develop FOPLP stacked packaging that combines 8 NAND memory IC with Controller to meet the requirements for ultra-thin, high-density, and high-speed mobile communication applications.
- (10) Developing testing and hardware solutions for high speed 3D NAND (2.4 Gbps) product
- (11) Developing Storage Class Memory (SCM) 2.92 Gbps services and hardware solutions
- (12) Developing USB4.0 Automotive product testing services and hardware solutions
- (13) Development of Tester IO board hardware

## 2. Industry Summary

### 1. Current Industry Status & Outlook

Global trade and economy underwent a tremendous upheaval over the past two years. For the semiconductor industry, the shift to working and learning from home due to COVID-19 generated tremendous business opportunities for the electronics industry. The coming of 5G

also brought many new emerging applications such as electric vehicles, self-driving vehicles, cloud servers, IoT, satellite and e-healthcare. The veritable explosion of applications has created a golden period of growth that the industry has not seen in thirty years. IMF forecasts suggest that global economic growth will reach up to 5.5% in 2021.

For 2022, some people are voicing a more conservative outlook after two years of global growth. IMF data from January 2022 suggested that global economic growth in 2022 will be slightly lower than that of 2021 at 4.4%. The Russian-Ukraine war that broke out in February is expected to impact on the global economy as well.

For the semiconductor industry, 2021 global chip sales published by the Semiconductor Industry Association (SIA) reached a record-breaking US\$555.9 billion, representing a 26.2% jump over 2020. Growth is expected to maintain its momentum in 2022. Year-on-year growth won't be as eye-catching as last year (2021) however with sales growth projected to reach 8.8%.

The Taiwanese semiconductor industry has outperformed the global average. According to the International Strategy Center of Industrial Technology Research Institute (ITRI), the total output of the Taiwanese semiconductor industry reached NT\$4.08 trillion in 2021 and grew by 26.7% year-on-year. Memory semiconductor products saw the most growth and exceeded 50% year-on-year. The IC manufacturing industry continued to be the biggest sector by value. Total value approached NT\$2.23 trillion with foundries accounting for NT\$1.94 trillion. The Taiwanese semiconductor can expect continued growth in 2022 with total output approaching NT\$4.8 trillion.

In the long-term, the semiconductor market can expect continued growth over the next few years thanks to demand from new applications. Semiconductors have a wide range of applications including smart phones, computers, cloud servers, AI, AR/VR, 5G, electric and self-driving vehicles, IoT, and e-healthcare. Some people expect semiconductors to become as vital as water and oxygen to mankind, and this may very well be true.

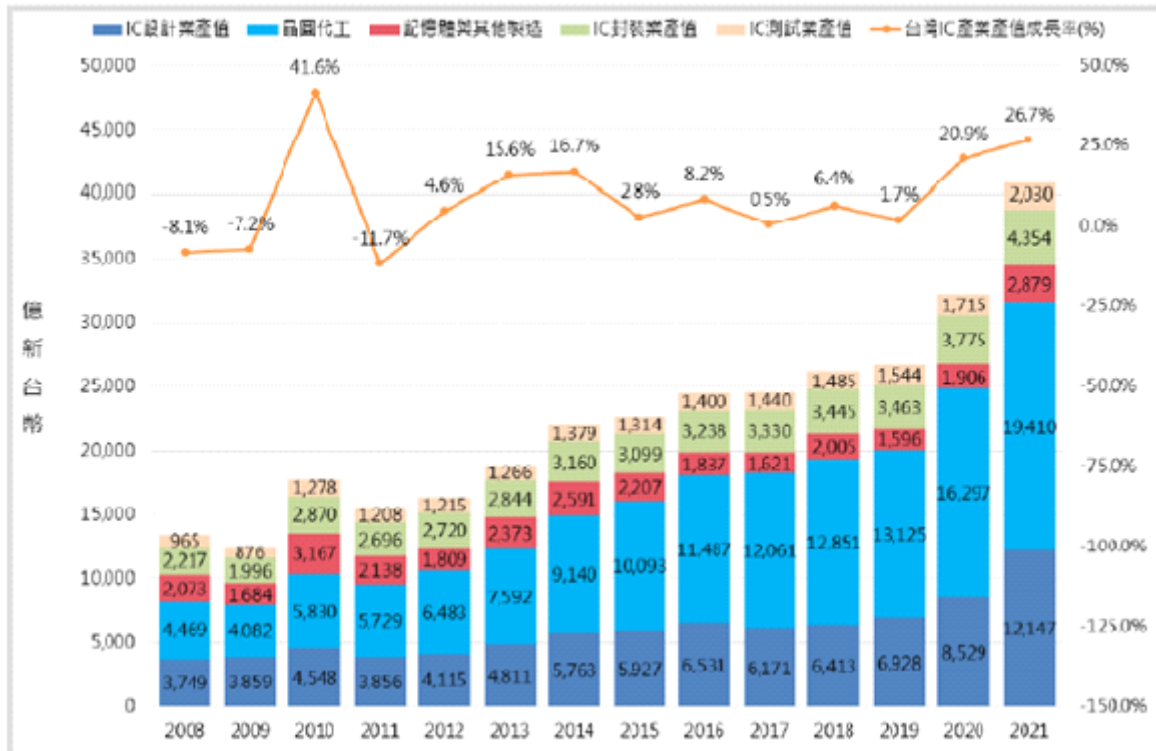
### 2017-2021 Taiwan IC Industry Value

Unit : NT \$billions

In NTD M	2017	YoY	2018	YoY	2019	YoY	2020	YoY	2021	YoY
IC Industry value	2,462.3	0.5%	2,619.9	6.46%	2,665.6	1.7%	3,222.2	20.9%	4,082.0	26.7%
IC Design	617.1	-5.5%	641.3	3.9%	692.8	8.0%	852.9	23.1%	1214.7	42.4%
IC Manufacturing	1,368.2	2.7%	1,485.6	8.6%	1,472.1	-0.9%	1,820.3	23.7%	2,228.9	22.4%
Wafer Foundries	1,206.1	5.0%	1,285.1	6.6%	1,312.5	2.1%	1,629.7	24.2%	1,941.0	19.1%
Memory & Other	162.1	-11.8%	200.5	23.7%	159.6	-20.4%	190.6	19.4%	287.9	51.0%
IC Packaging	333.0	2.8%	344.5	3.5%	346.3	0.5%	377.5	9.0%	435.4	15.3%
IC Testing	144.0	2.9%	148.5	3.1%	154.4	4.0%	171.5	11.1%	203.0	18.4%
IC Product Value	779.2	-6.9%	841.8	8.0%	852.4	1.3%	1043.5	22.4%	1502.6	44.0%
Overall Global Semiconductor Value (US\$ B)/YoY	4,122	21.6%	4,688	13.7%	4,123	-12.0%	4,404	6.8%	5,559	26.2%

Source : Industrial Technology Research Institute

## Taiwan Semiconductor Revenue by Sector



Source : Industrial Technology Research Institute

## 2. Industry Supply Chain

Sectors in IC industry can be categorized according to position in production process, including IC Design at the upstream, IC Manufacturing & Foundries at the mid-stream and IC Assembly & Testing sector at the downstream.

### (1) Upstream IC Design:

IC Design Sector includes companies designing IC products. The sector is knowledge-intensive with high entrance barrier and return on investment. Its main business scope includes designing and sales of own products or customized design for customers.

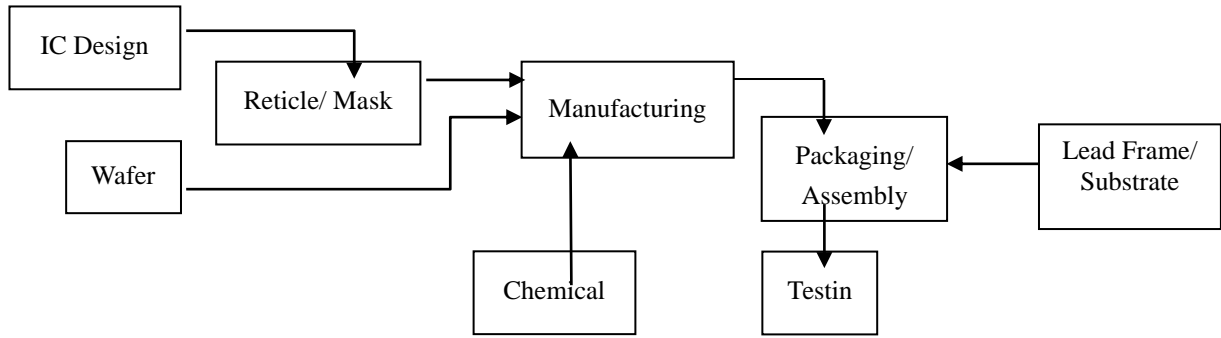
### (2) Mid-stream IC Manufacturing:

Include IC manufacturing sector and related chemical suppliers. Its main business scope involves manufacturing wafer with precision tools according to in IC circuits designed in house or specified by customers. This sector is capital and technology intensive with high entrance barrier

### (3) Downstream Assembly and Testing:

Outsource Assembly and Testing (OSAT) sector provides cutting, packaging, assembly and testing service to manufactured IC wafer for final product application.

IC Industry Supply Chain as illustrated below



In recent years' scope of IC manufacturing as well as assembly and testing continues overlap due to increasing market demand for larger quantity and higher quality IC. In addition to higher performance and smaller profile, IC is also required to satisfy demands for integrated functions. As a result, some wafer foundries begin to develop products and services that extends into scope of IC packaging and assembly. Majority of wafer foundries choose to work closely with cooperating assembly and testing service providers. Integrated Design and Manufacturers (IDM) also collaborate with OSAT service providers in designing and developing product solutions.

### 3. Trend of Product Development and Competition

#### (1) Trend of Product Development

Trends in semiconductor development include multi-function, enhanced performance, energy-efficiency, thermal dissipation, and a high level of integration. These are spurring the push towards advanced packaging technologies such as System in Package (SiP) and Heterogeneous Integration. New types of advanced packaging technologies such as Panel Fan-out, TSV, Embedded Package, Thin Wafer, Chip Stacking, Fine Pitch Flipchip, High Density Encapsulation, Antenna in Package (AiP), High Density SMT, as well as the integration of System Assembly and Testing technologies will be the next critical juncture for the semiconductor industry in the post-Moore's Law age.

Future products will inevitably require the integration of different advanced packaging and testing technologies. PTI has for many years focused on continuous R&D of technologies to meet the needs of new product types. Having a detailed of the latest product trends means PTI can launch technologies essential to the market at the optimum point in time.

The semiconductor industry is set for several years of continued growth. PTI will continue to develop innovative packaging and testing technologies to maintain our technological leadership in the global OSAT sector. At the same time, quality and production yields will be emphasized to provide the market and the industry with the different technologies required in each field. We aim to provide customers with the most competitive services in pursuit of joint growth.

#### (2) State of Competition :

A comprehensive back-end packaging and testing capability means that PTI is more than capable of providing semiconductor customers with everything from Bumping, Wafer Sort, WLCSP, Wire Bond Package, Flipchip Package, System in Package, Panel Fan-out,



3DIC TSV, System Assembly, to Final Test services.

Once the wafer emerges from the foundry, PTI can provide customers with a one-stop shop for all semiconductor back-end services instead of having to line up different production sites and schedules. The comprehensive semiconductor back-end services offered by PTI encompasses conventional product packaging & testing as well as mass production based on the latest technologies. These are some of the reasons why PTI is so competitive in the semiconductor back-end sector.

In addition, other PTI advantage include technical sophistication, short production cycle, high production yields, and low production costs. PTI is willing to share our strength with the customers. For more than two decades, we have made customers our top priority and shared our strengths with our customers so that we can grow together.

In the future, as the demand for advanced packaging technologies continues to grow, PTI will not only maintain our leadership in memory packaging and testing but also see large, sustained growth in our logic and SiP business. PTI is now a world-leader in total semiconductor packaging and testing services.

### Revenue Annual Growth 2016-2021 of Taiwan OSAT Companies Ranking Among Global Top 10

Unit : NT million

Year/Company	2021	YoY%	2020	YoY%	2019	YoY%	2018	YoY%	2017	YoY%	2016
ASE Holding	569,997	19.5%	476,979	15.4%	413,182	4.0%	397,261	36.8%	290,441	5.7%	274,884
PTI	83,794	9.99%	76,181	14.5%	66,525	-2.2%	68,039	14.1%	59,632	23.4%	48,344
KYEC	33,759	16.58%	28,959	13.4%	25,539	22.7%	20,816	5.7%	19,686	-2.0%	20,081
Chipbond	27,082	21.58%	22,275	9.1%	20,419	9.0%	18,725	16.4%	18,428	6.8%	17,256
ChipMOS	27,400	19.07%	23,011	13.1%	20,338	10.0%	18,480	3.0%	17,941	-7.5%	19,392

Source : Market Observation Post System/ Relevant Financial Statements Organized by PTI

### (3) Summary of Technological Research & Development

#### 1.R&D Cost

Latest Annual R&D expenditure as followed

Unit : NT thousands

Item \ Year	2021
R&D Expenditure	2,443,246

#### 2. Successfully developed technology or product :

##### (1)Packaging Solution Achievements:

- A. The method for using RDL first (chip last) for substrate and Fan-Out Panel Level Package (FOPLP) was successfully applied to the development of automotive SiP with embedded passive components and has now been fully validated by the customer.
- B. FOPLP method based on RDL with Line/Space 3/3um RDL was successfully developed, validated and applied to high-performance computing IC.
- C. SoC and High Bandwidth Memory HBM were successfully integrated through chip middle process for FOPLP. The technology can be used to meet the data processing and low-latency data transmission requirements of HPC/AI.
- D. LED and control IC were successfully integrated through chip middle process for FOPLP. Applications include AR/VR devices used in entertainment, healthcare, and education.
- E. Embedded die was successfully developed using chip middle process for FOPLP.

The process can be used to realize high-density heterogeneous integration of high-end mobile devices and HPC processors.

- F. FOPLP products with bump free fan-out and multi-layer RDL can now be mass produced at a very competitive cost. Applications include packaging products for mobile devices, wearable devices, and consumer products.
- G. Ultra-thin and high density stacked Bandwidth Memory (HBM) product was successfully developed using Through Silicon Via (TSV) packaging process.
- H. TSV CIS CSP process for the mobile device, healthcare, security surveillance and automotive segments was successfully developed and is scheduled to start mass production in the second half of 2021.
- I. Completed the development of Antenna in Package (AiP) technology. A Radio Frequency (RF) laboratory was also set up to help customers accelerate the development and validation of their 5G high-frequency packaged products.
- J. Flip Chip BGA (FCBGA) for large IC is now ready for mass production. The process can be used to meet the demand for high-performance computing IC from data centers and servers.

(2) Testing Solution Achievements:

- A. Testing services for WiFi 6E and BTC.
- B. PCIe Gen4 system-level testing services and hardware development.
- C. Testing and hardware development for High Density 3D-AND.
- D. Testing and development of related hardware for Teradyne IP750 CIS.
- E. Development of high-speed test board for Advantest T5503HS.
- F. Development of Thin package COK.
- G. Development of O/S test bench.

(4) Long-term and Short-term Business Strategy

Our Short-term and Long-term strategic business planning in management, production, sales & marketing and research & Development are outlined below

1. Short-term business planning

- (1) Technological leadership is one of PTI's key business strategies. The diversification of semiconductor product applications is reflected in the packaging technologies they need as well. PTI will continue to develop new processes and technologies aimed at meeting the needs of the industry. An example of this is advanced packaging technology for CMOS Image Sensors (CIS). This is one of the products that PTI will be focusing on in the short-term.
- (2) Continue to reduce production lead time in order to provide speedy service for customers. Our main advantage lies in flexible production process offering high level of mobility. We will continue to reduce production lead time in order to provide speedy service for our customers.
- (3) Continue to provide integrated Turn-Key services  
Due to consideration in cost, up-stream wafer foundries continues to outsource IC assembly, packaging and testing to specialized assembly and testing facilities (OSAT). We are among the few companies capable of providing complete assembly, packaging and testing services in the country. In order to increase our competitive advantage in providing customer with more options and better service, we will continue to offer integrated Turn-Key services.
- (4) Explore foreign and domestic market and increase market share  
In addition to maintaining strong relationship with existing foreign and domestic customers, we will use our competitive advantage in flexible production process, high level of mobility and capability in providing Turn-Key services to develop new customer worldwide.

## 2. Long-Term Business Planning

### (1) Emphasize long-term partnership with customer and supplier

Through emphasizing long-term collaboration with up-stream and down-stream partners, we aim to become the trusted OSAT service provider providing our customer reliable quality and service. We will also develop strong collaborative partnership with our suppliers

### (2) Emphasis on long-term cooperation with suppliers

Our suppliers for semiconductor equipment and materials have been crucial to the growth of PTI over the years. The Company will therefore continue to strengthen and expand our cooperation with suppliers so that we can all grow and succeed together.

### (3) Increase the level of production automation with an emphasis on smart factories to improve product yields and production efficiency.

### (4) Continue to development next-generation packaging and testing technologies

PTI has always been on the cutting-edge of the industry in developing advanced packaging technologies that our customers need. The establishment of the packaging and testing R&D center in 2006 saw PTI become the industry leader in innovative R&D of new technology patents. The new technologies are then introduced into mass product at a suitable time and place. In the future, technology will continue to service as the foundation for sustained innovation. PTI will therefore continue to focus on the development of innovative technologies as well.

### (5) Increase revenue contribution from Logic, Module(SSD) and Micro-electro-mechanical Systems(MEMS)

Through increasing customer and revenue in areas of Logic, Module (SSD) and (MEMS) we continue to diversify product risk and increase company scale.

## 2. Market and Product Sales Outlook

### (1) Market Analysis

#### 1. Primary area of product/service sales/provision

PTI primary business scope includes providing IC outsourced assembly and testing (OSAT) services in overseas as well as domestic market. As of 2021 revenue from domestic sales account for 23.10% of overall revenue while that of overseas markets account for 76.90%. PTI principle markets are located in Japan, Singapore, and North America.

Unit : NT Thousands

Year Market	2020	%	2021	%
Domestic	15,347,846	20.15	19,356,303	23.10
Export	60,832,803	79.85	64,437,267	76.90
Japan	27,395,237		25,796,097	
Singapore	14,378,679		19,099,286	
North America	13,111,792		12,546,898	
Europe	2,281,902		2,314,953	
China and Hong Kong	1,085,555		2,002,639	
Others	2,579,638		2,677,396	
Total	76,180,649	100	83,793,572	100

#### 2. Market Share :

A surge in demand in the global semiconductor market from all kinds of applications meant that almost all spare packaging and testing capacity was used up in 2021. Most OSATs experienced high growth as a result. Chip insight data placed PTI 4th out of the global top 10 in

packaging and testing revenues. PTI is continuing to grow at a steady pace.

### 3. Market Supply and Demand Outlook and Growth Potential

World Semiconductor Trade Statistics (WSTS) reported that the semiconductor market will grow by 8.8% in 2022 with sensors growing by 11.3%, analog IC growing by 11.1%, and logic IC growing by 6.2 – 8.8%. The research report published by research firm IC insight also expected total shipments of semiconductor products to grow by record-breaking 11% in 2022.

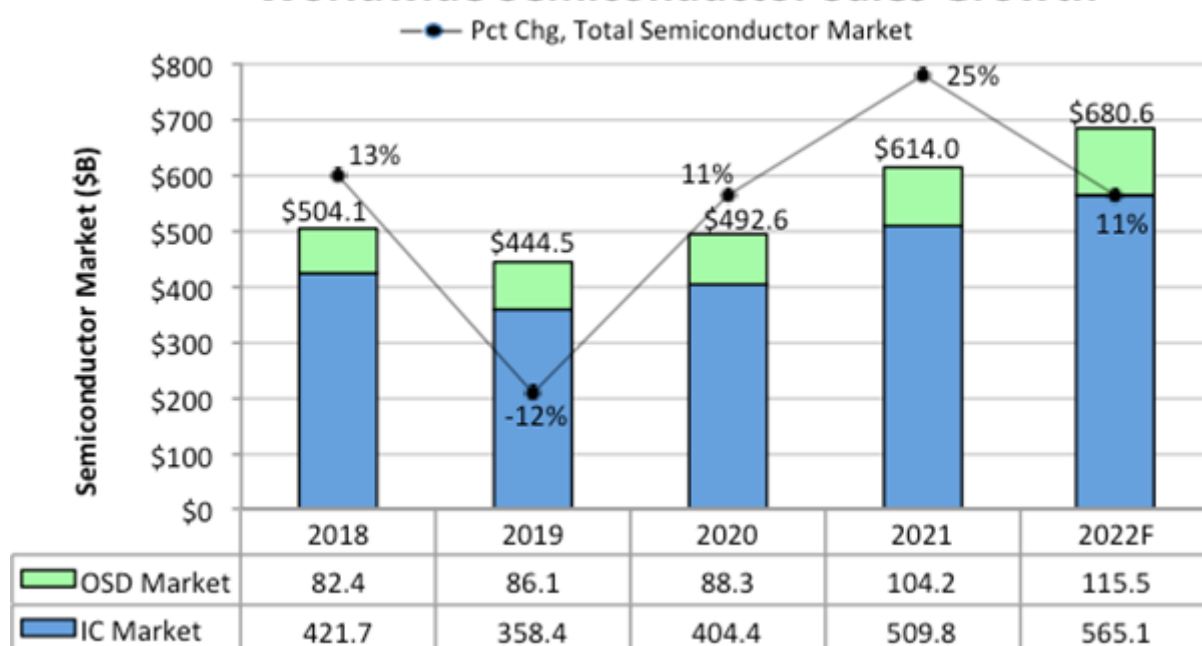
#### WSTS Global Semiconductor Market Forecast

Fall 2021	Amounts in US\$M			Year on Year Growth in %		
	2020	2021	2022	2020	2021	2022
Americas	95,366	118,835	131,084	21.3	24.6	10.3
Europe	37,520	47,126	50,467	-5.8	25.6	7.1
Japan	36,471	43,581	47,621	1.3	19.5	9.3
Asia Pacific	271,032	343,419	372,317	5.1	26.7	8.4
<b>Total World - \$M</b>	<b>440,389</b>	<b>552,961</b>	<b>601,490</b>	<b>6.8</b>	<b>25.6</b>	<b>8.8</b>
Discrete Semiconductors	23,804	30,100	32,280	-0.3	26.4	7.2
Optoelectronics	40,397	43,229	45,990	-2.8	7.0	6.4
Sensors	14,962	18,791	20,913	10.7	25.6	11.3
Integrated Circuits	361,226	460,841	502,307	8.4	27.6	9.0
Analog	55,658	72,842	79,249	3.2	30.9	8.8
Micro	69,678	79,102	83,980	4.9	13.5	6.2
Logic	118,408	150,736	167,396	11.1	27.3	11.1
Memory	117,482	158,161	171,682	10.4	34.6	8.5
<b>Total Products - \$M</b>	<b>440,389</b>	<b>552,961</b>	<b>601,490</b>	<b>6.8</b>	<b>25.6</b>	<b>8.8</b>

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Source : 世界半導體貿易統計局 ( WSTS )

#### Worldwide Semiconductor Sales Growth



Source: IC Insights

#### 4. Competitive Advantages

PTI have grown to become one of the major OSAT service providers, delivering high quality, dedicated service and advanced technology for our customers. We continue to collaborate closely and maintain solid relations with our customers. Our competitive advantages are as followed.

##### (1) Solid Strategic Allies and Globalization

The IC OSAT sector is characterized by high level of collaboration with upstream wafer foundries. Consequently, profitability of assembly, packaging and testing service providers relies on solid relationship with customers. In the meantime, IC manufactures also chose long-term partnership with assembly, packaging and testing service providers due to confidentiality in product technology, product quality and production process. Such strategic alliance with concrete relationship of collaboration is beneficial for long-term development of the company.

##### (2) Turn-key Service

In response to rapid decline in IC sales prices, we offer Turn-key Service to our customers, including both assembly and packaging, as well as testing in order to reducing cost and risk in shipping process.

##### (3) Outstanding capability in development and production

PTI have been committed in developing new technologies while investing heavily in technological research and production process improvement. We have been proudly awarded many domestic and international patents, as well as technology license from multiple major international manufacturers, establishing our solid competitive edge within the industry.

##### (4) Investment in high precision automated equipment

In response to development of IC product towards increasingly higher performance, pin-count and density we continue to invest in high precision automated equipment from well-known Japanese and US vendors in order to satisfy customer needs and continuously improve our quality of service.

##### (5) Online automated customer service system

Our online automated customer service systems enable customer to track closely product status, production progress, and any potential problems. This facilitates swift problem resolution and product improvement while increasing added value for customer.

#### 5. Supporting and Hindering Factors and Responding Strategy

##### (1) Supporting Factors :

###### 【Industry Background】

###### ① Competitive Advantage of Taiwanese Semiconductor Industry

Taiwan semiconductor industry encompasses a complete semiconductor industry structure from upstream IC Design and wafer foundries to downstream OSAT service providers. This vertically integrated chain of supply, consistent with industry development, contributes to establish the strong competitive position of Taiwanese semiconductor sector in the global market. Booming IC industry facilitated by rapid global development in electronics, information technology, communication technology, consumer electronics, optoelectronic industry, Artificial Intelligence (AI) and Internet of Things (IoT) will continue to support stable growth in OSAT sector.

###### ② OSAT Sector Benefitting from Major Integrated Device Manufacturer (IDM) Outsourcing Trend.

Due to high capital investment of advanced production process, global IDM manufacturers continue to increase its outsourcing of wafer manufacturing, assembly, packaging and testing to Asia region with lower production cost. Taiwan, with its

complete industry structure and dynamic vertical supply chain, is the most preferential outsourcing choice for international IDM manufacturers and IC Design Companies. Taiwanese OSAT sector also benefits from OEM orders.

### 【Competitive Niche】

#### ① Strong Managing Team and Solid Strategic Alliance

Our major share-holders include well-known companies such as Kingston Group and Taiwan Toshiba Semiconductor, facilitating solid reputation and stable customer base. As our revenue continues to grow, support from our shareholders also ensures sufficient capital supply for our future operation and development. Furthermore, our management team is equipped with comprehensive working experience within the semiconductor sector and capability of making appropriate decisions according to market trend.

#### ② Continued Development and Innovation

In response to rapid changes in semiconductor market, PTI is dedicated to technological development. In addition to developing new products, we continue to introduce new technologies through collaboration with our strategic partners. Our research and development team is equipped with capability in independent designing and developing testing software and hardware programs. In addition to continually developing testing program and improving testing equipment in areas of IC testing, we also continue to develop cutting edge technologies and services in respond to future mainstream IC market demand. Our business scope has extended into logic market from assembly, packaging and testing of memory products. Building on our leading advantage in assembly, packaging and testing for both memory and logic IC, PTI continues to expand its scope into 3D IC. In assembly and Packaging we have completed development in IC Chip-Stacking technology, Field Programmable Gate Array (FPGA) and Fan-Out Packaging technology, and have been rewarded many patents. We will also continue our effort in refining in material and production process.

#### ③ Turn-key Service and Flexible Capacity

We able to provide our customer integrated turn-key service of IC assembly, packaging, testing and packing service in a single order, effectively reducing shipping time and cost. In addition, we are able to respond quickly to market and customer demand and swiftly expand and adjust our capacity accordingly through timely investment in advance equipment, providing our customer with most competitive solutions.

### (2) Hindering Factor and Responding strategy

#### ① Fluctuation in IC Industry in Connection with Economic Climate

##### Strategic Response :

##### A. Product Diversification

In addition to continually strengthening our memory assembly, packaging and testing quality and technology, acquisition of Greatek Electronic Inc. also contributed immensely to expansion into Logic market. Furthermore, our new production technologies such as copper pillar bump, Re-distribution Layer (RDL), Wafer Level CSP, MEMS and SSD continues to achieve customer qualification. Through product diversification we are able to mitigate risk of economic cycle as well as provide our customer greater range of assembly, packaging and testing services

##### B. Strengthening Collaboration with Customers

Establish long-term partnership with existing customers, establishing Powertech Semiconductor (Xian) Co. Ltd. and actively developing new customers to achieve stable and sufficient level of capacity utilization.

##### C. Increase Market Scope

With Akita facility as production basis in Japan, supported by Tera Probe, Inc., PTI will establish comprehensive chain of supply in Japan.

② Erosion of Gross Profit by Increasing Material Cost

Strategic Response :

A. Lowering Production Cost

Mitigating the effect of increasing material cost by varying product structure, improving yield, developing alternative material solution and continue to improve production process.

B. Emphasizing Added value

Continue to support our customer with high quality product with short lead time and swift responding service. Enabling our customers to produce time-effective and competitive product through our dedication in developing new technologies.

③ Manpower shortage

Strategic Response :

A. Increase staff welfare and bonus incentives to attract talent and encourage cohesion among staff members. We also design staff training program according to long-term development strategy to support progress for both company and staff member.

B. We will continue to improve productivity and dependence on manpower through actively introducing advanced automated equipment in conjunction with upcoming Industrialization 4.0.

C. Actively engage with universities to expand industry-academia cooperation and promote the industry-academia integration for the cultivation of new talent.

④ Intensifying competition in the semiconductor back-end.

Semiconductor technology plays a critical role in the ever-changing field of advanced technology. In the past, most attention in the semiconductor supply chain was concentrated in the wafer foundry sector. In the post-Moore's Law age, semiconductor wafers produced by advanced processes must be complemented by advanced back-end packaging technology to realize their true performance. Foundries and PCB makers are now making a rush to enter the packaging sector. In response, PTI will continue to strengthen our R&D efforts, carefully assess our investments in new technologies and production capacity, and build solid partnerships with customer and suppliers. We will also strengthen the integration of our services from wafer testing through to the shipping of the final product to maintain our commanding advantage in the semiconductor back-end sector.

(2) Important Applications and Production Process of Main Products

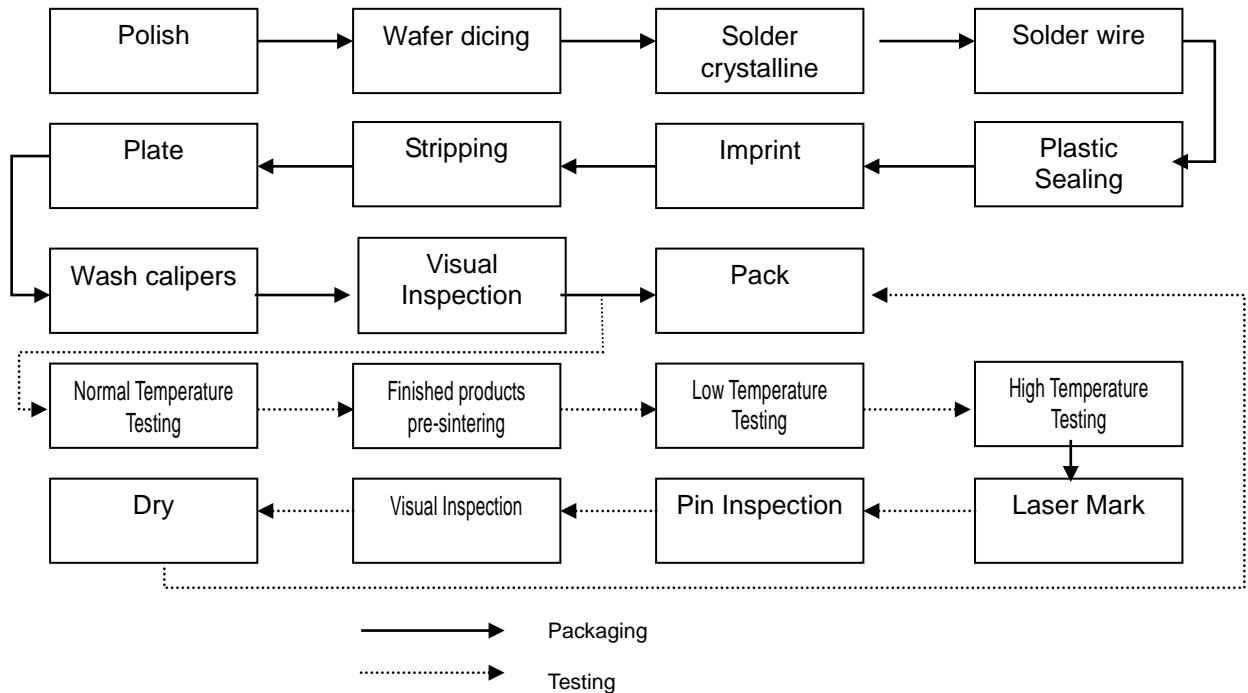
1. Product Applications

Main Products or Services	Important Applications or Functions
IC Assembly	To turn Wafer into complete single product through sawing, mounting, wire bonding, molding, trimming/forming, and other processes of the Integrated Circuit (IC).
Final Test	Placing the IC into different environment such as normal, high, or low temperature to test and classify according to test conditions specified by customers. These steps ensure the product conforms to the quality and stability demanded by customers.



Main Products or Services	Important Applications or Functions
Burn-In	Using Burn-In process forced the IC operate in extreme environments to accelerate aging of the products and screen out the unqualified, to ensure reliability of products.
Laser Mark	Printing the name of company and product details on the IC.

## 2. Production Process



### (3) Suppliers of Major Raw Materials

Our company mainly provides IC processing for our customers. The suppliers of the key raw materials used in packaging operations are listed below:

Main Raw Materials	Main Suppliers
Lead-Frame	Shinko Electric Ind. Co., Ltd. Nichiden Seimitu Kogyo Co., Ltd.
Substrate	Nan Ya Printed Circuit Board Corp. Unimicron Technology Corp. Simmtech Co., Ltd. Shinko Electric Ind. Co., Ltd. Kinsus Interconnect Technology Corp. Zhen Ding Tech. Inc. Shennan Circuits Co. Ltd.
Die Attach Film (DAF)	Hitachi Chemical Co.(HK) Ltd. Nitto Denko Corp.



Main Raw Materials	Main Suppliers
	LINTEC Corp. Henkel AG & Co.
Gold Wire	Chroma New Material Corp. TANAKA Kikinzoku Kogyo K.K.
Compound	Taiwan Hitachi Asia Pacific Co., Ltd. Showa Denko Materials Co., Ltd. Shin-Etsu Chemical Co., Ltd. KYOCERA Corp. Chao Young Corp.

(4) Information of suppliers' who commanding 10% and plus of annual purchasing volume in any year over the last 2 years.

1. List of major supplier accounted for over 10% of total purchase over the last 2 years.

Unit: NT\$ Thousands

Year	2020				2021				As of 2022 Q1			
Rank	Name	Amount	Percent of total amount sold (%)	Relation with Issuer	Name	Amount	Percent of total amount sold (%)	Relation with Issuer	Name	Amount	Percent of total amount sold (%)	Relation with Issuer
1	A	2,951,768	10.72	None	A	3,235,128	10.68	None	A	929,888	11.39	None
2	B	2,237,810	8.12	None	B	2,549,265	8.42	None	B	840,835	10.30	None
2	Others	22,356,393	81.16		Others	24,507,386	80.90		Others	3,394,733	78.31	
	Net Amount Sold	27,545,971	100		Net Amount Sold	30,291,779	100		Net Amount Sold	8,165,456	100	

Reason for changes: PTI revenue increase contributed by capacity expansion, and customer demand increase.

2. List of Major Customers:

	2020				2021				As of 2022 Q1			
Rank	Name	Amount	Percent of total revenue %	Relation with Issuer	Name	Amount	Percent of total revenue %	Relation with Issuer	Name	Amount	Percent of total revenue %	Relation with Issuer
1	A	21,607,896	28.36	Related Party	A	21,803,359	26.02	Related Party	A	4,756,940	22.84	Related Party
2	B	16,116,653	21.16	None	B	16,881,041	20.15	None	B	4,664,100	22.39	None
3	C	11,035,903	14.49	None	C	9,345,484	11.15	None	C	241,096	1.16	None
	Others	27,420,197	35.99		Others	35,763,688	42.68		Others	11,168,495	53.61	
	Net Revenue	76,180,649	100		Net Revenue	83,793,572	100		Net Revenue	20,830,631	100	

Reason for changes: (1)PTI 2021 revenue increase contributed by capacity expansion, and customer demand increase.(2)1Q2022 Customer C sold core business to customer D as the major reason for revenue decline in 1Q22.

(5) Production Quantity & Value Table 2020-2021

Quantity Unit: 1,000 wafers Amount Unit: NT\$ Thousands

Year	2020			2021		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
IC Packaging	15,437,158	13,771,870	35,221,455	17,710,837	16,394,153	39,007,211
IC Testing	9,681,679	8,465,812	8,245,268	11,086,219	9,763,136	8,030,200
Module	238,016	145,271	7,710,594	205,469	154,842	6,838,249
Wafer Level Packaging	1,366	863	2,585,149	1,325	1,049	2,920,116
Wafer Level Testing	2,551	1,857	4,261,861	2,731	2,036	4,401,182
Total	25,360,770	22,365,673	58,024,327	29,006,581	26,315,216	61,196,958

(6) Sales Quantity & Value Table 2020-2021

Quantity Unit: 1,000 wafers Amount Unit: NT\$ Thousands

Year	2020				2021			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC Packaging	8,099,685	9,967,064	5,592,083	36,639,037	9,516,610	13,147,707	6,822,403	40,186,756
IC Testing	5,604,963	2,178,251	2,829,673	9,997,299	6,374,306	2,453,143	3,415,341	10,255,393
Module	84,606	387,991	42,980	8,372,497	87,854	304,927	45,193	7,370,216
Wafer Level Packaging	236	1,018,282	620	2,563,868	348	1,522,641	689	2,738,342
Wafer Level Testing	1,077	1,794,971	819	3,102,505	1,040	1,895,720	1,126	3,846,364
Others	—	1,287	—	157,597	—	32,165	—	40,198
Total	13,790,567	15,347,846	8,466,175	60,832,803	15,980,158	19,356,303	10,284,752	64,437,269

### 3. Employee Status

Table for Employees Number, Average Age, Average Years of Service, and Distribution of Education for Last Two Years

Year		2020	2021	As of Mar 31, 2022
Employees number	Administration and Management Staff	1,434	1,403	1,435
	R&D Engineering Staff	2,493	2,484	2,496
	Operators	7,674	7,648	7,653
	Total	11,601	11,535	11,584
Average Age		35.07	35.81	35.93
Average Years of Service		5.99	6.62	6.70
Education Distribution in %	Doctorates	0.08	0.05	0.03
	Masters	8.03	7.74	7.82
	College and Universities	71.60	71.40	70.92
	High School	19.89	20.23	20.57
	Below High School	0.40	0.58	0.66

### 4. Environmental Protection Expenditures

The total amount of losses (including reparations) and penalties due to environmental pollution caused in most recent year and as of the publication date of this annual report, and an explanation of future responses (including improvement measures) and possible expenditures.

(1) The total amount of losses (including reparations) and penalties due to environmental pollution caused as of most recent year and publication of annual report.

1. The Environmental Protection Bureau of Hsinchu City Government issued a notice (Fu-So-Huan-Kong Letter No. 1100189390) on December 17, 2021 stating that a system review conducted on November 12, 2021, found that the designated air pollution specialist for PTI Plant P8 was also designated as firefighting management personnel at Plant P8 between October 24, 2018, and October 23, 2020. This violated Article 34, Paragraph 4, of the Air Pollution Control Act, and Article 5 of the Regulations Governing the Exclusive Unit or Personnel of Air Pollution Prevention. A fine of NT\$200,000 was subsequently issued on February 18, 2022.

Corrective actions: Another employee was designated as the firefighting management personnel for Plant P8 on October 24, 2020. The assignments of all related dedicated personnel at each plant were also reviewed, with all plants notified of the need to ensure the proper employment of specialist personnel.

Preventive measures: Established guidelines to ensure that dedicated personnel are assigned to dedicated roles at each plant. Register was set up to prevent duplicate assignments and employee education

strengthened.

2. A notice was issued by the Environmental Protection Bureau of Hsinchu County on November 23, 2021 (Huan-Ye Letter No. 1103403097) stating that an investigation into illegally dumped waste at land lot No. 1176-2 of Siayuan section, Jhudong Township, on May 3, 2021, determined that PTI's Hukou plant (Plant P2) had failed to contract with a licensed disposal company for the removal of the scrapped wastewater tank and sludge from its wastewater treatment facility. This violated Article 28, Paragraph 1 of the Waste Disposal Act, and a fine of NT\$120,000 was issued on February 15, 2022.

Corrective actions: The site was immediately cleaned up and rehabilitated to the EPB's satisfaction.

Preventive measures: Compliance training and education organized for contractors and PTI employees.

(2) Expected Environmental Protection Capital Expenditures for Coming Years  
Intended purchase of pollution prevention equipment or capital expenditure is listed below:

Unit: NT\$ Thousands

Item/Year	2022	2023	2024
Greenhouse gas examination and consultant fees	400	400	400
Wastewater treatment and emission fees	36,711	41,687	43,118
Wastewater treatment fees	36,516	37,320	38,125
Environmental protection monitor & exam fees	2,000	2,000	2,000
Waste material disposal fees	6,000	6,000	6,000
Expansion of wastewater treatment equipment	98,510	45,860	30,360
Air pollution examination fees	1,162	1,162	1,162
Establish air pollution treatment equipment	12,330	2,330	2,330
Air pollution prevention fees	2,000	2,000	2,000
Total Expenditure Amount	195,629	138,759	125,495

## 2. Maintenance Measures

### (1) Management Program:

The Company conducts the following programs to implement its responsibilities on environmental protection:

- A. Air Pollution Control: Set up air pollution control equipment VOCs. Regularly exam the air quality to meet Environmental Protection Bureau standards. Hsin Chu Science Park Plant I and II both adopted Best

Available Control Technology (BACT) to eliminate the impact on the environment.

- B. Recycle Waste Water: Utilize waste water recycle system to reduce waste on resources and re-use the recycle water to save and protect the water resources.
- C. Water Pollution Control: all facilities waste water must be treated and meet official standard before release back to the water system. Internal monitoring system and regular measure & calibration were in place.
- D. Waste Disposal: The entire disposal must meet environmental protection regulations. Enhance the recycle and re-use rate by well-classify materials.
- E. Work with suppliers: Regularly inspects suppliers to meet environmental protection regulations.
- F. Climate Change and Energy Control: the company has established Greenhouse Gas Control Procedures followed the guidance of ISO14064-1 and Task Force on Climate-related Financial Disclosures (TCFD) to reduce impacts and financial risks of extreme weather.
- G. Voluntary Environmental Monitor Program: Program including waste water, noise, air quality, waste material impact on environment to effectively control the company operations impact on the environment.
- H. Allowance Permit: Consistently monitor the company operations meet the latest environmental standards.

(2) Environmental management performance

A. Air pollution control:

- a. The Company emitted 100.4 tons of Volatile Organic Compounds (VOCs) in total during 2021. The reporting and payment of pollution control fees for use of VOCs were completed through the EPA Air Pollution Control Fee for Stationary Sources System every quarter as required by law.
- b. Regular monitoring data provided by qualified external contractors indicated that concentrations of polluting emissions from all factories were lower than the regulatory threshold.
- c. The Best Available Control Technology (BACT) was adopted by the Hsinchu Science Park (HSP) Factory and HSP Factory 2 for treating VOCs. Environmental impact is reduced through the Zeolite concentrator rotor/regenerative incinerator.

B. Waste water treatment and process recovery:

- a. Regular monitoring of discharge water quality indicated that concentrations of all pollutants was lower than the regulatory threshold.
- b. Total waste water discharge from all PTI sites in amounted to 1,990,110 tons in 2021, an increase of 107,842 tons compared to 2020. The increase in total waste water (sewage) discharge compared to 2020 was due to an increase in production output in 2021.
- c. PTI Taiwan achieved a 37% recovery rate for water used in the packaging process in 2021.

C. Waste disposal:

- a. Waste was recycled for reuse if possible during waste disposal to turn rubbish into usable resources; The recovery and reuse of waste liquid produced by raw materials at the PTI HSP Factory reused of 92.46 tons recycle material in

2021.

- b. PTI Taiwan recycled 1,034.64 tons of waste in 2021, On average, 86.22 tons were recycled each month.
  - c. Waste disposal/treatment/recycling contractors undergo field/written audits or random tracking of their vehicles every year. A total of 56 regular audits were conducted for waste contractors during 2021.
- D. Energy conservation and greenhouse gases
- a. Preference was given to high-efficiency models as well as green refrigerants with lower global warming potential (GWP) during the selection of factory equipment to reduce GHG emissions.
  - b. ISO 50001 Energy Management System certification was obtained by PTI in 2021.
  - c. Total power savings in 2021 amounted to 13,036,455 kWh, or the equivalent of 46,9331.2 GJ, and met the target of reducing energy consumption by 1%.
  - d. Green building design is now introduced during the planning of new factories to reduce the consumption of energy and resources.

## 5. Labor Relations

(1) The Implementation Status for Employee Welfare Policy, Training and Continue Education  
PTI values the salary and benefits for its employees and offers lawful benefits. According to the bonus payment specifications, annual earnings minus taxes, surplus and dividends are then appropriate for employee bonuses. Employees can also enjoy benefits provided by the Employee Welfare Committee. With PTI family day, movie screenings and year end banquets to relieve stress from work and bond with coworkers.

1. Insurance: All PTI employees are insured with free general group insurance (including life, accident, medical, cancer, and other insurances). In the spirit of caring for employees as well as their families, the spouse and children of employees also include in the free group insurance.

2. Health and Safety:

- (1) Through professional medical staff and health management, PTI conducts health promotion and health management for employees. All plants are staffed with professional medical personnel to monitor the health of employees. We collaborate with professional medical organizations to conduct health examinations for employees.
- (2) We conduct risk management and assessment for resumption of work for individuals with high health risks. We also offer health information and courses.
- (3) PTI prevent the disease triggered by abnormal workload by self-reporting the workload, work in day/ night shift, prolonged abnormal workload, irregular schedule, frequent business trips, or tense working conditions. These employees undergo health risk evaluation, overwork risk evaluation, and Framingham risk evaluation. On-site doctors evaluate the results, talk with the employees, and if necessary, change job positions, decrease working hours, or take other administrative management to maintain employee health.
- (4) In 2004, PTI obtained the OHSAS 18001 occupational health and safety management certificate. To prevent occupational injuries and accidents and ensure the safety and health of our workplace, we also devised our "Environmental Safety and Health Policy".

### **Environment, Safety and Health Policy**

- Communicate ESH policy to employees, customers, and related groups.
- Comply with environmental protection, safety and health legislation/regulations and customer requirements.
- Consult and engage with workers and their representatives on the prevention of injuries, diseases, and accidents as well as damage control.
- Actively promote energy efficiency and waste reduction initiatives in response to international trends in environmental protection and the organization's current circumstances.
- Engage in continuous review and improvement to set higher targets for safety, health and environmental management, and improve their overall performance.

3. PTI uses the "Psychological Counseling System" to let employees unload burdens and listened to themselves in this ever changing world of responsibilities. Care-free conversations during the Psychological Counseling System to heal inner wounds, rejuvenate, see a different world, and create a healthy work environment.

4. Company Trips: Employee Welfare Committee has unscheduled company trips to for coworkers to bond with each other. In 2021, we offered vouchers of a value of NTD\$1,500 to each employee. PTI Taiwan also signed contract with renowned travel agencies to offer package tour or coupon to employees, allowing them to achieve the



balance between commitments to work and relaxing lifestyles.

5. Family Day/ Large-scale events: Family Days and other large-scale leisure events were organized by the Employee Welfare Committee on a regular basis. PTI employees and their dependents are all part of the PTI family and the hosting of Family Day events create opportunities for employees and families to have fun together, and for employees to bond with each other. The balancing of employee and social welfare warm employees' hearts and bring them more happiness outside of work. The evolving COVID-19 pandemic meant PTI had to make rolling adjustments to event formats during the course of 2021. Large physical gatherings were held as "online events" instead to ensure that there is no interruption in our support and invigoration of employees. During 2021, we continued to target the three elements of "Care, Health, Technology" by creating a friendly workplace that falls "Promising, Thriving, Inspiring" to employees. By stimulating the boundless creativity of our employees, we can motivate them at and away from work so they can craft their own exciting PTI life.
  6. Employee Club Activities: We value the balanced development of work and life of our employees. PTI's Employee Welfare Committee plans a variety of events throughout the year and encourages employee participation to relieve stress from work, bond with coworkers, develop physical and mental health, cultivate cultural knowledge, promote social welfare, and thus become an employee in the technology industry with LOHAS. We have 9 employee clubs with 405 members.
  7. Ask for Leave: In accordance with Labor Standard Act, PTI offers holiday and annual leave to employee. Regular reports are provided to supervisors to assist employee has a balanced work and life.
  8. Birthday/ Funeral and Other Benefits:
    - (1) Birthday star is given a coupon equivalent of NTD\$500 to celebrate his/her birthday. Employees with matters of material contingencies are offered a grant from NTD\$1,000 to NTD\$10,000.
    - (2) PTI offers NTD\$1,000 value of cash or equivalent coupon, gift on annual Labor's Day.
    - (3) PTI offers coupon/ gift equivalent of NTD\$1,000 during Dragon Boat Festival, Mid-autumn Festival etc.
    - (4) Gifts are offered to employees with 3, 5, 10, 20 years of seniority.
  9. Maternity Subsidies and Other Services: A NTD\$2,000 of subsidies per child birth are provided to employee or its spouse. Also, PTI provides related application services for labor insurance. PTI cares about the employees and their interaction with their families. By having the employee welfare committee signing designated kindergartens and child-care facilities in the areas where employees reside, we offer options of pre-school care for the children of our employees, so that the employees can excel in both their work and their family life without any worries.
  10. Food and Housing: (1) PTI has outsourced catering services with subsidies for employees. Employee only has to pay a small amount to enjoy lavish meals. Catering Committee has been established since 2008 to enhance the quality and welfare of employees. (2) PTI offers dormitory option for long distance commute employees.
  11. On-Job-Training: To ensure a diverse talent, we "listen to needs" to consider internal and external issues. PTI has committed to meet the demand of employee learning, organizational development, and company policies, which has led to PTI's unique "need and resolution oriented" operational model and training system, where PTI enhances the managerial abilities of executives, improve employee competence, and ensure the sustainable growth of the company. PTI has been promoting virtual training courses and e-books for continue education especially during the COVID-19 periods.
- (2) The Implementation Status for employee retirement and pension system
1. Retirement Condition

Condition	Details
A. Voluntary	A、Individual who served in the company over 15 years and over 55 years old. B、Individual who served in the company over 25 years. C、Individual who served in the company over 10 years and over 60 years old.
B. Mandatory	A、Individual who was over 65 years old. B、Individual who certified by public medical institutes with unfit physical or mental condition to work.

2.PTI Taiwan follows the Labor Standards Law and the Labor Pension Act in implementing employee retirement regulations and established a labor pension supervision committee to appropriate the full amount of pension contribution for employee to apply for pension after retirement. The insurer of Annuity Insurance is an insurance company approved by the central competent authority and the insured of the Annuity Insurance contract is the employer who will insure from the same insurer. The workers are the insured persons and beneficiaries. The Annuity Insurance premium to be paid by the employer each month may not be less than 6% of the monthly wages of the worker. In 2021, the listed total amount contributed to pension was NT\$378,624,823.

### (3)Negotiation between Management and Labor and the Implementation of Employee Rights

#### 1. Employee Care:

PTI values the opinion of its employees. We offer various channels to encourage communication between employees and the management, so that we thoroughly understand employees' satisfaction with management and welfare systems and maintain good labor-management relationship. Since our foundation, PTI has enjoyed harmonious labor-management relationship. There has been no occurrence of labor-management disputes that resulted in losses. The possibility of future labor management disputes leading to losses is extremely low. In addition, with quarterly labor management meetings and welfare committee meetings, employees can voice their opinions on specific issues and reach agreement with the company through discussions in the meetings, thus perpetuating effective communication channels. PTI also respect and protect employees' rights of freedom of speech and freedom of assembly and association. The quarterly labor management meetings are negotiated by labor representation voted by employees.

#### 2. Comprehensive Communication Channels

We have established comprehensive channels for diverse, two-way, and open communication. By helping employees communicate their opinions to the management, their concerns can be effectively taken care of. Our fair, confidential, and efficient handling procedure resolves employees' concerns while maintaining good labor management relationship. We have also established sexual-harassment prevention measures, employee psychological counseling services, and rewards and discipline regulations. We are always listening to employees' opinions. Anonymous or otherwise, we always exercise confidentiality and fairness in handling such information. All forms of retribution are protected against, so that employees can express their concerns without fear.



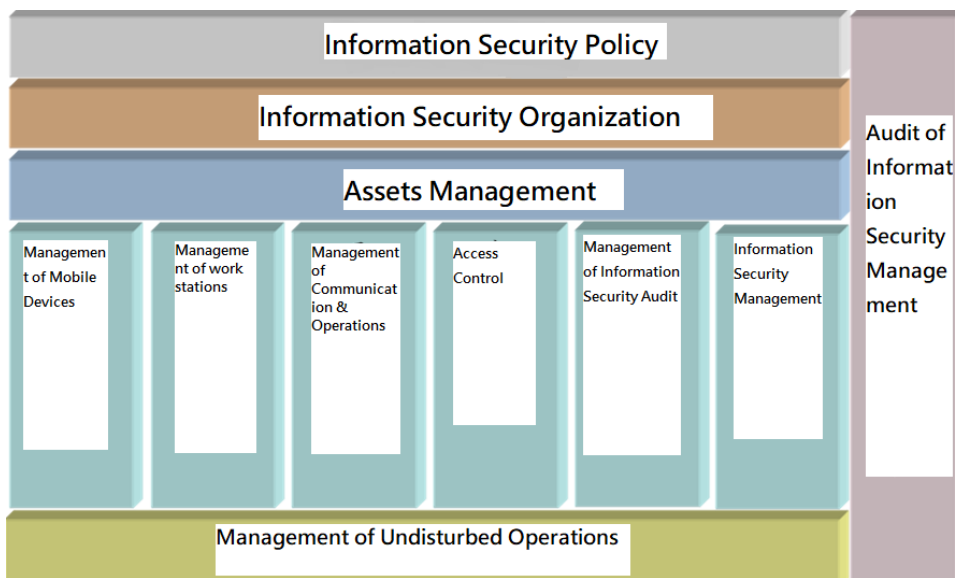
(4) Status of Violation of Labor Standards Act : None

## 6. Information and Cyber Security Management

### (1) Information Security Risk Management Structure

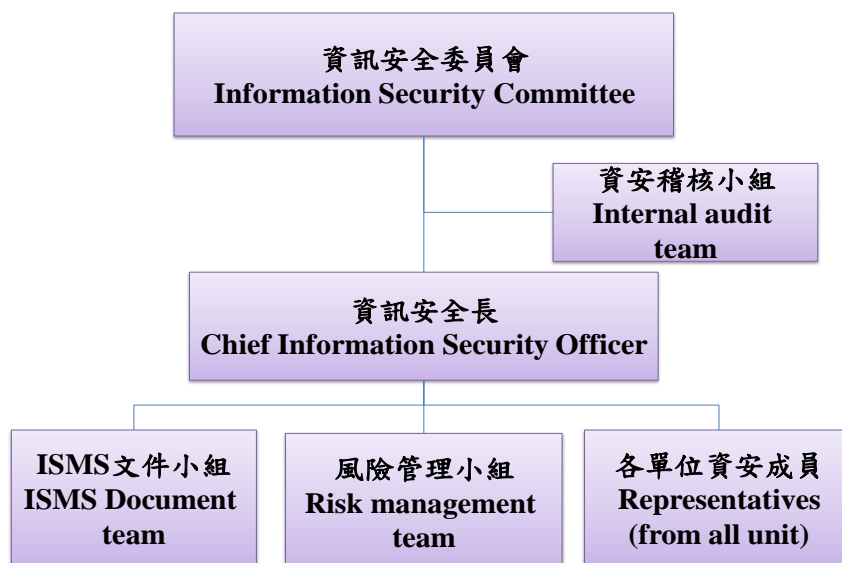
#### 1. Information security governance system

The “Information Security Management Committee” (“Infosec Committee”) was established in February 2016 to ensure the information security of PTI. The Infosec Committee is responsible for promoting and managing the deployment, operation and maintenance of the information security management system. Effective communication is to be conducted in accordance with the “ISMS Communication Checklist” with the state of information security governance reported to the Board of Directors regularly. ISO 27001 certification was obtained by PTI in October of the same year and internal controls based on the standard put into place. A variety of methods including management review, internal audit, risk assessment, corrective and preventive measures for example were used to establish an information security management mechanism, strengthen information security protections, and enhance the standard of information security.



## 2. Information security governance system

### (1) Scope of Information Security Committee:



- (1) Composition of the Information Security Committee: The unit reports directly to the President according to the PTI organization chart. The top managerial officers in the unit make up the Infosec Committee.
- (2) The top managerial officer of the information department is also the Chief Information Security Officer (CISO) of the Infosec Committee.
- (3) The audit team is composed of personnel from the audit unit and information management department. A representative assigned by the Audit Office serves as the team leader. The team is responsible for internal audits related to ISMS< PIMS and trade secrets.
- (4) The document team is composed of personnel from legal affairs and information management department. A representative is assigned as the team leader. The team is responsible for preparing documentation related to ISMS, PIMS and trade secrets, as well as matters related to security awareness, education and training.
- (5) The risk management team is composed of personnel from legal affairs, information management department, and packaging & testing RD department. A representative is assigned as the team leader. The team is responsible for matters related to asset registries, risk management, and emergency response.
- (6) The information security personnel of each unit are designated by the head of each unit. They assist with the promotion of tasks related to ISMS, PIMIS and trade secrets.
- (7) A list of all members is maintained by the CISO in the “Infosec Committee Membership List” and kept up to date when there is a change in membership ◦

### (2) Information Security Policy

#### 1. Enterprise Information Security Management Strategy and Structure

To enforce effective information security management, the enterprise information security organization followed the “Plan-Do-Check-Act” (PDCA) model set out in the ISO/IEC 27001:2013 specifications for the development, maintenance, continuous improvement and documentation of an information security management system. This included laying down of principles for the functions of the management organization, document record management, and various information security control measures. The

focus of the information security management system is on protecting the information assets of key company businesses. All activities must be documented or logged in an appropriate manner to ensure effective cooperation. The relevant steps are set out in the corresponding chapters.

✓ Planning Phase

Strong emphasis is placed on information security risk management. The implementation of Information Security Management System (ISMS) in full was used to push for ISO/IEC 27001 international information security management system certification at each site. Risks to enterprise information security were mitigated at the system, technical, and procedural level to establish the highest standard of protection for confidential information and meet customer requirements.

✓ Execution Phase

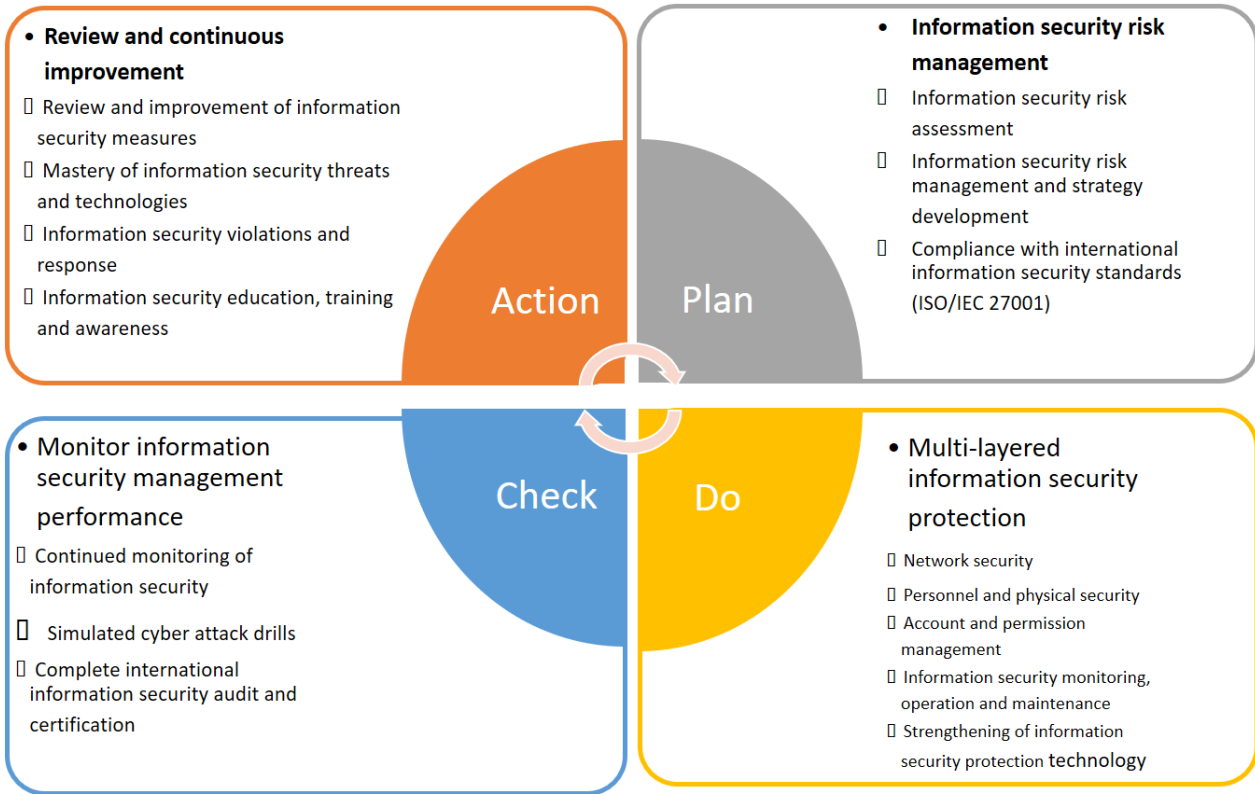
A multi-layered information security architecture was constructed through the continuous introduction of information security protection equipment and technologies. Information security controls were integrated into the routine operations such as software/hardware operation and maintenance, and supplier information security management. Systemic monitoring of information security was also implemented to maintain the confidentiality, integrity and accessibility of PTI's key assets.

✓ Review Phase

Verification and monitoring of information security management was conducted. Review findings were used to gage information security indicators and for quantitative analysis. Simulated cyber-attack drills were also carried out regular intervals to evaluate the maturity of information security.

✓ Action Phase

Emphasis on review and continuous improvement. Effective supervision and audits are enforced to ensure the continued effectiveness of information security guidelines; Any employee violations of related guidelines and procedures are handled in accordance with the Information Security Violation Management Regulations. Disciplinary action is also taken depending on the nature of the violation (including action on the employee's annual performance evaluation or the taking of any necessary legal action); The performance indicators and the results of the maturity evaluation are also used for regular reviews and execution of improvements to information security measures, education training, and awareness to ensure confidential information critical to PTI is not compromised.



### (3)Control Plans in details

#### 1. Control Plans in details



## 2. Monitoring

Risk analysis was carried out using the subjective findings of third-party audits and threat intelligence. Regular corporate network and information security assessments were conducted and received a rating of A.

### SECURITY SUMMARY REPORT

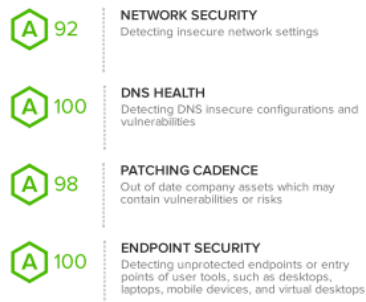
## Scorecard for Powertech Technology Inc.



Generated **March 25, 2022**  
by Pete Chien (petechien@pti.com.tw), Powertech Technology Inc.



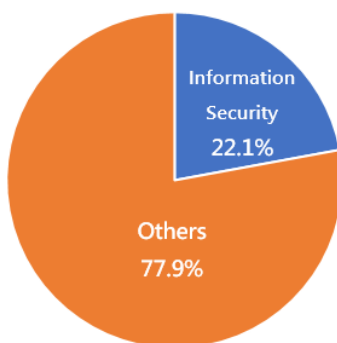
### Threat Indicators



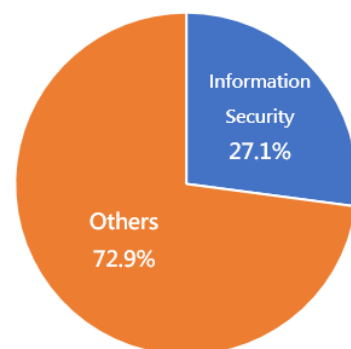
## (4) Investment of Information Security Management

### 1. Weight of Information Security Investment

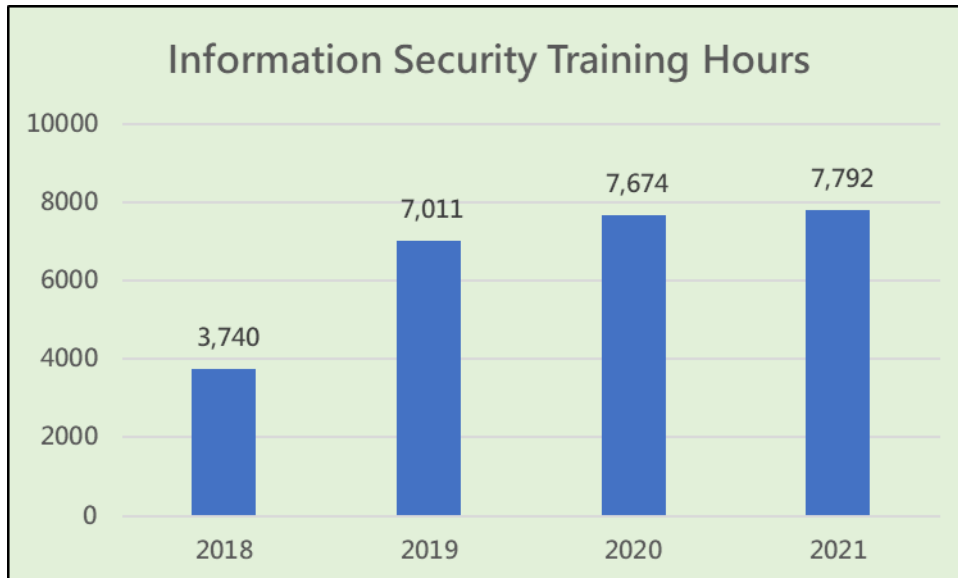
2020 IT Budget



2021 IT Budget



## 2. Information Security Training



- (5) Estimates of any damages or loss as the end of Mar 2022 cause by information security misconducts: None.



## 7. Major Contracts

Contract Classification	Contract Company	Contract Duration	Main Contents	Limitations of Terms
Outsource Services Contract	A Company	Jun 2019 ~	Packaging and testing services	Non-disclosure agreement
	F Company	Dec 2019 ~ Dec 2022	Packaging and testing services	Non-disclosure agreement
	I Company	Dec 2019 ~ Dec 2022	Packaging and testing services	Non-disclosure agreement
Asset Acquisition Contract	Chuan Ya Marble Co. Ltd.	Mar 2022 ~ Jan 2024	Land and facility acquisition	Non-disclosure agreement
Bank Loan	CTBC Bank	Sep 2021 ~ Sep 2024	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	Mega International Commercial Bank	Dec 2020 ~ Dec 2023	Medium-term credit loan	None
		Oct 2021 ~ Oct 2026	Medium-term credit loan	None
	Yuanta Commercial Bank	Sep 2021 ~ Sep 2025	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	KGI Bank	Dec 2020 ~ Dec 2024	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	E.Sun Bank	Sep 2017 ~ Sep 2032	Building Construction	None
		Sep 2017 ~ Sep 2024	Building Construction	
		Jul 2021 ~ Jul 2024	Medium-term credit loan	
		Jul 2021 ~ Jul 2028	Machinery & Equipment Loan	
	Hua Nan Bank	Sep 2021 ~ Sep 2024	Medium-term credit loan	None
		Mar 2021 ~ Mar 2024		
		Jul 2021 ~ Jul 2024		
		Jun 2021 ~ Jun 2024		
		Aug 2021 ~ Aug 2024		
		Sep 2021 ~ Sep 2028		
First Bank	Mar 2021 ~ Mar 2026	Medium-term credit loan	None	
	Oct 2020 ~ Oct 2025	Building Construction		

Contract Classification	Contract Company	Contract Duration	Main Contents	Limitations of Terms
		Dec 2021 ~ Dec 2028	Medium-term credit loan	
	Bank of Taiwan	Nov 2012 ~ Nov 2027	Building Construction Loan	None
		Aug 2021 ~ Aug 2031		
		Oct 2019 ~ Oct 2024	Machinery & Equipment Loan	
		Jun 2020 ~ Jun 2025		
		Aug 2021 ~ Aug 2028		
	Taiwan Cooperative Bank	Apr 2017 ~ Apr 2032	Building Construction Loan	None
		Apr 2017 ~ Apr 2024	Medium-term credit loan	
		Dec 2021 ~ Dec 2028	Machinery & Equipment Loan	
	Shin Kong Bank	Nov 2020 ~ Nov 2023	Medium-term credit loan	None
	Chang Hwa Bank	Dec 2021 ~ Dec 2028	Machinery & Equipment Loan	None
		May 2019 ~ May 2025		
	Taishin Bank	Mar 2021 ~ Mar 2024	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	Land Bank of Taiwan	Aug 2020 ~ Aug 2023	Medium-term credit loan	None
	HSBC	Sep 2021 ~ Feb 2025	Medium-term credit loan	None
		Sep 2020 ~ Sep 2023		
	MUFG Bank	Oct 2019 ~ Oct 2022	Medium-term credit loan	None
		Dec 2020 ~ Dec 2023		

## VI. Financial Highlights

### 1. Summarized Balance Sheets, Income Statements, CPA and Audit Opinions for Last 5 years

#### (1) Summarized Balance Sheets

##### 1. PTI Consolidated Balance Sheets – IFRS

Unit: NT\$ Thousands

Item	Year					
	2017	2018	2019	2020	2021	3/31/2022
Current Assets	\$37,077,396	\$37,889,542	\$43,342,833	\$44,590,593	\$51,958,614	
Property, Plant and Equipment	58,663,021	61,980,853	58,779,789	60,111,194	63,236,697	
Intangible Assets	1,249,649	1,162,204	1,059,626	1,002,475	982,640	
Other Assets	2,668,362	2,562,902	3,963,733	3,041,978	2,409,071	
Total Assets	99,658,428	103,595,501	107,145,981	108,746,240	118,587,022	
Current Liabilities	Before Distribution	21,788,688	18,580,671	20,404,401	16,865,006	23,319,131
	After Distribution	25,294,848	22,320,575	23,910,561	12,969,273	Note 2
Non-Current Liabilities	28,186,311	31,937,463	31,843,617	33,476,595	31,961,649	
Total Liabilities	Before Distribution	49,974,999	50,518,134	52,248,018	50,341,601	55,280,780
	After Distribution	53,481,159	54,258,038	55,754,178	46,445,868	Note 2
Equity Belong to Parent Company	38,060,810	41,003,226	43,027,728	45,988,123	49,507,183	Note 3
Capital Stock	7,791,466	7,791,466	7,791,466	7,791,466	7,791,466	
Capital Surplus	119,593	127,734	209,852	231,294	270,794	
Retained Earnings	Before Distribution	30,555,478	33,361,411	35,447,618	38,561,679	43,573,846
	After Distribution	27,049,318	29,621,507	31,941,458	34,665,946	Note 2
Other Equity	(337,628)	(195,070)	(324,741)	(366,982)	(710,623)	
Treasury Stock	(68,099)	(82,315)	(96,467)	(229,334)	(1,418,300)	
Non-Controlling Interests	11,622,619	12,074,141	11,870,235	12,416,516	13,799,059	
Total Equity	Before Distribution	49,683,429	53,077,367	54,897,963	58,404,639	63,306,242
	After Distribution	46,177,269	49,337,463	51,391,803	54,508,906	Note 2

Note 1: The listed numbers were certified by CPA.

Note 2: The earnings distribution for 2021 subject to shareholders' approval.

Note3: No CPA certified data for 1Q22 as of the date of printing.

## 2. PTI Stand Alone Balance Sheets – IFRS

Item	Year	Financial Information for Last Five Years					3/31/2022
		2017	2018	2019	2020	2021	
<b>Current Assets</b>		\$19,289,640	\$22,634,087	\$27,056,110	\$27,442,420	\$31,977,573	Note3
<b>Property, Plant, and Equipment</b>		36,344,220	36,364,180	35,113,054	36,527,520	36,808,535	
<b>Intangible Assets</b>		4,359	0	6,248	3,471	694	
<b>Other Assets</b>		16,532,424	17,175,479	18,916,216	19,342,915	21,773,109	
<b>Total Assets</b>		72,170,643	76,173,746	81,091,628	83,316,326	90,559,911	
<b>Current Liabilities</b>	<b>Before Distribution</b>	10,800,669	9,924,490	12,419,225	9,426,004	14,059,405	
	<b>After Distribution</b>	14,306,829	13,664,394	15,925,385	5,530,271	Note 2	
<b>Non-Current Liabilities</b>		23,309,164	25,246,030	25,644,675	27,902,199	26,993,323	
<b>Total Liabilities</b>	<b>Before Distribution</b>	34,109,833	35,170,520	38,063,900	37,328,203	41,052,728	
	<b>After Distribution</b>	37,615,993	38,910,424	41,570,060	33,432,470	Note 2	
<b>Capital Stocks</b>		7,791,466	7,791,466	7,791,466	7,791,466	7,791,466	
<b>Capital Surplus</b>		119,593	127,734	209,852	231,294	270,794	
<b>Retained Earnings</b>	<b>Before Distribution</b>	30,555,478	33,361,411	35,447,618	38,561,679	43,573,846	
	<b>After Distribution</b>	27,049,318	29,621,507	31,941,458	34,665,946	Note 2	
<b>Other Equity</b>		(337,628)	(195,070)	(324,741)	(366,982)	(710,623)	
<b>Treasury Stocks</b>		(68,099)	(82,315)	(96,467)	(229,334)	(1,418,300)	
<b>Total Equity</b>	<b>Before Distribution</b>	38,060,810	41,003,226	43,027,728	45,988,123	49,507,183	
	<b>After Distribution</b>	34,554,650	37,263,322	39,521,568	42,092,390	Note 2	

Note 1: The listed numbers were certified by CPA.

Note 2: The earnings distribution for 2021 subject to shareholders' approval

Note 3: No CPA certified data available for 1Q22 as the day of printing.

(2) Summarized Income Statements

1. PTI Consolidated Income Statements – IFRS

Item	Year	Financial Information for Last Five Years					3/31/2022
		2017	2018	2019	2020	2021	
Net Sales		\$59,632,083	\$68,039,379	\$66,525,144	\$76,180,649	\$83,793,572	Note 1
Gross Profit		12,698,512	13,830,042	12,676,895	15,028,628	19,294,657	
Operating Income		9,074,024	9,783,654	8,712,240	10,718,170	14,524,946	
Non-Operating Income		(186,746)	(348,317)	(204,722)	(323,219)	180,541	
Income Before Income Tax		8,887,278	9,435,337	8,507,518	10,394,951	14,705,487	
Income from Continuing Operations after Income Taxes		7,291,275	7,512,562	6,879,292	8,178,977	11,725,925	
Income from Discontinued Operations		–	–	–	–	–	
Net Income (Losses)		7,291,275	7,512,562	6,879,292	8,178,977	11,725,925	
Other Consolidated Income (after-tax)		(497,749)	186,891	(357,273)	(131,033)	(545,130)	
Consolidated Net Income		6,793,526	7,699,453	6,522,019	8,047,944	11,180,795	
Net Income Attributable to Shareholders of the Parent Company		5,849,262	6,234,276	5,838,650	6,662,262	8,898,398	
Net Income Attributable to Non-Controlling Interests		1,442,013	1,278,286	1,040,642	1,516,715	2,827,527	
Consolidated Net Income Attributable to Shareholders of the Parent Company		5,428,005	6,369,021	5,696,440	6,577,980	8,564,259	
Consolidated Net Income Attributable to Non-Controlling Interests		1,365,521	1,330,432	825,579	1,469,964	2,616,536	
Earnings Per Share (NT\$)		7.51	8.02	7.52	8.60	11.54	

Note: The listed numbers were certified by CPA.

Note 2: No CPA certified data available for 1Q22 as of the date of printing.

2. PTI Stand Alone Income Statements – IFRS

Item	Year	Financial Information for Last Five Years					3/31/2022
		2017	2018	2019	2020	2021	
Net Sales		\$37,771,046	\$42,000,490	\$42,848,591	\$49,987,942	\$51,262,260	Note 1
Gross Profit		8,008,406	8,655,182	8,849,382	10,083,676	10,038,890	
Operating Income		5,509,933	6,027,213	6,144,161	7,045,198	6,484,293	
Non-Operating Income		1,341,740	1,298,840	695,444	1,073,885	3,878,477	
Income Before Income Tax		6,851,673	7,326,053	6,839,605	8,119,083	10,362,770	
Income from Continuing Operations after Income Taxes		5,849,262	6,234,276	5,838,650	6,662,262	8,898,398	
Income from Discontinued Operations		–	–	–	–	–	
Net Income (Losses)		5,849,262	6,234,276	5,838,650	6,662,262	8,898,398	
Other Consolidated Income (after-tax)		(421,257)	134,745	(142,210)	(84,282)	(334,139)	
Consolidated Net Income		5,428,005	6,369,021	5,696,440	6,577,980	8,564,259	
Earnings Per Share (NT\$)		7.51	8.02	7.52	8.60	11.54	

Note : The listed numbers were certified by CPA.

Note 1: No CPA certified data available for 1Q22 as of the date of printing.

### 3. CPA Opinions for the Last 5 Years

Year	Name of CPA	Opinion
2017	Yu-Feng Huang, Su-Li Fang	Unqualified Audit Report
2018	Yu-Feng Huang, Su-Li Fang	Unqualified Audit Report
2019	Yu-Feng Huang, Cheng-Chih Lin	Unqualified Audit Report
2020	Yu-Feng Huang, Cheng-Chih Lin	Unqualified Audit Report
2021	Yu-Feng Huang, Cheng-Chih Lin	Unqualified Audit Report

## 2. Financial Analysis for Last 5 years

### (1) Consolidated Analysis – IFRS

Item		Year	Financial Information for Last Five Years (Note)					3/31/2022
			2017	2018	2019	2020	2021	
Capital Structure Analysis (%)	Debt Ratio		50.15	48.76	48.76	46.29	46.62	Note 1
	Long-term Fund to Fixed Asset Ratio		132.74	137.16	147.57	152.85	150.65	
Liquidity Analysis %	Current Ratio		170.17	203.92	212.42	264.40	222.82	
	Quick Ratio		150.26	181.93	192.30	234.00	191.85	
	Times Interest Earned (Times)		38.62	27.92	25.56	38.20	65.45	
Operating Performance Analysis	Average Collection Turnover (Times)		5.04	5.61	5.19	5.34	5.12	
	Average Collection Days		72.42	65.06	70.32	68.35	71.28	
	Average Inventory Turnover (Times)		12.61	13.72	13.98	13.81	10.99	
	Average Payment Turnover (Times)		10.09	10.88	10.01	11.30	10.81	
	Days Sales Outstanding		28.94	26.60	26.10	26.43	33.21	
	Fixed Assets Turnover (Times)		1.02	1.10	1.10	1.28	1.36	
	Total Assets Turnover (Times)		0.60	0.66	0.63	0.71	0.74	
Profitability Analysis	Return on Total Assets (%)		8.34	7.68	6.80	7.78	10.48	
	Return on Equity (%)		15.51	14.62	12.74	14.44	19.27	
	Ratio of Pre-Tax Income over Capital stock (%)		114.06	121.10	109.19	133.41	188.74	
	Net Margin(%)		9.81	9.16	8.78	8.75	10.62	
	Earnings per Share(NT)		7.51	8.02	7.52	8.60	11.54	
Cash Flow	Cash Flow Ratio (%)		81.13	108.75	88.00	114.45	105.70	
	Cash Flow Adequacy Ratio (%)		86.70	85.05	93.51	87.66	98.05	
	Cash Flow Reinvestment Ratio (%)		10.08	10.65	8.53	8.79	10.99	
Leverage	Operating Leverage		3.74	4.13	4.40	4.10	3.46	
	Financial Leverage		1.03	1.04	1.04	1.03	1.02	
Reasons for changes in financial ratios (changes less than 20% are excluded from analysis)								
1. Increase of Times Interest Earned (Times) was due to increase of income before tax and decrease of interest expenses.								
2. Decrease of inventory turnover and increase of days' sales outstanding were due to increase of inventory.								
3. Increase of return on total assets, return on equity, net margin and EPS were due to increase of income before tax and interest								

4. Increase of Ratio of Pre-Tax Income over Capital stock was due to increase of net income before tax and interests.

5. Increase of Cash Flow Reinvestment Ratio was from increase of cash generated from operation activities.

Note: The listed numbers were certified by CPA.

Note 1: No CPA certified data available for 1Q22 as of the date of printing.

## (2) PTI Stand Alone Analysis – IFRS

Item		Year	Financial Information for Last Five Years					3/31/2022
			2017	2018	2019	2020	2021	
Capital Structure Analysis (%)	Debt Ratio		47.26	46.17	46.94	44.80	45.33	Note 1
	Long-term Fund to Fixed Asset Ratio		168.86	182.18	195.58	202.29	207.83	
Liquidity Analysis %	Current Ratio		178.60	228.06	217.86	291.14	227.45	
	Quick Ratio		155.26	199.80	194.87	252.40	192.90	
	Times Interest Earned (Times)		42.55	37.54	28.52	41.79	58.63	
Operating Performance Analysis	Average Collection Turnover (Times)		5.33	6.79	6.19	5.85	5.20	
	Average Collection Days		68.43	53.74	59.00	62.34	70.19	
	Average Inventory Turnover (Times)		12.79	12.69	12.18	12.43	9.81	
	Average Payment Turnover (Times)		9.25	9.84	8.96	10.67	10.44	
	Days Sales Outstanding		28.54	28.77	29.96	29.36	37.20	
	Fixed Assets Turnover (Times)		1.12	1.16	1.20	1.40	1.40	
	Total Assets Turnover (Times)		0.54	0.57	0.54	0.61	0.59	
Profitability Analysis	Return on Total Assets (%)		8.60	8.63	7.68	8.30	10.40	
	Return on Equity (%)		15.84	15.77	13.90	14.97	18.64	
	Ratio of Pre-Tax Income over Capital stock (%)		87.94	94.03	87.78	104.20	133.00	
	Net Margin(%)		15.49	14.84	13.63	13.33	17.36	
	Earnings per Share(NT)		7.51	8.02	7.52	8.60	11.54	
Cash Flow	Cash Flow Ratio (%)		118.57	117.95	91.48	122.82	94.53	
	Cash Flow Adequacy Ratio (%)		80.92	77.61	88.41	79.82	91.42	
	Cash Flow Reinvestment Ratio (%)		9.86	7.91	6.91	6.80	7.50	
Leverage	Operating Leverage		3.28	3.83	3.76	3.74	4.22	
	Financial Leverage		1.02	1.03	1.04	1.03	1.03	

Reasons for changes in financial ratios (changes less than 20% are excluded from analysis)

1. Decrease of current and quick ratio were due to increase of current debt.
2. Increase of times interest earned was due to increase of net income before tax and interest and decrease of interest expenses.
3. Decrease of inventory turnover and increase of days' sales outstanding were due to increase of inventory.
4. Increase of return on total assets, return on equity, net margin and EPS were due to increase of income before tax and interests.
5. Increase of Ratio of Pre-Tax Income over Capital stock was due to increase of net income before tax and interests.
6. Decrease of Cash Flow Ratio was due to increase of current debt.

Note: The listed numbers were certified by CPA

Note 1: No quarterly data available after IFRS adoption.

### 1. Capital Structure Analysis

- (1) Debt Ratio = Total Liabilities / Total Assets
- (2) Long-term Fund to Fixed Asset Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

### 2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest Expense and Net Income / Interest Expense.

### 3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Receivables (including Accounts Receivable arising from Operation Notes Receivables)
- (2) Average Collection Days = 365 / Receivables Turnover
- (3) Average Inventory Turnover = Cost of Goods Sold / Average Inventory
- (4) Average Payment Turnover = Cost of Goods Sold / Average Payables (including Accounts Payable arising from Operation Notes Payables)
- (5) Days Sales Outstanding = 365 / Inventory Turnover
- (6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets
- (7) Total Assets Turnover = Net sales / Average Total Assets

### 4. Profitability Analysis

- (1) Return on Total Assets = [Net Income + Interest Expense × (1 - Tax Rate)] / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Shareholders' Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earnings Per Share = (Net Income - Preferred Stock Dividends) / Weighted Average Number of Shares Outstanding

### 5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
- (2) Cash Flow Adequacy Ratio = Five-year Net Cash Flow from Operating Activities / Most Recent Five Years (Capital Expenditure + Inventory + Cash Dividend).
- (3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividend) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)

### 6. Leverage

- (1) Operating leverage = (Net Sales - Variable Operating Costs and Expenses) / Income
- (2) Financial leverage = Operating income / (Operating Income - Interest Expense)



### **3. Audit Committee's Audit Report on Financial Reports**

#### **Audit Committee's Audit Report**

Mar 10, 2022

Audit Committee had performed an audit for PTI's 2021 financial statements (including parent company and consolidated financial statements) and profit sharing plans. The Audit Committee had concluded the reports conformed to regulations of the Company Act. Our report was presented to conform to Article 14-4 of Security Exchange Act and Article 219 of the Company Act.

Best Regards

Powertech Technology Inc. Shareholders' Meeting of Mar 10, 2022.

Powertech Technology Inc. Audit Committee  
Chairman: Jim W.L. Cheng

**Powertech Technology Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

POWERTECH TECHNOLOGY INC.

By:

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TSAI DUH-KUNG  
Chairman

March 10, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Powertech Technology Inc.

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Corporation for the year ended December 31, 2021, are described as follows:

#### **Recognition of Contract Assets and Revenue**

1. The amount of sales revenue is material to the Corporation. Refer to Note 21 to the accompanying consolidated financial statements for details of sales revenue. The major type of revenue is subcontracting revenue. The types of subcontracting transactions are as follows:
  - 1) Wafer level testing;
  - 2) Wafer level packaging;
  - 3) IC packaging; and
  - 4) IC testing.

2. Packaging services: Since the customers have ownership of the assets, assume significant risks and rewards of ownership of the assets, have the right to dispose of the assets and prevent the Corporation from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.
3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15, as the Corporation recognizes revenue over time since the customers simultaneously receive and consume the benefits provided by the Corporation's testing services.
4. The Corporation recognizes the contract assets and revenue of packaging and testing services at the end of each month based on the completion schedule. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.
5. We reviewed the Corporation's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, confirmed against relevant supporting documents and accounting records, and verified the accuracy of the monetary amounts of contract assets and revenue recognized.

### **Other Matter**

We have also audited the financial statements of Powertech Technology Inc. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Feng Huang and Cheng Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**DECEMBER 31, 2021 AND 2020**

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020		LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 22,614,233	19	\$ 21,019,812	19	Short-term bank loans (Note 17)	\$ 72,180	-	\$ 196,982	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	105,537	-	169,467	-	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	5,649	-	5,435	-
Financial assets at amortized cost - current (Notes 4, 9 and 28)	455,091	-	463,275	1	Contract liabilities - current (Note 21)	164,824	-	56,676	-
Contract assets - current (Notes 4, 21 and 27)	2,418,865	2	2,211,796	2	Notes and accounts payable	6,744,452	6	5,037,670	5
Notes and accounts receivable (Notes 4, 10 and 21)	11,519,708	10	8,482,217	8	Accounts payable to related parties (Note 27)	154,391	-	134,111	-
Receivables from related parties (Notes 4, 21 and 27)	6,455,306	6	6,284,453	6	Accrued compensation of employees and remuneration of directors (Note 22)	1,603,752	2	1,002,684	1
Other receivables (Note 4)	382,322	-	362,733	-	Payables to equipment suppliers (Note 27)	4,337,945	4	1,651,834	1
Other receivables from related parties (Notes 4 and 27)	65,347	-	48,854	-	Other payables to related parties (Note 27)	6,184	-	-	-
Inventories (Notes 4 and 11)	6,767,994	6	4,974,736	5	Current income tax liabilities (Notes 4 and 23)	1,570,467	1	1,304,992	1
Prepaid expenses	495,496	-	151,852	-	Lease liabilities - current (Notes 4, 5 and 14)	63,724	-	106,102	-
Other current assets (Notes 4 and 16)	678,715	1	421,398	-	Accrued expenses and other current liabilities (Notes 4 and 18)	8,474,060	7	6,346,355	6
Total current assets	<u>51,958,614</u>	<u>44</u>	<u>44,590,593</u>	<u>41</u>	Current portion of long-term debt (Notes 17 and 28)	121,503	-	1,022,165	1
<b>NON-CURRENT ASSETS</b>					Total current liabilities	<u>23,319,131</u>	<u>20</u>	<u>16,865,006</u>	<u>15</u>
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	30,144	-	35,288	-	<b>NON-CURRENT LIABILITIES</b>				
Financial assets at amortized cost - non-current (Notes 4, 9 and 28)	478,535	1	893,025	1	Long-term debt (Notes 17 and 28)	30,012,813	25	31,351,658	29
Property, plant and equipment (Notes 4, 13, 27 and 28)	63,236,697	53	60,111,194	55	Deferred income tax liabilities (Notes 4 and 23)	192,056	-	131,491	-
Right-of-use assets (Notes 4, 5 and 14)	1,481,957	1	1,710,792	2	Lease liabilities - non-current (Notes 4, 5 and 14)	1,364,825	1	1,430,937	1
Intangible assets (Notes 4 and 15)	982,640	1	1,002,475	1	Net defined benefit liabilities - non-current (Notes 4 and 19)	368,656	1	401,784	1
Deferred income tax assets (Notes 4 and 23)	86,079	-	305,185	-	Other non-current liabilities (Note 18)	23,299	-	160,725	-
Other non-current assets (Notes 4, 16 and 19)	332,356	-	97,688	-	Total non-current liabilities	<u>31,961,649</u>	<u>27</u>	<u>33,476,595</u>	<u>31</u>
Total non-current assets	<u>66,628,408</u>	<u>56</u>	<u>64,155,647</u>	<u>59</u>	Total liabilities	<u>55,280,780</u>	<u>47</u>	<u>50,341,601</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 118,587,022</u>	<u>100</u>	<u>\$ 108,746,240</u>	<u>100</u>	<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 20)</b>				
					Capital stock				
					Ordinary shares	7,791,466	7	7,791,466	7
					Capital surplus	270,794	-	231,294	-
					Retained earnings				
					Legal reserve	8,290,517	7	7,628,495	7
					Special reserve	366,982	-	324,741	-
					Unappropriated earnings	34,916,347	30	30,608,443	28
					Total retained earnings	43,573,846	37	38,561,679	35
					Other equity	(710,623)	(1)	(366,982)	-
					Treasury shares	(1,418,300)	(1)	(229,334)	-
					Total equity attributable to shareholders of the Parent	49,507,183	42	45,988,123	42
					<b>NON-CONTROLLING INTERESTS (Notes 12 and 20)</b>				
					Total equity	<u>63,306,242</u>	<u>53</u>	<u>58,404,639</u>	<u>54</u>
					<b>TOTAL</b>	<u>\$ 118,587,022</u>	<u>100</u>	<u>\$ 108,746,240</u>	<u>100</u>

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

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET SALES (Notes 4, 21 and 27)	\$ 83,793,572	100	\$ 76,180,649	100
OPERATING COSTS (Notes 4, 11, 22 and 27)	<u>64,498,915</u>	<u>77</u>	<u>61,152,021</u>	<u>80</u>
GROSS PROFIT	<u>19,294,657</u>	<u>23</u>	<u>15,028,628</u>	<u>20</u>
OPERATING EXPENSES (Notes 22 and 27)				
Marketing	404,665	-	350,562	1
General and administrative	1,972,837	2	1,707,249	2
Research and development	2,443,246	3	2,196,321	3
Expected credit (gain) loss (Note 10)	<u>(51,037)</u>	<u>-</u>	<u>56,326</u>	<u>-</u>
Total operating expenses	<u>4,769,711</u>	<u>5</u>	<u>4,310,458</u>	<u>6</u>
OPERATING INCOME	<u>14,524,946</u>	<u>18</u>	<u>10,718,170</u>	<u>14</u>
NONOPERATING INCOME AND EXPENSES				
Interest income (Notes 4 and 22)	46,533	-	80,518	-
Other income (Notes 4 and 22)	87,344	-	109,585	-
Other gains and losses (Notes 4, 22 and 27)	535,722	-	265,450	1
Finance costs (Notes 4 and 22)	(228,152)	-	(279,465)	-
Foreign exchange loss, net (Notes 4 and 22)	<u>(260,906)</u>	<u>-</u>	<u>(499,307)</u>	<u>(1)</u>
Total nonoperating income (expenses)	<u>180,541</u>	<u>-</u>	<u>(323,219)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	14,705,487	18	10,394,951	14
INCOME TAX EXPENSE (Notes 4 and 23)	<u>2,979,562</u>	<u>4</u>	<u>2,215,974</u>	<u>3</u>
NET INCOME	<u>11,725,925</u>	<u>14</u>	<u>8,178,977</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4 and 20)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	9,325	-	(56,002)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(5,144)	-	10,922	-
Items reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(549,311)</u>	<u>(1)</u>	<u>(85,953)</u>	<u>-</u>
Total other comprehensive loss	<u>(545,130)</u>	<u>(1)</u>	<u>(131,033)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,180,795</u>	<u>13</u>	<u>\$ 8,047,944</u>	<u>11</u>

(Continued)



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO				
Shareholders of the Parent	\$ 8,898,398	11	\$ 6,662,262	9
Non-controlling interests	<u>2,827,527</u>	<u>3</u>	<u>1,516,715</u>	<u>2</u>
	<u>\$ 11,725,925</u>	<u>14</u>	<u>\$ 8,178,977</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Shareholders of the Parent	\$ 8,564,259	10	\$ 6,577,980	9
Non-controlling interests	<u>2,616,536</u>	<u>3</u>	<u>1,469,964</u>	<u>2</u>
	<u>\$ 11,180,795</u>	<u>13</u>	<u>\$ 8,047,944</u>	<u>11</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 11.54</u>		<u>\$ 8.60</u>	
Diluted	<u>\$ 11.44</u>		<u>\$ 8.54</u>	

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

(Concluded)

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Shareholders of the Corporation											Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Noncontrolling Interests	
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income				
BALANCE, JANUARY 1, 2020	779,147	\$ 7,791,466	\$ 209,852	\$ 7,045,884	\$ 195,070	\$ 28,206,664	\$ (299,686)	\$ (25,055)	\$ (96,467)	\$ 43,027,728	\$ 11,870,235	\$ 54,897,963
Appropriation of the 2019 earnings												
Legal reserve	-	-	-	582,611	-	(582,611)	-	-	-	-	-	-
Special reserve	-	-	-	-	129,671	(129,671)	-	-	-	-	-	-
Cash dividends distributed by the Parent	-	-	-	-	-	(3,506,160)	-	-	-	(3,506,160)	-	(3,506,160)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(746,998)	(746,998)
Donations from shareholders	-	-	67	-	-	-	-	-	-	67	89	156
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	377	-	(377)	-	-	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	6,662,262	-	-	-	6,662,262	1,516,715	8,178,977
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(42,418)	(52,786)	10,922	-	(84,282)	(46,751)	(131,033)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	6,619,844	(52,786)	10,922	-	6,577,980	1,469,964	8,047,944
The Parent's shares held by its subsidiary treated as treasury shares	-	-	-	-	-	-	-	-	(132,867)	(132,867)	(176,774)	(309,641)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	21,375	-	-	-	-	-	-	21,375	-	21,375
BALANCE, DECEMBER 31, 2020	779,147	7,791,466	231,294	7,628,495	324,741	30,608,443	(352,472)	(14,510)	(229,334)	45,988,123	12,416,516	58,404,639
Appropriation of the 2020 earnings												
Legal reserve	-	-	-	662,022	-	(662,022)	-	-	-	-	-	-
Special reserve	-	-	-	-	42,241	(42,241)	-	-	-	-	-	-
Cash dividends distributed by the Parent	-	-	-	-	-	(3,895,733)	-	-	-	(3,895,733)	-	(3,895,733)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,006,823)	(1,006,823)
Donations from shareholders	-	-	55	-	-	-	-	-	-	55	73	128
Net income for the year ended December 31, 2021	-	-	-	-	-	8,898,398	-	-	-	8,898,398	2,827,527	11,725,925
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	9,502	(338,497)	(5,144)	-	(334,139)	(210,991)	(545,130)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	8,907,900	(338,497)	(5,144)	-	8,564,259	2,616,536	11,180,795
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(1,018,166)	(1,018,166)	-	(1,018,166)
The Parent's shares held by its subsidiary treated as treasury shares	-	-	-	-	-	-	-	-	(170,800)	(170,800)	(227,243)	(398,043)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	39,445	-	-	-	-	-	-	39,445	-	39,445
BALANCE, DECEMBER 31, 2021	779,147	\$ 7,791,466	\$ 270,794	\$ 8,290,517	\$ 366,982	\$ 34,916,347	\$ (690,969)	\$ (19,654)	\$ (1,418,300)	\$ 49,507,183	\$ 13,799,059	\$ 63,306,242

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

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 14,705,487	\$ 10,394,951
Adjustments for:		
Depreciation	14,011,737	13,758,110
Amortization	40,501	64,826
Expected credit (gain) loss recognized on trade receivables	(51,037)	56,326
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(12,676)	(31,174)
Finance costs	228,152	279,465
Premium amortization of financial assets at amortized cost	1	390
Interest revenue	(46,533)	(80,518)
Net gain on disposal of property, plant and equipment	(289,616)	(125,388)
Property, plant and equipment transferred to expenses	14,207	3,336
Net loss on disposal of intangible assets	-	2,883
Impairment loss on non-financial assets	1,471	73,551
Net loss on foreign currency exchange, net	53,792	409,761
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	76,606	(67,086)
Increase in contract assets	(207,069)	(41,340)
(Increase) decrease in notes and accounts receivable	(3,012,648)	947,973
Increase in accounts receivable from related parties	(190,463)	(2,091,622)
Decrease (increase) in other receivables	77,299	(61,397)
Increase in other receivables from related parties	(16,788)	(42,628)
Increase in inventories	(1,793,258)	(1,095,711)
(Increase) decrease in prepayments	(300,456)	75,230
(Increase) decrease in other current assets	(300,505)	133,392
Increase in financial liabilities held for trading	214	1,482
Increase (decrease) in contract liabilities	108,148	(5,782)
Increase (decrease) in accounts payable	1,732,565	(724,175)
Increase in accounts payable to related parties	21,155	14,683
Increase in accrued compensation of employees and remuneration of directors	601,068	210,563
Increase (decrease) in other payables to related parties	6,184	(17,447)
Increase (decrease) in accrued expenses and other current liabilities	2,137,909	(668,431)
Decrease in net defined benefit liabilities	(23,803)	(36,419)
Decrease in other payables	(137,397)	(170,421)
Cash generated from operations	27,434,247	21,167,383
Interest received	46,683	83,342
Interest paid	(299,220)	(356,293)
Income tax paid	(2,532,328)	(1,593,140)
Net cash generated from operating activities	<u>24,649,382</u>	<u>19,301,292</u>

(Continued)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 1,727
Acquisition of financial assets at amortized cost	(80,379)	(5,203)
Proceeds from sale of financial assets at amortized cost	463,202	688,067
Acquisition of property, plant and equipment	(15,274,876)	(17,930,828)
Disposal of property, plant and equipment	1,094,055	492,625
(Increase) decrease in refundable deposits	(217,299)	14,812
Increase in intangible assets	(26,467)	(9,304)
(Increase) decrease in non-current assets	(74)	296
(Increase) decrease in prepayments for equipment	<u>(17,295)</u>	<u>13,289</u>
Net cash used in investing activities	<u>(14,059,133)</u>	<u>(16,734,519)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term bank loans	(124,802)	(985,301)
Proceeds from long-term debt	20,779,480	20,382,102
Repayments of long-term debt	(22,984,850)	(17,642,203)
Decrease in guarantee deposits	(29)	(2)
Repayment of the principal portion of lease liabilities	(106,543)	(220,606)
Dividends paid to shareholders of the Corporation	(3,856,288)	(3,484,785)
Payments for buy-back of treasury shares	(1,416,209)	(309,641)
Dividends paid to non-controlling interests	(1,006,823)	(746,998)
Donations from shareholders	<u>128</u>	<u>156</u>
Net cash used in financing activities	<u>(8,715,936)</u>	<u>(3,007,278)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(279,892)</u>	<u>(339,731)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,594,421	(780,236)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u>21,019,812</u>	<u>21,800,048</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>\$ 22,614,233</u>	<u>\$ 21,019,812</u>

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

(Concluded)

# POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Powertech Technology Inc. (PTI) was incorporated in the Republic of China (ROC) on May 15, 1997 and commenced business on September 3, 1997. PTI is mainly engaged in the manufacturing, packaging, testing, researching and developing, designing, assembling and sale of various integrated circuit products. PTI also provides semiconductor testing and assembly services on a turnkey basis, in which PTI buys fabricated wafers and sells tested and assembled semiconductors. PTI's registered office and principal place of business is in Hsin-chu Industrial Park, Hukou, Hsin-chu.

PTI's shares were initially listed and started trading on the Taipei Exchange (TPEX) on April 3, 2003, after which PTI's shares were transferred for listing and started trading on the Taiwan Stock Exchange (TWSE) on November 8, 2004. PTI also issued Global Depositary Shares (GDS), which are listed on the Luxembourg Stock Exchange and trading on the Euro MTF Market. The GDS were accepted for quotation on the International Order Book of the London Stock Exchange.

The consolidated financial statements are presented in PTI's functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since PTI's shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by PTI's board of directors and issued on March 10, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by International Accounting Standards Board (IASB)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17-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 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of PTI and the entities controlled by PTI (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by PTI.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of PTI and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Corporation and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Notes 12 and 31 k for detailed information on subsidiaries (including the percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.



At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Corporation's foreign operations (including the subsidiaries and associates in other countries or subsidiaries that use currencies different from PTI) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of PTI and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials and supplies and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate the weighted-average cost on the balance sheet date.

h. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction for production are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation's cash-generating units (referred to as cash-generating units) that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

i.

ii. Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

iii.

2) Internally-generated intangible assets - research and development expenditure

iv.

v. Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Intangible assets acquired in a business combination

vi.

vii. Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

viii.

4) Derecognition of intangible assets

ix.

x. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation if corporate assets could be allocated to the individual cash-generating units, otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Corporation recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

#### 1. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

##### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

##### a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

##### i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (included related parties), other receivables (included related parties), pledged time deposits and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Corporation always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, The Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

#### Financial liabilities at FVTPL

A financial liability is classified as at FVTPL when such a financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 26.

### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## 4) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

## m. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date the Corporation transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

## Revenue from the rendering of services

As the Corporation fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time. Contract assets are recognized during the process of semiconductor assembling and testing, and are reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, the Corporation recognizes the difference as a contract liability. It is recognized as contract asset before the Corporation satisfies its performance obligations.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

### n. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

#### 1) The Corporation as lessor

xi. Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

xii.

xiii. Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

xiv.

#### 2) The Corporation as lessee

xv. The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

xvi.

xvii. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

xviii.

xix. Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

xx.

xxi. Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

xxii.

xxiii. Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

xxiv.

xxv. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

xxvi. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

xxvii. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

xxviii.

xxix. Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment, curtailment or settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

xxx.

xxxi. Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

xxxii.

3) Termination benefits

xxxiii.

xxxiv. A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.



q. Treasury shares

When the Corporation buys back the issued shares as treasury shares, the cost paid will be debited to the treasury shares and listed as a deduction of shareholders equity.

The parent company's shares held by its subsidiaries are reclassified to treasury shares from investments accounted for using the equity method and are recognized based on the original investment cost. Cash dividends earned by subsidiaries are written-off from investment income and adjusted to capital surplus - treasury share transactions.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

xxxv.

xxxvi. Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

xxxvii.

xxxviii. According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

xxxix.

xl. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

xli. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

xlii.

xliii. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

xliv.

xlv. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

xlvi.

xlvii. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

xlviii.

xlix. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

l.

3) Current and deferred tax for the year

li. Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

a. Lessees' incremental borrowing rates

In determining a lessee's incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee's credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Checking accounts and demand deposits	\$ 22,613,960	\$ 21,019,281
Cash on hand	<u>273</u>	<u>531</u>
	<u>\$ 22,614,233</u>	<u>\$ 21,019,812</u>

The market rate intervals of cash in bank and cash equivalents at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	0%-2.03%	0%-2.30%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 26,337	\$ 43,567
Non-derivative financial assets		
Mutual funds	<u>79,200</u>	<u>125,900</u>
	<u>\$ 105,537</u>	<u>\$ 169,467</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 5,649</u>	<u>\$ 5,435</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell foreign exchange forward contracts	USD to NTD	2022.01.04-2022.03.31	USD 165,440
	USD to JPY	2022.01.05-2022.04.25	USD 18,372
	USD to RMB	2022.01.14	USD 2,507
<u>December 31, 2020</u>			
Sell foreign exchange forward contracts	USD to NTD	2021.01.04-2021.03.31	USD 149,637
	USD to JPY	2021.01.08-2021.04.19	USD 9,052
	USD to RMB	2021.01.14-2021.03.22	USD 7,417

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Investments in equity instruments at FVTOCI</u>		
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Solid State System Co., Ltd.	<u>\$ 30,144</u>	<u>\$ 35,288</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Corporate bonds - P06 Taiwan Power Company 1A Bond	\$ 300,000	\$ -
Corporate bonds - P06 Taiwan Power Company 3A Bond	50,000	50,000
Corporate bonds - P06 FPC 1A Bond	50,000	50,000
Corporate bonds - P07 Taiwan Power Company 1A Bond	-	200,000
Time deposits with original maturities of more than 3 months	-	7,982
Pledged time deposits	25,223	26,200
Restricted deposits	<u>29,868</u>	<u>129,093</u>
	<u>\$ 455,091</u>	<u>\$ 463,275</u>
<u>Non-current</u>		
Domestic investments		
Corporate bonds - P08 Taiwan Power Company 3A Bond	\$ 100,000	\$ 100,001
Corporate bonds - P06 Taiwan Power Company 1A Bond	-	300,000
Corporate bonds - P06 Taiwan Power Company 3A Bond	-	50,000
Corporate bonds - P06 FPC 1A Bond	-	50,000
Time deposits with original maturities of more than 3 months	264,661	304,150
Pledged time deposits	<u>113,874</u>	<u>88,874</u>
	<u>\$ 478,535</u>	<u>\$ 893,025</u>

On April 21, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value of \$300,000 thousand (par value of \$300,000 thousand), and a maturity date of April 21, 2022.

On May 19, 2017, the Corporation bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at par value of \$100,000 thousand, and maturity dates of May 19, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On December 15, 2017, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at par value of \$100,000 thousand, and maturity dates of December 15, 2021 and 2022, at par value of \$50,000 thousand, respectively.

On May 14, 2018, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.70% at premium value of \$200,000 thousand (par value of \$200,000 thousand), and a maturity date of May 14, 2021.

On September 12, 2019, the Corporation bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.72% at par value of \$100,000 thousand, and maturity dates of September 12, 2023 and 2024, at par value of \$50,000 thousand, respectively.

The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.001%-0.002% and 0.001%-0.46% per annum as of December 31, 2021 and 2020, respectively.

Refer to Note 26 for information relating to their credit risk management and impairment.

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 155,411	\$ 119,529
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	11,429,067	8,393,214
Less: Allowance for impairment loss	<u>(64,770)</u>	<u>(30,526)</u>
	<u>11,364,297</u>	<u>8,362,688</u>
	<u>\$ 11,519,708</u>	<u>\$ 8,482,217</u>

### At amortized cost

The average credit period of sales of goods was 30 days to 150 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

December 31, 2021

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$11,374,799	\$ 52,322	\$ 1,411	\$ 535	\$ -	\$11,429,067
Loss allowance (Lifetime ECLs)	<u>(10,502)</u>	<u>(52,322)</u>	<u>(1,411)</u>	<u>(535)</u>	<u>-</u>	<u>(64,770)</u>
Amortized cost	<u>\$11,364,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,364,297</u>

December 31, 2020

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 8,333,131	\$ 47,206	\$ 7,167	\$ 4,657	\$ 1,053	\$ 8,393,214
Loss allowance (Lifetime ECLs)	<u>(8,462)</u>	<u>(14,602)</u>	<u>(4,499)</u>	<u>(2,941)</u>	<u>(22)</u>	<u>(30,526)</u>
Amortized cost	<u>\$ 8,324,669</u>	<u>\$ 32,604</u>	<u>\$ 2,668</u>	<u>\$ 1,716</u>	<u>\$ 1,031</u>	<u>\$ 8,362,688</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 30,526	\$ 59,481
Add: Impairment loss	-	56,326
Add: Amounts recovered	85,281	-
Less: Amounts written off	-	(85,281)
Less: Net remeasurement of loss allowance	<u>(51,037)</u>	<u>-</u>
Balance at December 31	<u>\$ 64,770</u>	<u>\$ 30,526</u>

**11. INVENTORIES**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 6,143,831	\$ 4,445,489
Supplies	<u>624,163</u>	<u>529,247</u>
	<u>\$ 6,767,994</u>	<u>\$ 4,974,736</u>

The nature of the cost of goods sold was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	<u>\$ 64,498,915</u>	<u>\$ 61,152,021</u>
Write-downs (reversal) of inventories	<u>\$ 112,372</u>	<u>\$ 91,714</u>
Unallocated production overhead	<u>\$ 3,525,843</u>	<u>\$ 3,633,776</u>
Sales of scrap	<u>\$ 198,580</u>	<u>\$ 167,176</u>

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2021	2020	
Powertech Technology Inc.	Powertech Holding (BVI) Inc.	Investment business	100	100	-
	Greatek Electronics Inc. ("GEL")	Semiconductor assembly and testing services	43	43	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Investment business	100	100	Note 3
	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	36	36	-
	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	9	9	-
	Powertech Technology Japan Ltd.	Investment business	100	100	-
	Tera Probe, Inc.	Wafer probing test services	12	12	Note 2
Powertech Holding (BVI) Inc.	TeraPower Technology Inc.	Wafer probing test services	49	49	-
	PTI Technology (Singapore) Pte. Ltd.	Investment business	100	100	-
PTI Technology (Singapore) Pte. Ltd.	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	72	72	-
Powertech Technology (Singapore) Pte. Ltd.	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	64	64	-
	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	19	19	-
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Wafer probing test services	49	49	Note 2
	Powertech Technology Akita Inc.	Semiconductor assembly and testing service	100	100	Note 3
Tera Probe, Inc.	TeraPower Technology Inc.	Wafer probing test services	51	51	-
	Tera Probe Aizu, Inc.	Wafer probing test services	100	100	-

Note 1: On the reelection of the directors and supervisors of Greatek Electronics Inc., PTI obtained the majority of the board seats and Greatek Electronics Inc., became a subsidiary of PTI even though PTI has only 43% ownership of Greatek Electronics Inc.

Note 2: Subsidiaries that have material non-controlling interests.

Note 3: Due to the adjustment of operational needs, the Corporation scaled down the business operation of Powertech Technology (Singapore) Pte. Ltd. in January 2021, which is mainly engaged in reinvestment business. It is also expected to cease the operation of Powertech Technology Akita Inc.

### b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2021	2020
Greatek Electronics Inc.	Zhunan Township, Miaoli County	57%	57%
Tera Probe, Inc.	Japan	39%	39%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2021	2020	2021	2020
	Greatek Electronics Inc.	\$ 2,620,637	\$ 1,498,633	\$ 11,434,242
Tera Probe, Inc.	\$ 206,890	\$ 18,082	\$ 2,364,817	\$ 2,369,086

Summarized financial information in respect of each of the Corporation's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Greatek Electronics Inc.

	December 31	
	2021	2020
Current assets	\$ 11,353,869	\$ 9,444,467
Non-current assets	15,152,214	12,087,657
Current liabilities	(5,411,464)	(3,262,656)
Non-current liabilities	<u>(264,714)</u>	<u>(272,749)</u>
Equity	\$ <u>20,829,905</u>	\$ <u>17,996,719</u>
Equity attributable to:		
Owners of the Corporation	\$ 8,937,109	\$ 7,722,605
Non-controlling interests	<u>11,892,796</u>	<u>10,274,114</u>
	\$ <u>20,829,905</u>	\$ <u>17,996,719</u>
	For the Year Ended December 31	
	2021	2020
Operating revenue	\$ <u>19,461,143</u>	\$ <u>14,701,682</u>
Net income for the year	\$ 4,602,762	\$ 2,662,311
Other comprehensive income (loss) for the year	<u>(6,282)</u>	<u>(12,033)</u>
Total comprehensive income for the year	\$ <u>4,596,480</u>	\$ <u>2,650,278</u>
Net income attributable to:		
Owners of the Corporation	\$ 1,974,823	\$ 1,142,269
Non-controlling interests	<u>2,627,939</u>	<u>1,520,042</u>
	\$ <u>4,602,762</u>	\$ <u>2,662,311</u>
Total comprehensive income (loss) attributable to:		
Owners of the Corporation	\$ 1,972,128	\$ 1,137,106
Non-controlling interests	<u>2,624,352</u>	<u>1,513,172</u>
	\$ <u>4,596,480</u>	\$ <u>2,650,278</u>

(Continued)



	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net cash inflow (outflow) from :		
Operating activities	\$ 7,414,609	\$ 5,089,435
Investing activities	(5,520,502)	(3,432,384)
Financing activities	<u>(1,764,523)</u>	<u>(1,309,397)</u>
Net cash inflow	<u>\$ 129,584</u>	<u>\$ 347,654</u>
Dividends paid to non-controlling interests		
Greatek Electronics Inc.	<u>\$ 1,006,823</u>	<u>\$ 746,998</u>
		(Concluded)

Tera Probe, Inc.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 2,411,445	\$ 2,768,527
Non-current assets	4,298,508	4,317,275
Current liabilities	(660,346)	(817,436)
Non-current liabilities	<u>(356,467)</u>	<u>(565,964)</u>
Equity	<u>\$ 5,693,140</u>	<u>\$ 5,702,402</u>
Equity attributable to:		
Owners of the Corporation	\$ 3,452,890	\$ 3,458,507
Non-controlling interests	<u>2,240,250</u>	<u>2,243,895</u>
	<u>\$ 5,693,140</u>	<u>\$ 5,702,402</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating revenue	<u>\$ 1,623,307</u>	<u>\$ 1,435,842</u>
Net income (loss) for the year	\$ 448,678	\$ (31,121)
Other comprehensive loss for the year	<u>305,558</u>	<u>14,279</u>
Total comprehensive income (loss) for the year	<u>\$ 754,236</u>	<u>\$ (16,842)</u>
Net income (loss) attributable to:		
Owners of the Corporation	\$ 272,116	\$ (18,875)
Non-controlling interests	<u>176,562</u>	<u>(12,246)</u>
	<u>\$ 448,678</u>	<u>\$ (31,121)</u>
Total comprehensive income (loss) attributable to:		
Owners of the Corporation	\$ 457,432	\$ (10,215)
Non-controlling interests	<u>296,804</u>	<u>(6,627)</u>
	<u>\$ 754,236</u>	<u>\$ (16,842)</u>

(Continued)

**For the Year Ended December 31**  
**2021**                      **2020**

Cash flow inflow (outflow) from:

Operating activities	\$ (424,553)	\$ (536,313)
Investing activities	(121,471)	2,408,918
Financing activities	<u>186,792</u>	<u>(1,794,796)</u>

Net cash inflow \$ (359,232)      \$ 77,809  
(Concluded)

The share of profit or loss and other comprehensive income of those subsidiaries for the years ended December 31, 2021 and 2020 was based on the subsidiaries' financial statements audited by the auditors for the same years.

**13. PROPERTY, PLANT AND EQUIPMENT**

**December 31**

**2021**                      **2020**

Assets used by the Corporation

\$ 63,236,697      \$ 60,111,194

	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare parts	Total
<b>Cost</b>										
Balance at January 1, 2021	\$ 3,442,706	\$ 27,495,212	\$ 103,858,997	\$ 2,514,788	\$ 413,336	\$ 3,722,627	\$ 2,294,972	\$ 3,952,441	\$ 203,042	\$ 147,898,121
Additions	560,535	52,195	2,024,569	25,881	-	62,147	3,179,921	11,595,794	581,518	18,082,560
Disposals	-	(335,730)	(6,791,946)	(166,882)	(309,734)	(140,197)	(527)	(576)	(524,917)	(8,270,509)
Reclassified	173,806	3,281,425	8,286,525	179,842	5,168	131,123	(2,866,607)	(8,747,778)	17,651	461,155
Effect of foreign currency exchange differences	(2,621)	(140,572)	(1,102,604)	(83,921)	(17,885)	(8,265)	15,279	(52,212)	(237)	(1,393,038)
Balance at December 31, 2021	<u>4,174,426</u>	<u>30,352,530</u>	<u>106,275,541</u>	<u>2,469,708</u>	<u>90,885</u>	<u>3,767,435</u>	<u>2,623,038</u>	<u>6,747,669</u>	<u>277,057</u>	<u>156,778,289</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2021	-	12,275,248	68,685,966	1,878,378	236,089	3,342,692	-	-	13,651	86,432,024
Depreciation expense	-	1,493,381	11,511,882	201,164	2,242	207,897	-	-	511,504	13,928,070
Disposals	-	(306,089)	(6,042,721)	(143,981)	(220,304)	(128,348)	-	-	(524,917)	(7,366,360)
Reclassified	-	6,841	360,165	-	(6,841)	(19)	-	-	-	360,146
Effect of foreign currency exchange differences	-	(56,160)	(871,888)	(61,796)	(6,906)	(7,557)	-	-	(238)	(1,004,545)
Balance at December 31, 2021	-	<u>13,413,221</u>	<u>73,643,404</u>	<u>1,873,765</u>	<u>4,280</u>	<u>3,414,665</u>	-	-	-	<u>92,349,335</u>
<b>Accumulated impairment</b>										
Balance at January 1, 2021	1,749	425,731	639,988	100,528	141,178	-	-	45,729	-	1,354,903
Recognition (revolution) of impairment losses	-	-	389	198	-	-	884	-	-	1,471
Disposals	-	-	(26,683)	-	(73,027)	-	-	-	-	(99,710)
Reclassified	-	-	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	(226)	(12,532)	(31,726)	(3,965)	(9,972)	-	(49)	(5,937)	-	(64,407)
Balance at December 31, 2021	<u>1,523</u>	<u>413,199</u>	<u>581,968</u>	<u>96,761</u>	<u>58,179</u>	-	<u>835</u>	<u>39,792</u>	-	<u>1,192,257</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 4,172,903</u>	<u>\$ 16,526,110</u>	<u>\$ 32,050,169</u>	<u>\$ 499,182</u>	<u>\$ 28,426</u>	<u>\$ 352,770</u>	<u>\$ 2,622,203</u>	<u>\$ 6,707,877</u>	<u>\$ 277,057</u>	<u>\$ 63,236,697</u>
<b>Cost</b>										
Balance at January 1, 2020	\$ 3,443,310	\$ 27,220,089	\$ 96,574,165	\$ 2,365,767	\$ 426,189	\$ 3,705,720	\$ 1,413,214	\$ 5,274,732	\$ 161,417	\$ 140,584,603
Additions	-	16,642	2,013,396	17,635	4,015	23,771	1,331,697	11,511,498	502,542	15,421,196
Disposals	-	(325,022)	(6,689,427)	(114,054)	-	(99,656)	-	(25,805)	(460,121)	(7,714,085)
Reclassified	-	585,957	12,309,079	252,245	1,203	108,230	(449,058)	(12,802,314)	-	5,342
Effect of foreign currency exchange differences	(604)	(2,454)	(348,216)	(6,805)	(18,071)	(15,438)	(881)	(5,670)	(796)	(398,935)
Balance at December 31, 2020	<u>3,442,706</u>	<u>27,495,212</u>	<u>103,858,997</u>	<u>2,514,788</u>	<u>413,336</u>	<u>3,722,627</u>	<u>2,294,972</u>	<u>3,952,441</u>	<u>203,042</u>	<u>147,898,121</u>
<b>Accumulated depreciation</b>										
Balance at January 1, 2020	-	11,052,939	64,195,405	1,728,157	238,577	3,246,752	-	-	15,589	80,477,419
Depreciation expense	-	1,513,502	11,109,483	246,960	16,902	201,420	-	-	458,930	13,547,197
Disposals	-	(301,181)	(6,400,491)	(91,635)	-	(91,721)	-	-	(460,082)	(7,345,110)
Reclassified	-	6,841	14,296	-	(6,841)	(19)	-	-	-	14,277
Effect of foreign currency exchange differences	-	3,147	(232,727)	(5,104)	(12,549)	(13,740)	-	-	(786)	(261,759)
Balance at December 31, 2020	-	<u>12,275,248</u>	<u>68,685,966</u>	<u>1,878,378</u>	<u>236,089</u>	<u>3,342,692</u>	-	-	<u>13,651</u>	<u>86,432,024</u>
<b>Accumulated impairment</b>										
Balance at January 1, 2020	1,753	434,093	666,461	101,000	78,663	-	45,425	-	-	1,327,395
Recognition of impairment losses	-	-	1,767	110	66,850	-	-	404	-	69,131
Disposals	-	-	(1,738)	-	-	-	-	-	-	(1,738)
Reclassified	-	-	-	-	-	-	(45,441)	45,441	-	-
Effect of foreign currency exchange differences	(4)	(8,362)	(26,502)	(582)	(4,335)	-	16	(116)	-	(39,885)
Balance at December 31, 2020	<u>1,749</u>	<u>425,731</u>	<u>639,988</u>	<u>100,528</u>	<u>141,178</u>	-	-	<u>45,729</u>	-	<u>1,354,903</u>
Carrying amount at December 31, 2020	<u>\$ 3,440,957</u>	<u>\$ 14,794,233</u>	<u>\$ 34,533,043</u>	<u>\$ 535,882</u>	<u>\$ 36,069</u>	<u>\$ 379,935</u>	<u>\$ 2,294,972</u>	<u>\$ 3,906,712</u>	<u>\$ 189,391</u>	<u>\$ 60,111,194</u>

Tera Probe, Inc. expected a decrease in the future cash flows of machinery and equipment, office equipment, leasehold improvements and advance payments. Therefore, impairment loss of \$1,471 thousand and \$69,131 thousand was recognized in other gains and losses for the years ended December 31, 2021 and 2020, respectively.

Tera Probe, Inc. assessed that the book value of some assets cannot be recovered.

The above items of property, plant and equipment used by the Corporation are depreciated on a straight-line basis over their estimated useful lives as follows:

<b>Buildings</b>	
Main plants	3-51 years
Mechanical and electrical power equipment	2-26 years
Wafer fab	6-16 years
Fire control equipment	2-26 years
Others	2-51 years
Machinery and equipment	1-15 years
Office equipment	1-15 years
Leasehold improvements	2-50 years
Other equipment	2-16 years
Spare parts	0.5-2 years

Property, plant and equipment used by the Corporation and pledged as collateral for bank borrowings are set out in Note 28.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 1,377,512	\$ 1,410,566
Buildings	-	28,682
Machinery and equipment	101,801	271,518
Transportation equipment	<u>2,644</u>	<u>26</u>
	<u>\$ 1,481,957</u>	<u>\$ 1,710,792</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 10,260</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 39,116	\$ 38,987
Buildings	15,182	89,653
Machinery and equipment	28,030	81,961
Transportation equipment	<u>1,339</u>	<u>312</u>
	<u>\$ 83,667</u>	<u>\$ 210,913</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	\$ 63,724	\$ 106,102
Non-current	\$ 1,364,825	\$ 1,430,937

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	0.93%-1.69%	1.10%-1.69%
Buildings	-	0.69%-3.77%
Machinery and equipment	0.80%-1.70%	0.80%-1.70%
Transportation equipment	0.92%	1.13%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	\$ 14,858	\$ 16,676
Total cash outflow for leases	\$ (121,401)	\$ (237,282)

The Corporation's leases of certain land, office, machines, vehicles and office equipment qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Goodwill</b>	<b>Core Techniques</b>	<b>Client Relationships</b>	<b>Royalty</b>	<b>Technical Services</b>	<b>Total</b>
<u>Cost</u>							
Balance at January 1, 2021	\$ 632,953	\$ 979,819	\$ 247,464	\$ 220,775	\$ 9,587	\$ 88,894	\$ 2,179,492
Additions	26,467	-	-	-	-	-	26,467
Disposals	(12,820)	-	-	-	-	-	(12,820)
Reclassifications	370	-	-	-	-	-	370
Effect of foreign currency exchange differences	(35,398)	-	(970)	-	(163)	-	(36,531)
Balance at December 31, 2021	<u>611,572</u>	<u>979,819</u>	<u>246,494</u>	<u>220,775</u>	<u>9,424</u>	<u>88,894</u>	<u>2,156,978</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2021	585,776	-	247,464	220,775	5,947	88,894	1,148,856
Amortization expense	37,638	-	-	-	2,863	-	40,501
Disposals	(12,820)	-	-	-	-	-	(12,820)
Effect of foreign currency exchange differences	(27,124)	-	(970)	-	(146)	-	(28,240)
Balance at December 31, 2021	<u>583,470</u>	<u>-</u>	<u>246,494</u>	<u>220,775</u>	<u>8,664</u>	<u>88,894</u>	<u>1,148,297</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2021	28,161	-	-	-	-	-	28,161
Effect of foreign currency exchange differences	(2,120)	-	-	-	-	-	(2,120)
Balance at December 31, 2021	<u>26,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,041</u>
Carrying amount at December 31, 2021	<u>\$ 2,061</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 760</u>	<u>\$ -</u>	<u>\$ 982,640</u>

(Continued)

	Computer Software	Goodwill	Core Techniques	Client Relationships	Royalty	Technical Services	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 637,338	\$ 979,819	\$ 249,359	\$ 220,775	\$ 10,088	\$ 88,894	\$ 2,186,273
Additions	9,304	-	-	-	-	-	9,304
Disposals	(17,075)	-	-	-	(499)	-	(17,574)
Reclassifications	5,857	-	-	-	-	-	5,857
Effect of foreign currency exchange differences	(2,471)	-	(1,895)	-	(2)	-	(4,368)
Balance at December 31, 2020	<u>632,953</u>	<u>979,819</u>	<u>247,464</u>	<u>220,775</u>	<u>9,587</u>	<u>88,894</u>	<u>2,179,492</u>
<u>Accumulated amortization</u>							
Balance at January 1, 2020	562,741	-	249,359	197,396	3,551	88,894	1,101,941
Amortization expense	38,550	-	-	23,379	2,897	-	64,826
Disposals	(14,108)	-	-	-	(499)	-	(14,607)
Effect of foreign currency exchange differences	(1,407)	-	(1,895)	-	(2)	-	(3,304)
Balance at December 31, 2020	<u>585,776</u>	<u>-</u>	<u>247,464</u>	<u>220,775</u>	<u>5,947</u>	<u>88,894</u>	<u>1,148,856</u>
<u>Accumulated impairment</u>							
Balance at January 1, 2020	24,706	-	-	-	-	-	24,706
Recognition of Impairment loss	4,420	-	-	-	-	-	4,420
Disposals	(84)	-	-	-	-	-	(84)
Effect of foreign currency exchange differences	(881)	-	-	-	-	-	(881)
Balance at December 31, 2020	<u>28,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,161</u>
Carrying amount at December 31, 2020	<u>\$ 19,016</u>	<u>\$ 979,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,640</u>	<u>\$ -</u>	<u>\$ 1,002,475</u>

(Concluded)

Tera Probe, Inc. expected a decrease in the future cash flows of computer software. Therefore, impairment loss of \$4,420 thousand was recognized in other gains and losses for the year ended December 31, 2020.

Tera Probe, Inc. assessed that the book value of some assets cannot be recovered.

The above items of intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-10 years
Core techniques	5 years
Client relationships	9 years
Royalty	1-10 years
Technical services	2-4 years

## 16. OTHER ASSETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Payment on behalf of others	\$ 410,278	\$ 105,165
Tax refund receivables	263,040	262,927
Others	<u>48,585</u>	<u>53,306</u>
	<u>\$ 721,903</u>	<u>\$ 421,398</u>

(Continued)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Refundable deposits	\$ 267,582	\$ 50,283
Prepayments for equipment	63,849	46,554
Others	<u>925</u>	<u>851</u>
	<u>\$ 332,356</u>	<u>\$ 97,688</u>
		(Concluded)

## 17. BORROWINGS

### a. Short-term bank loans

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unsecured borrowings</u>		
Working capital loan	<u>\$ 72,180</u>	<u>\$ 196,982</u>

The effective interest rate range on the working capital loan was 0.68% and 0.68%-1.61% as of December 31, 2021 and 2020, respectively.

### b. Long-term debt

The long-term debts of the Corporation are all floating rate debt, which include:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
1) Secured borrowings (Note 28)	\$ 13,519,457	\$ 12,107,715
2) Unsecured borrowings	<u>16,614,859</u>	<u>20,266,108</u>
	30,134,316	32,373,823
Less: Current portion	<u>(121,503)</u>	<u>(1,022,165)</u>
	<u>\$ 30,012,813</u>	<u>\$ 31,351,658</u>

1) Repayable from March 2024 to December 2038; interest rate range was 0.4%-1.01% as of December 31, 2021 and 0.835%-1.05% as of December 31, 2020.

2) Repayable from January 2022 to December 2028; interest rate range was 0.45%-1.00% as of December 31, 2021 and 0.69%-1.38% as of December 31, 2020.

For PTI's long-term debt, the financing banks required PTI to comply with the requirements to maintain the current ratio, fixed ratio, liability ratio, financial liability ratio, equity ratio, interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities in its annual and semiannual consolidated financial statements. As of December 31, 2021, PTI was in compliance with these ratio requirements.

## 18. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Accrued expenses and other current liabilities		
Salaries and bonuses	\$ 3,503,413	\$ 2,148,090
Agency receipts	286,840	212,353
Payables for insurance	243,443	208,838
Payables for treasury stock delivery payments	241,156	-
Payables for utilities	210,657	194,655
Indemnification payables (a)	133,487	111,883
Payables for annual leave	75,237	72,539
Others	<u>3,779,827</u>	<u>3,397,997</u>
	<u>\$ 8,474,060</u>	<u>\$ 6,346,355</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	\$ 1,316	\$ 1,345
Others	<u>21,983</u>	<u>159,380</u>
	<u>\$ 23,299</u>	<u>\$ 160,725</u>

- a. Indemnification payables are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## 19. RETIREMENT BENEFIT PLANS

- a. Defined contribution plan

PTI, GEI and TeraPower Technology Inc. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

- b. Defined benefit plan

The defined benefit plan adopted by the Corporation's subsidiaries PTI, GEI and TeraPower Technology Inc. in accordance with the Labor Standards Law belongs to the defined benefit plan administered by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. PTI, GEI and TeraPower Technology Inc. contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 874,267	\$ 895,143
Fair value of plan assets	<u>(506,528)</u>	<u>(494,201)</u>
Net defined benefit liabilities	<u>\$ 367,739</u>	<u>\$ 400,942</u>
Net defined benefit assets	\$ (917)	\$ (842)
Net defined benefit liabilities	<u>368,656</u>	<u>401,784</u>
	<u>\$ 367,739</u>	<u>\$ 400,942</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 1,015,642</u>	<u>\$ (621,650)</u>	<u>\$ 393,992</u>
Service cost			
Current service cost	9,091	-	9,091
Past service cost and gain on settlements	(17,543)	-	(17,543)
Net interest expense (income)	<u>6,351</u>	<u>(3,760)</u>	<u>2,591</u>
Recognized in profit or loss	<u>(2,101)</u>	<u>(3,760)</u>	<u>(5,861)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,352)	(8,352)
Actuarial gain - changes in demographics assumptions	(46)	-	(46)
Actuarial loss - changes in financial assumptions	40,071	-	40,071
Actuarial loss (gain) - experience adjustments	<u>30,989</u>	<u>(6,660)</u>	<u>24,329</u>
Recognized in other comprehensive income	<u>71,014</u>	<u>(15,012)</u>	<u>56,002</u>
Contributions from the employer	<u>-</u>	<u>(21,155)</u>	<u>(21,155)</u>
Benefits paid	<u>(13,564)</u>	<u>10,192</u>	<u>(3,372)</u>
Liabilities extinguished on settlement	<u>(175,723)</u>	<u>157,184</u>	<u>(18,539)</u>
Effects of foreign currency exchange differences	<u>(125)</u>	<u>-</u>	<u>(125)</u>
Balance at December 31, 2020	<u>895,143</u>	<u>(494,201)</u>	<u>400,942</u>
Service cost			
Current service cost	6,336	-	6,336
Past service cost and gain on settlements	-	-	-
Net interest expense (income)	<u>3,574</u>	<u>(1,996)</u>	<u>1,578</u>
Recognized in profit or loss	<u>9,910</u>	<u>(1,996)</u>	<u>7,914</u>

(Continued)



	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,862)	\$ (3,862)
Actuarial loss - changes in demographics assumptions	10,094	-	10,094
Actuarial loss - changes in financial assumptions	(32,436)	-	(32,436)
Actuarial loss - experience adjustments	19,081	(2,983)	16,098
Others	<u>781</u>	<u>-</u>	<u>781</u>
Recognized in other comprehensive income	<u>(2,480)</u>	<u>(6,845)</u>	<u>(9,325)</u>
Contributions from the employer	<u>-</u>	<u>(21,287)</u>	<u>(21,287)</u>
Benefits paid	<u>(18,561)</u>	<u>17,801</u>	<u>(760)</u>
Liabilities extinguished on settlement	<u>-</u>	<u>-</u>	<u>-</u>
Effects of foreign currency exchange differences	<u>(9,745)</u>	<u>-</u>	<u>(9,745)</u>
Balance at December 31, 2021	<u>\$ 874,267</u>	<u>\$ (506,528)</u>	<u>\$ 367,739</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rates	0.35%-0.75%	0.35%-0.45%
Expected rates of salary increase	2.25%-4.00%	2.25%-4.00%
Return on plan assets	0.7%-0.75%	0.4%-0.8%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.50% increase	<u>\$ (46,878)</u>	<u>\$ (50,822)</u>
0.50% decrease	<u>\$ 49,718</u>	<u>\$ 54,056</u>
Expected rate of salary increase		
0.50% increase	<u>\$ 46,333</u>	<u>\$ 50,370</u>
0.50% decrease	<u>\$ (44,041)</u>	<u>\$ (47,756)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plan for the next year	<u>\$ 21,589</u>	<u>\$ 21,541</u>
Average duration of the defined benefit obligation	11-16 years	12-17 years

## 20. EQUITY

### a. Capital stock

#### 1) Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares authorized (in thousands of shares)	<u>1,500,000</u>	<u>1,500,000</u>
Shares authorized (in thousands of dollars)	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>779,147</u>	<u>779,147</u>
Shares issued (in thousands of dollars)	<u>\$ 7,791,466</u>	<u>\$ 7,791,466</u>

Fully paid ordinary shares, which have a par value of \$10, carry 1 vote per share and carry a right to dividends.

Out of the shares authorized, 15,000 thousand shares were reserved for the issuance of employee share options.

As of December 31, 2021, 22 units of GDS of PTI were trading on the Luxembourg Stock Exchange. The number of ordinary shares represented by the GDS was 44 shares (one GDS represents 2 ordinary shares).

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (1)		
Share premium	\$ 1,929	\$ 1,929
<u>May be used to offset a deficit only</u>		
Arising from treasury share transactions	197,092	157,647
Changes in percentage of ownership interests in subsidiaries (2)	<u>71,773</u>	<u>71,718</u>
	<u>\$ 270,794</u>	<u>\$ 231,294</u>

- 1) The premium from shares issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the PTI's Articles of Incorporation, PTI should make appropriations from its net income in the following order:

- 1) Offset deficits.
- 2) Set aside as legal reserve 10% of the remaining profit.
- 3) Appropriate as special reserve.
- 4) After the above-mentioned amounts have been deducted, any remaining profit from the previous years and the current year's undistributed retained earnings shall be used by PTI's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders as to whether the amount should be distributed as dividends or retained within PTI.

Dividends are distributed in the form of cash, ordinary shares or a combination of cash and ordinary shares. In consideration of PTI being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, PTI's Articles of Incorporation provide that the total cash dividends paid in any given year should be at least 20% of total dividends distributed.

For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 22(g).

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals PTI's capital surplus. The legal reserve may be used to offset deficit. If PTI has no deficit and the legal reserve has exceeded 25% of PTI's capital surplus, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 29, 2021 and May 28, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 662,022</u>	<u>\$ 582,611</u>
Special reserve	<u>\$ 42,241</u>	<u>\$ 129,671</u>
Cash dividends	<u>\$ 3,895,733</u>	<u>\$ 3,506,160</u>
Cash dividends per share (NT\$)	<u>\$ 5</u>	<u>\$ 4.5</u>

The appropriation of earnings for 2021 had been proposed by PTI's board of directors on March 10, 2022. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 890,790</u>
Special reserve	<u>\$ 343,641</u>
Cash dividends	<u>\$ 5,162,197</u>
Cash dividends per share (NT\$)	<u>\$ 6.8</u>

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

- 1) Exchange differences on translation of the financial statements of foreign operations  
 iii.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	<u>\$ (352,472)</u>	<u>\$ (299,686)</u>
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(338,497)</u>	<u>(52,786)</u>
Other comprehensive loss recognized for the year	<u>(338,497)</u>	<u>(52,786)</u>
Balance at December 31	<u>\$ (690,969)</u>	<u>\$ (352,472)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (14,510)	\$ (25,055)
Recognized for the year		
Unrealized loss - equity instruments	(5,144)	10,922
Other comprehensive income (loss) recognized for the year	(5,144)	10,922
Transfer of accumulated profit and loss from disposal of equity instruments to retained earnings	-	(377)
Balance at December 31	<u>\$ (19,654)</u>	<u>\$ (14,510)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 12,416,516	\$ 11,870,235
Share in profit for the year	2,827,527	1,516,715
Other comprehensive income (loss) for the year		
Exchange differences on translation of the financial statements of foreign entities	(210,814)	(33,167)
Remeasurement on defined benefit plans	(177)	(13,584)
Donations from shareholders	73	89
Cash dividends to shareholders from subsidiaries	(1,006,823)	(746,998)
The Corporation's shares held by its subsidiaries treated as treasury shares	<u>(227,243)</u>	<u>(176,774)</u>
Balance at December 31	<u>\$ 13,799,059</u>	<u>\$ 12,416,516</u>

f. Treasury shares

<b>Purpose of Buy-Back</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Held by Subsidiary (In Thousands of Shares)</b>
Number of shares at January 1, 2020	-	2,650
Increase during the year	-	3,520
Number of shares at December 31, 2020	-	6,170
Increase during the year	<u>10,412</u>	<u>3,830</u>
Number of shares at December 31, 2021	<u>10,412</u>	<u>10,000</u>

PTI's shares held by its subsidiaries at the end of the reporting period were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands of Shares)	Carrying Amount	Market Price
<u>December 31, 2021</u>			
Greatek Electronics Inc.	10,000	\$ 977,000	\$ 977,000
<u>December 31, 2020</u>			
Greatek Electronics Inc.	6,170	\$ 585,533	\$ 585,533

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. PTI's shares held by its subsidiary are treated as treasury shares.

## 21. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers		
Revenue from packaging services	\$ 57,595,446	\$ 50,188,251
Revenue from testing services	18,450,620	17,073,026
Revenue from module services	7,675,143	8,760,488
Others	<u>72,363</u>	<u>158,884</u>
	<u>\$ 83,793,572</u>	<u>\$ 76,180,649</u>

### a. Contract information

As the Corporation fulfills its obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills its obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time.

### b. Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes and accounts receivable (including related parties) (Note 10)	<u>\$ 17,975,014</u>	<u>\$ 14,766,670</u>	<u>\$ 13,771,460</u>
Contract assets			
Revenue from services	<u>\$ 2,418,865</u>	<u>\$ 2,211,796</u>	<u>\$ 2,170,456</u>
Contract liabilities			
Revenue from services	<u>\$ 164,824</u>	<u>\$ 56,676</u>	<u>\$ 62,458</u>

The changes in the contract asset and the contract liability balances primarily result from the timing difference between the Corporation's performance and the respective customer's payment.

Revenue recognized in the current reporting period from the contract liabilities at the beginning of the year and from the performance obligations which were satisfied in the previous period is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From the contract liabilities at the beginning of the year		
Revenue from processing services	<u>\$ 45,090</u>	<u>\$ 48,626</u>
c. Disaggregation of revenue from contracts with customers		
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>		
Japan	\$ 25,796,097	\$ 27,395,237
Taiwan (the principal place of business of the Corporation)	19,356,303	15,347,846
Singapore	19,099,286	14,378,679
America	12,546,898	13,111,792
Europe	2,314,953	2,281,902
China, Hong Kong and Macao	2,002,639	1,085,555
Others	<u>2,677,396</u>	<u>2,579,638</u>
	<u>\$ 83,793,572</u>	<u>\$ 76,180,649</u>

## 22. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	\$ 183,730	\$ 285,424
Financial liabilities classified as held for trading	(63,934)	(27,063)
Impairment loss of non-financial assets	(1,471)	(73,551)
Others	<u>417,397</u>	<u>80,640</u>
	<u>\$ 535,722</u>	<u>\$ 265,450</u>

### b. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 40,298	\$ 70,821
Financial assets measured at amortized cost	6,235	8,898
Repurchase agreements collateralized by bonds	-	791
Others	<u>-</u>	<u>8</u>
	<u>\$ 46,533</u>	<u>\$ 80,518</u>

c. Other income

**For the Year Ended December 31**  
**2021                      2020**

Rental income		
Operating lease rental income	\$ 87,344	\$ 109,585

d. Finance costs

**For the Year Ended December 31**  
**2021                      2020**

Interest on bank loans	\$ 273,450	\$ 299,190
Interest on lease liabilities	24,243	58,430
Capitalized interest	<u>(69,541)</u>	<u>(78,155)</u>
	<b><u>\$ 228,152</u></b>	<b><u>\$ 279,465</u></b>

Information about capitalized interest was as follows:

**For the Year Ended December 31**  
**2021                      2020**

Capitalized interest	\$ 69,541	\$ 78,155
Capitalization rate	0.836%-0.927%	0.929%-1.144%

e. Depreciation and amortization

**For the Year Ended December 31**  
**2021                      2020**

Property, plant and equipment	\$ 13,928,070	\$ 13,547,197
Right-of-use assets	83,667	210,913
Intangible assets	<u>40,501</u>	<u>64,826</u>
Total	<b><u>\$ 14,052,238</u></b>	<b><u>\$ 13,822,936</u></b>

An analysis of depreciation by function

Operating costs	\$ 13,478,789	\$ 13,068,865
Operating expenses	<u>532,948</u>	<u>689,245</u>
	<b><u>\$ 14,011,737</u></b>	<b><u>\$ 13,758,110</u></b>

An analysis of amortization by function

Operating costs	\$ 26,833	\$ 49,500
Marketing	25	55
General and administrative	5,072	6,248
Research and development	<u>8,571</u>	<u>9,023</u>
	<b><u>\$ 40,501</u></b>	<b><u>\$ 64,826</u></b>



f. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 580,896	\$ 532,100
Defined benefit plans	<u>7,914</u>	<u>(5,861)</u>
	588,810	526,239
Termination benefits	1,809	5,607
Other employee benefits	<u>19,140,680</u>	<u>17,004,525</u>
Total employee benefit expense	<u>\$ 19,731,299</u>	<u>\$ 17,536,371</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 16,529,859	\$ 15,004,948
Operating expenses	<u>3,201,440</u>	<u>2,531,423</u>
	<u>\$ 19,731,299</u>	<u>\$ 17,536,371</u>

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of PTI, PTI accrues compensation of employees and remuneration of directors at the rates between 5% and 7.5% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. However, if PTI has accumulated deficits (including adjustment of unappropriated earnings), PTI should retain the net profit in advance for deducting accumulated deficits. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which were approved by PTI's board of directors on March 10, 2022 and March 12, 2021, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	5.42%	5.19%
Remuneration of directors	1.08%	1.04%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 600,642	\$ 449,703
Remuneration of directors	120,128	89,940

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by PTI's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 470,892	\$ 537,272
Foreign exchange losses	<u>(731,798)</u>	<u>(1,036,579)</u>
Net losses	<u>\$ (260,906)</u>	<u>\$ (499,307)</u>

## 23. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 2,650,395	\$ 2,138,871
Income tax on unappropriated earnings	54,893	12,316
Adjustments for prior years	<u>(5,397)</u>	<u>(31,550)</u>
	2,699,891	2,119,637
Deferred tax		
In respect of the current year	<u>279,671</u>	<u>96,337</u>
Income tax expenses recognized in profit or loss	<u>\$ 2,979,562</u>	<u>\$ 2,215,974</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 14,705,487</u>	<u>\$ 10,394,951</u>
Income tax expense calculated at the statutory rate	\$ 3,545,373	\$ 2,338,088
Items that should be reduce	(772,101)	(245,286)
Nondeductible expenses in determining taxable income	1,832	-
Income tax on unappropriated earnings	54,893	12,316
Generation of temporary differences	165,241	135,088
Unrecognized loss carryforwards	(16,980)	-
Adjustments for prior years' tax	(5,397)	(31,550)
Others	<u>6,701</u>	<u>7,318</u>
Income tax expense recognized in profit or loss	<u>\$ 2,979,562</u>	<u>\$ 2,215,974</u>

b. Current tax liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax liabilities		
Tax payable	<u>\$ 1,570,467</u>	<u>\$ 1,304,992</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were follows:

For the year ended December 31, 2021

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 305,185</u>	<u>\$ (219,106)</u>	<u>\$ 86,079</u>
<u>Deferred tax liabilities</u>			
Temporary differences	<u>\$ 131,491</u>	<u>\$ 60,565</u>	<u>\$ 192,056</u>

For the year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 384,507</u>	<u>\$ (79,322)</u>	<u>\$ 305,185</u>
<u>Deferred tax liabilities</u>			
Temporary differences	<u>\$ 114,476</u>	<u>\$ 17,015</u>	<u>\$ 131,491</u>

d. Items for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss carryforwards		
Expiry in 2021	\$ 29,865	\$ 29,993
Expiry in 2022	12,328	12,380
Expiry in 2023	<u>2,591</u>	<u>2,602</u>
	<u>\$ 44,784</u>	<u>\$ 44,975</u>
Deductible temporary differences	<u>\$ 121,950</u>	<u>\$ 12,446</u>

e. Income tax assessments

The Corporation's income tax returns through 2019 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	\$ <u>11.54</u>	\$ <u>8.60</u>
Diluted earnings per share	\$ <u>11.44</u>	\$ <u>8.54</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the year attributable to the owners of the Corporation	\$ 8,898,398	\$ 6,662,262
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>          -</u>	<u>          -</u>
Earnings used in the computation of diluted earnings per share	\$ <u>8,898,398</u>	\$ <u>6,662,262</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	770,870	774,313
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>      7,009</u>	<u>      5,505</u>
Weighted average number of ordinary shares used in the computation of dilutive earnings per share	<u>      777,879</u>	<u>      779,818</u>

If PTI offered to settle compensation paid to employees in cash or shares, PTI assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Corporation's overall strategy remains unchanged from the previous year.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 500,000	\$ -	\$ 501,313	\$ -	\$ 501,313

December 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost					
Domestic corporate bonds	\$ 800,001	\$ -	\$ 804,895	\$ -	\$ 804,895

The abovementioned level 2 fair value measurement was based on quoted prices from the Taipei Exchange.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 79,200	\$ -	\$ -	\$ 79,200
Derivative instruments	<u>-</u>	<u>26,337</u>	<u>-</u>	<u>26,337</u>
	<u>\$ 79,200</u>	<u>\$ 26,337</u>	<u>\$ -</u>	<u>\$ 105,537</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 1,644</u>	<u>\$ 28,500</u>	<u>\$ -</u>	<u>\$ 30,144</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ 5,649</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 125,900	\$ -	\$ -	\$ 125,900
Derivative instruments	<u>-</u>	<u>43,567</u>	<u>-</u>	<u>43,567</u>
	<u>\$ 125,900</u>	<u>\$ 43,567</u>	<u>\$ -</u>	<u>\$ 169,467</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,488</u>	<u>\$ 32,800</u>	<u>\$ -</u>	<u>\$ 35,288</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 5,435</u>	<u>\$ -</u>	<u>\$ 5,435</u>

There were no transfers between Levels 1 and 2 in the current and prior years.

2) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted securities	Using the market approach and the binomial option pricing model to calculate the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 105,537	\$ 169,467
Financial assets at amortized cost (Note 1)	42,238,124	37,604,652
Financial assets at FVTOCI		
Equity instruments	30,144	35,288
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss (FVTPL)		
Held for trading	5,649	5,435
Financial liabilities at amortized cost (Note 2)	42,439,510	40,243,413

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, time deposits with original maturities of more than 3 months, notes and accounts receivable (including related parties), other receivables (including related parties), pledged time deposits and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (including related parties), other payables (including related parties), accrued expenses and other current liabilities and long-term debt (including current portion).

d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures, reports quarterly to the Corporation's board of directors.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a variety of derivative financial instruments (included forward exchange contracts) to manage its exposure to foreign currency risk.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation's operating activities are partially denominated in foreign currencies and thus have natural hedging effects. The Corporation's management of foreign currency risk is for risk hedging instead of speculative purposes.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Corporation selects the instruments to hedge against currency exposure taking into consideration the hedging cost and period. The Corporation currently utilizes derivative financial instruments, including buy/sell foreign exchange forward contracts, to hedge against foreign currency exchange risk.

For the carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period, refer to Note 30.

The Corporation uses forward exchange contracts to reduce foreign currency risk exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Corporation.

Sensitivity analysis

The Corporation was mainly exposed to the USD and JPY.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), accounts payable (including related parties), other payables (including related parties), short-term bank loans and long-term debt. The number below indicates the decrease/increase in pre-tax profit when the functional currency strengthens 5% against the relevant currency.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (532,405)	\$ (533,745)	\$ 60,773	\$ 17,968

b) Interest rate risk

As the Corporation owns assets at both fixed and floating interest rates, the Corporation is exposed to interest rate risk. The Corporation's interest rate risk also comes from borrowings at floating interest rates. Since the Corporation's bank borrowings are at floating interest rates, fluctuations in interest rates will affect cash flow in the future but will not affect the fair value.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 7,447,832	\$ 8,191,331
Financial liabilities	317,593	539,175
Cash flow interest rate risk		
Financial assets	15,599,156	13,384,037
Financial liabilities	29,888,903	32,031,630

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rate risk for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Corporation's pre-tax loss for the years ended December 31, 2021 and 2020 would have decreased/increased by \$14,454 thousand and \$18,648 thousand, respectively, which was



mainly attributable to the Corporation's exposure to interest rate risk on its variable-rate net liabilities.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation's equity price risk was mainly concentrated on equity instruments in the electronics industry sector listed on the Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$3,960 thousand and \$6,295 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the post-tax other comprehensive income for the year ended December 31, 2021 and 2020 would have increased/decreased by \$1,507 thousand and \$1,764 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of the counterparty to discharge an obligation arises from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the Corporation has established rules for credit and accounts receivable management to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings.

The counterparties of trade receivables cover a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

liii. The Corporation's concentration of credit risk was related to the three largest customers within the Corporation. Besides the aforementioned customers, there was no other customer that accounted for 10% of total gross accounts receivable for the years ended December 31, 2021 and 2020. The three largest customers are creditworthy counterparties; therefore, the Corporation believes the concentration of credit risk is insignificant.

liv.

lv. Credit risk management for investments in debt instruments

lvi.

lvii. The Corporation only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Corporation's exposure and the external credit ratings are continuously monitored. The Corporation reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

lviii.

lix. The Corporation considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses. The Corporation's current credit risk grading framework comprises the following categories:

lx.

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs	-

lxi.

3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized short-term bank loan facilities of approximately \$6,739,081 thousand and \$7,247,360 thousand, respectively.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 4,074,461	\$ 6,465,347	\$ 1,693,206	\$ -	\$ -
Lease liabilities	7,265	14,531	65,252	226,903	1,617,461
Fixed interest rate liabilities	-	105,263	88,421	123,909	-
Variable interest rate liabilities	-	-	-	24,604,646	5,284,257
	<u>\$ 4,081,726</u>	<u>\$ 6,585,141</u>	<u>\$ 1,846,879</u>	<u>\$24,955,458</u>	<u>\$ 6,901,718</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ <u>87,048</u>	\$ <u>226,903</u>	\$ <u>236,403</u>	\$ <u>234,088</u>	\$ <u>233,688</u>	\$ <u>913,282</u>
Variable interest rate liabilities	\$ <u>-----</u>	\$ <u>24,604,646</u>	\$ <u>4,714,859</u>	\$ <u>418,769</u>	\$ <u>150,629</u>	\$ <u>-----</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 2,806,529	\$ 4,237,591	\$ 628,488	\$ -	\$ -
Lease liabilities	16,990	30,381	82,976	268,032	1,665,038
Fixed interest rate liabilities	-	129,264	127,881	282,030	-
Variable interest rate liabilities	<u>676,922</u>	<u>-----</u>	<u>285,080</u>	<u>28,866,456</u>	<u>2,203,172</u>
	<u>\$ 3,500,441</u>	<u>\$ 4,397,236</u>	<u>\$ 1,124,425</u>	<u>\$29,416,518</u>	<u>\$ 3,868,210</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	\$ <u>130,347</u>	\$ <u>268,032</u>	\$ <u>236,763</u>	\$ <u>234,568</u>	\$ <u>233,688</u>	\$ <u>960,019</u>
Variable interest rate liabilities	\$ <u>962,002</u>	\$ <u>28,866,456</u>	\$ <u>1,358,857</u>	\$ <u>619,545</u>	\$ <u>224,770</u>	\$ <u>-----</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Corporation's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,814,159	\$ 2,972,363	\$ 35,574
Outflows	<u>(1,803,477)</u>	<u>(2,961,903)</u>	<u>(36,028)</u>
	<u>\$ 10,682</u>	<u>\$ 10,460</u>	<u>\$ (454)</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,514,693	\$ 2,564,140	\$ 36,957
Outflows	<u>(1,487,180)</u>	<u>(2,553,570)</u>	<u>(36,908)</u>
	<u>\$ 27,513</u>	<u>\$ 10,570</u>	<u>\$ 49</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Secured bank loan facilities which may be mutually extended:		
Amount used	\$ 13,519,457	\$ 12,107,715
Amount unused	<u>17,175,000</u>	<u>2,000,000</u>
	<u>\$ 30,694,457</u>	<u>\$ 14,107,715</u>

**27. TRANSACTIONS WITH RELATED PARTIES**

Balances and transactions between PTI and its subsidiaries, which were related parties of PTI, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between PTI and other related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Kioxia Corporation	Substantial related party
Toshiba International Procurement Hong Kong, Ltd.	Substantial related party
Toshiba Information Systems (Japan) Corporation	Substantial related party
Kingston Technology International Ltd.	Substantial related party
Kingston Digital International Ltd.	Substantial related party
Kingston Solution, Inc.	Substantial related party
Kingston Technology Far East Corp.	Substantial related party
Realtek Singapore Private Limited	Substantial related party
Realtek Semiconductor Corp.	Substantial related party
Raymx Microelectronic Corp.	Substantial related party
PTI Education Foundation	Substantial related party

b. Sales of goods

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Sales of goods	Substantial related parties		
	Kioxia Corporation	\$ 21,781,738	\$ 21,602,564
	Others	<u>2,219,066</u>	<u>2,417,929</u>
		<u>\$ 24,000,804</u>	<u>\$ 24,020,493</u>

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment terms for the sales of the Corporation is from 30 days to 150 days starting from the first day of the month following the invoice date.

c. Purchases

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties	<u>\$ 987,046</u>	<u>\$ 798,763</u>

The purchase prices and payment terms were based on negotiations for which there are no comparable transactions in the market.

d. Operating costs

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties	<u>\$ 198</u>	<u>\$ 419</u>

Operating costs mainly was occasional fee.

e. Operating expenses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties	<u>\$ -</u>	<u>\$ 3,000</u>

Operating expenses mainly was donation fee.

f. Other gains and losses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties	<u>\$ 17,452</u>	<u>\$ 23,376</u>

Other gains and losses mainly include the purchase and sales of raw materials and the difference between collections and payment transfers. The purchase and sales of raw materials were based on conditions agreed by both parties for which there are no comparable transactions in the market.

g. Contract assets

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties		
Kioxia Corporation	\$ 669,072	\$ 858,969
Others	<u>84,067</u>	<u>68,879</u>
	<u>\$ 753,139</u>	<u>\$ 927,848</u>

For the years ended December 31, 2021 and 2020, no impairment loss was recognized for contract assets from related parties.

h. Accounts receivable from related parties (excluding loans to related parties and contract assets)

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable from related parties	Substantial related parties		
	Kioxia Corporation	\$ 5,984,852	\$ 5,783,595
	Others	<u>470,454</u>	<u>500,858</u>
		<u>\$ 6,455,306</u>	<u>\$ 6,284,453</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for accounts receivable from related parties.

i. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2021	2020
Accounts payable - related parties	Substantial related party		
	Toshiba International Procurement Hong Kong, Ltd.	<u>\$ 154,391</u>	<u>\$ 134,111</u>

The outstanding accounts payable from related parties are unsecured.

j. Payable to equipment suppliers

Related Party Category / Name	December 31	
	2021	2020
Substantial related party	<u>\$ 40,121</u>	<u>\$ -</u>

k. Other receivables from related parties

Related Party Category / Name	December 31	
	2021	2020
Substantial related parties		
Kioxia Corporation	\$ 64,766	\$ 34,534
Kingston Solution, Inc.	48	10,609
Others	<u>533</u>	<u>3,711</u>
	<u>\$ 65,347</u>	<u>\$ 48,854</u>

l. Other payables from related parties

Related Party Category	December 31	
	2021	2020
Substantial related party		
Toshiba Trading Inc.	\$ 5,827	\$ -
Others	<u>357</u>	<u>-</u>
	<u>\$ 6,184</u>	<u>\$ -</u>

m. Acquisition of property, plant and equipment

Related Party Category	Acquisition Price	
	For the Year Ended December 31	
	2021	2020
Substantial related party	\$ <u>45,930</u>	\$ <u>-</u>

n. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 512,749	\$ 390,923
Post-employment benefits	<u>2,117</u>	<u>1,836</u>
	\$ <u>514,866</u>	\$ <u>392,759</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were mainly provided for long-term bank loans, customs surety bonds, bank guarantees, bonded warehouse guarantee deposits and lease deposits:

	December 31	
	2021	2020
Property, plant and equipment	\$ 18,279,070	\$ 15,405,024
Pledged deposits (classified as financial assets at amortized cost - current)	25,223	26,200
Restricted deposits (classified as financial assets at amortized cost - current)	29,868	129,093
Pledged deposits (classified as financial assets at amortized cost - non-current)	<u>113,874</u>	<u>88,874</u>
	\$ <u>18,448,035</u>	\$ <u>15,649,191</u>

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to the contents disclosed in other notes, the Company has the following significant commitments and contingencies in the balance sheets:

- From September 2017 to September 2018, PTI signed a contract worth \$1,811,372 thousand with Jian Ming Contractor Co., Ltd. for factory engineering. As of December 31, 2021, PTI has paid a total of \$1,811,372 thousand.
- From November 2019 to December 2020 and February 2021 to October 2021, PTI signed a purchase agreement of equipment worth \$1,047,751 thousand and \$646,433 thousand with Kulicke & Soffa Pte. Ltd., respectively. As of December 31, 2021, PTI has paid \$1,047,751 thousand and \$94,198 thousand, respectively.

- c. From August 2020 to July 2021, PTI signed a contract worth \$595,845 thousand with Yi-Sheng Systems Integration Co., Ltd. for factory engineering. As of December 31, 2021, PTI has paid a total of \$438,636 thousand.
  - d. From June 2021 to August 2021, PTI signed a purchase agreement of equipment worth \$534,275 thousand with Applied Materials South East Asia Pte. Ltd. As of December 31, 2021, PTI has paid a total of \$186,549 thousand.
  - e. From December 2020 to December 2021, PTI signed the purchase agreements of equipment worth \$588,119 thousand with Disco Hi-Tec Taiwan Co., Ltd. As of December 31, 2021, PTI has paid a total of \$160,278 thousand.
  - f. From April 2021 to January 2022, PTI signed a purchase agreement of equipment worth \$505,374 thousand with Advantest Corporation. As of December 31, 2021, PTI has paid a total of \$102,382 thousand.
  - g. From March 2021 to January 2022, PTI signed a contract worth \$713,114 thousand with Jiu Han Engineering Co., Ltd. to set up clean rooms and factory engineering. As of December 31, 2021, PTI has paid a total of \$105,240 thousand.
  - h. As of December 31, 2021, PTI unused letters of credit for purchases of machinery and equipment amounted to approximately US\$12,340 thousand and EUR3,830 thousand.
- lxii. In November 2021, PTI signed a contract with Zhen Ding Technology Co., Ltd. to set up capacity reservation agreement, Security deposit required USD\$35,000 thousand. As of December 31, 2021, PTI has paid a total of US\$7,000 thousand.
- j. From January 2020 to July 2020, August 2020 to June 2021, June 2021 to October 2021 and October 2021 to January 2022, Terapower Technology Inc. signed a purchase agreement of equipment worth \$501,092 thousand, \$703,687 thousand, \$501,092 thousand and \$655,415 thousand with Advantest Corporation, respectively. As of December 31, 2021, PTI has paid \$501,092 thousand, \$665,456 thousand, \$49,990 thousand and \$2,200 thousand, respectively.
  - k. From December 2020 to September 2021, Terapower Technology Inc. signed a purchase agreement of equipment worth \$521,506 thousand with Accretech Taiwan Co., Ltd. As of December 31, 2021, Terapower Technology Inc. has paid \$273,262 thousand.
  - l. In March 2021, Greatek Electronics Inc. signed a contract worth \$510,000 thousand with Jian Ming Contractor Co., Ltd. for factory engineering. As of December 31, 2021, Greatek Electronics Inc. has paid a total of \$357,000 thousand.
  - m. In June 2021, Greatek Electronics Inc. signed a contract worth \$980,000 thousand with Jiu Han Engineering Co., Ltd. for electromechanical air conditioning engineering. As of December 31, 2021, Greatek Electronics Inc. has paid a total of \$294,000 thousand.
  - n. In July 2021, Greatek Electronics Inc. signed a contract worth \$360,000 thousand with Jiu Han Engineering Co., Ltd. to set up clean rooms and plumbing systems. As of December 31, 2021, Greatek Electronics Inc. has paid a total of \$108,000 thousand.
  - o. In September 2021, Greatek Electronics Inc. signed a contract worth \$378,000 thousand with Jiu Han Engineering Co., Ltd. for mechanical and electrical engineering. As of December 31, 2021, Greatek Electronics Inc. has not yet received the payment.



### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 618,833	27.6900 (USD:NTD)	\$ 17,135,486
USD	11,133	6.4496 (USD:RMB)	308,273
USD	9,035	109.9276 (USD:JPY)	250,179
JPY	1,206,718	0.2406 (JPY:NTD)	290,279
JPY	41,210	0.0554 (JPY:RMB)	9,913
JPY	287,651	0.0087 (JPY:USD)	69,195
SGD	1,424	0.7390 (SGD:USD)	29,140
RMB	46,521	0.1568 (RMB:USD)	201,929
RMB	7,906	4.3406 (RMB:NTD)	<u>34,317</u>
			<u>\$ 18,328,711</u>
Non-monetary items			
USD	943	27.6900 (USD:NTD)	\$ 26,110
JPY	699	0.2406 (JPY:NTD)	168
RMB	14	4.3406 (RMB:NTD)	<u>59</u>
			<u>\$ 26,337</u>
<u>Financial liabilities</u>			
Monetary items			
USD	236,249	27.6900 (USD:NTD)	\$ 6,541,735
USD	10,191	6.4496 (USD:RMB)	282,189
USD	8,014	109.9276 (USD:JPY)	221,908
EUR	3,362	31.3382 (EUR:NTD)	105,359
JPY	5,597,312	0.2406 (JPY:NTD)	1,346,447
JPY	874,094	0.0554 (JPY:RMB)	210,266
JPY	116,917	0.0087 (JPY:USD)	28,125
RMB	16,935	0.1568 (RMB:USD)	73,508
SGD	51	0.7390 (SGD:USD)	<u>1,044</u>
			<u>\$ 8,810,581</u>
Non-monetary items			
JPY	23,474	0.2406 (JPY:NTD)	<u>\$ 5,649</u>

	<b>December 31, 2020</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 487,991	28.5080 (USD:NTD)	\$ 13,911,647
USD	10,100	6.5398 (USD:RMB)	287,931
USD	10,348	103.1050 (USD:JPY)	295,001
JPY	657,911	0.2765 (JPY:NTD)	181,912
JPY	23,395	0.0634 (JPY:RMB)	6,469
JPY	304,417	0.0097 (JPY:USD)	84,171
SGD	2,044	0.7843 (SGD:USD)	45,702
RMB	42,033	0.1529 (RMB:USD)	183,230
RMB	9,885	4.3592 (RMB:NTD)	<u>43,091</u>
			<u>\$ 15,039,154</u>
Non-monetary items			
USD	1,320	28.5080 (USD:NTD)	\$ 37,621
JPY	7,310	0.2765 (JPY:NTD)	2,021
RMB	900	4.3592 (RMB:NTD)	<u>3,925</u>
			<u>\$ 43,567</u>
<u>Financial liabilities</u>			
Monetary items			
USD	126,956	28.5080 (USD:NTD)	\$ 3,619,262
USD	2,304	6.5398 (USD:RMB)	65,682
USD	4,726	103.1050 (USD:JPY)	134,729
EUR	871	35.0563 (EUR:NTD)	30,534
JPY	2,024,221	0.2765 (JPY:NTD)	559,697
JPY	28,912	0.0634 (JPY:RMB)	7,994
JPY	232,296	0.0097 (JPY:USD)	64,230
RMB	19,818	0.1529 (RMB:USD)	86,391
SGD	1,478	0.7843 (SGD:USD)	<u>33,047</u>
			<u>\$ 4,601,566</u>
Non-monetary items			
USD	188	28.5080 (USD:NTD)	\$ 5,369
JPY	239	0.2765 (JPY:NTD)	<u>66</u>
			<u>\$ 5,435</u>

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$260,906 thousand and \$499,307 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Corporation.

### 31. SEPARATELY DISCLOSED ITEMS

Except for the following, the Corporation has no other significant transactions, investees and investments in mainland China that need to be disclosed as required by the Securities and Futures Bureau.

- a. Financing provided to others: Table 1 (attached)
- b. Endorsements/guarantees provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired or disposed of at costs or prices amounting to at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- i. Derivative transactions: Note 7.
- j. Intercompany relationships and significant intercompany transactions: Table 8 (attached).
- k. Information of investees: Table 9 (attached)
- l. Information on investments in mainland China: Table 10 (attached)

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investments at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area: Note 31 (j).

- m. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

### 32. SEGMENT INFORMATION

- a. The revenue, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenue and operating results for the years ended December 31, 2021 and 2020 are shown in the consolidated income statements for the years ended December 31, 2021 and 2020. The segment assets as of December 31, 2021 and 2020 are shown in the consolidated balance sheets as of December 31, 2021 and 2020.

b. Geographical information

The Corporation's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	<b>Revenue</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Japan	\$ 25,796,097	\$ 27,395,237	\$ 1,782,700	\$ 2,108,828
Taiwan (the principal place of business of PTI)	19,356,303	15,347,846	60,921,676	57,617,568
Singapore	19,099,286	14,378,679	114	498,108
America	12,546,898	13,111,792	-	-
Europe	2,314,953	2,281,902	-	-
China, Hong Kong and Macao	2,002,639	1,085,555	2,996,804	2,600,757
Others	<u>2,677,396</u>	<u>2,579,638</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,793,572</u>	<u>\$ 76,180,649</u>	<u>\$ 65,701,294</u>	<u>\$ 62,824,461</u>

Non-current assets exclude financial instruments, deferred tax assets, and other assets.

c. Major customers

Sales to customers amounting to at least 10% of total gross sales:

<b>Customer</b>	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
A	\$ 21,803,359	26	\$ 21,607,896	28
B	16,881,041	20	16,116,653	21
C	9,345,484	11	11,035,903	14

## **5. Standalone Financial Statements** **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Powertech Technology Inc.

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, the financial performance and the 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 auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's financial statements for the year ended December 31, 2021 are described as follows:

#### **Recognition of Contract Assets and Revenue**

1. The amount of sales revenue is material to the Corporation. Refer to Note 21 to the accompanying financial statements for details of sales revenue. The major type of revenue is subcontracting revenue. The types of subcontracting transactions are as follows:
  - 1) Wafer level testing;
  - 2) Wafer level packaging;
  - 3) IC packaging; and
  - 4) IC testing.
2. Packaging services: Since the customers have ownership of the assets, assume significant risks and rewards of ownership of the assets, have the right to dispose of the assets and prevent the Corporation from obtaining the benefits of the assets, revenue should be recognized over time in accordance with the requirements of paragraph 35(b) of International Financial Reporting Standards No. 15.
3. Testing services: In accordance with the requirements of paragraph 35(a) of International Financial Reporting Standards No. 15, the Corporation recognizes revenue over time since the customers simultaneously receive and consume the benefits provided by the Corporation's testing services.
4. The Corporation recognizes the contract assets and revenue of packaging and testing services at the end of each month based on the completion schedule. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly as a result of human error.
5. We reviewed the Corporation's revenue recognition policy, assessed the reasonableness of its contract assets and revenue recognition, confirmed against relevant supporting documents and accounting records, and verified the accuracy of the monetary amounts of contract assets and revenue recognized.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted 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 financial statements.

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

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

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Feng Huang and Cheng Chih Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2022

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# POWERTECH TECHNOLOGY INC.

## PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 14,573.4	16	\$ 12,732.8	15
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	23.2	-	29.3	-
Contract assets - current (Notes 21 and 27)	1,271.4	2	1,354.9	2
Accounts receivable (Notes 4, 10 and 21)	4,744.7	5	3,082.4	4
Receivables from related parties (Notes 4, 21 and 27)	5,995.6	7	5,894.1	7
Other receivables (Note 4)	160.1	-	237.6	-
Other receivables from related parties (Notes 4 and 27)	112.3	-	322.5	1
Inventories (Notes 4 and 11)	4,799.3	5	3,603.5	4
Prepaid expenses	57.5	-	47.6	-
Other current assets (Note 16)	239.6	-	137.2	-
<b>Total current assets</b>	<b>31,977.5</b>	<b>35</b>	<b>27,442.4</b>	<b>33</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income- non-current (Notes 4 and 8)	30.1	-	35.2	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 26)	5.1	-	5.1	-
Investments accounted for using the equity method (Notes 4 and 12)	20,130.9	22	17,616.1	21
Property, plant and equipment (Notes 4, 13, 27 and 28)	36,808.5	41	36,527.5	44
Right-of-use assets (Notes 4, 5 and 14)	1,326.0	2	1,353.7	2
Intangible assets (Notes 4 and 15)	6	-	3.4	-
Deferred income tax assets (Notes 4 and 23)	-	-	127.2	-
Other non-current assets (Notes 16 and 27)	280.8	-	205.2	-
<b>Total non-current assets</b>	<b>58,582.3</b>	<b>65</b>	<b>55,873.9</b>	<b>67</b>
<b>TOTAL</b>	<b>\$ 90,559.9</b>	<b>100</b>	<b>\$ 83,316.3</b>	<b>100</b>

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ 9	-	\$ 3.8	-
Accounts payable	4,382.8	5	3,225.4	4
Accounts payable - related parties (Note 27)	157.3	-	135.0	-
Accrued compensation of employees and remuneration of directors (Note 22)	720.7	1	539.6	1
Payables to equipment suppliers (Note 27)	2,789.6	3	995.3	1
Other payables - related parties (Note 27)	382.5	-	215.6	-
Current income tax liabilities (Notes 4 and 23)	582.4	1	829.4	1
Lease liabilities - current (Notes 4, 5 and 14)	28.7	-	26.0	-
Accrued expenses and other current liabilities (Notes 18 and 29)	5,014.0	5	3,455.3	4
<b>Total current liabilities</b>	<b>14,059.4</b>	<b>15</b>	<b>9,426.0</b>	<b>11</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term debt (Notes 17 and 28)	25,590.2	28	26,466.1	32
Deferred income tax liabilities (Notes 4 and 23)	9.4	-	-	-
Lease liabilities - non-current (Notes 4, 5 and 14)	1,327.1	2	1,348.3	2
Net defined benefit liabilities - non-current (Notes 4 and 19)	65.2	-	86.4	-
Other non-current liabilities (Note 18)	1.2	-	1.2	-
<b>Total non-current liabilities</b>	<b>26,993.3</b>	<b>30</b>	<b>27,902.1</b>	<b>34</b>
<b>Total liabilities</b>	<b>41,052.7</b>	<b>45</b>	<b>37,328.2</b>	<b>45</b>
<b>EQUITY (Notes 4 and 20)</b>				
Capital stock				
Ordinary shares	7,791.4	9	7,791.4	9
Capital surplus	270.7	-	231.2	-
Retained earnings				
Legal reserve	8,290.5	9	7,628.4	9
Special reserve	366.9	-	324.7	-
Unappropriated earnings	34,916.3	39	30,608.4	37
Total retained earnings	43,573.8	48	38,561.6	46
Other equity	(710.6)	(1)	(366.9)	-
Treasury share	(1,418.3)	(1)	(229.3)	-
<b>Total equity</b>	<b>49,507.1</b>	<b>55</b>	<b>45,988.1</b>	<b>55</b>
<b>TOTAL</b>	<b>\$ 90,559.9</b>	<b>100</b>	<b>\$ 83,316.3</b>	<b>100</b>

The accompanying notes are an integral part of the parent company only financial statements.

# POWERTECH TECHNOLOGY INC.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
NET SALES (Notes 4, 21 and 27)	\$ 51,262,260	100	\$ 49,987,942	100
OPERATING COSTS (Notes 11, 22 and 27)	<u>41,223,370</u>	<u>80</u>	<u>39,904,266</u>	<u>80</u>
GROSS PROFIT	<u>10,038,890</u>	<u>20</u>	<u>10,083,676</u>	<u>20</u>
OPERATING EXPENSES (Notes 22 and 27)				
Marketing	265,998	1	196,481	-
General and administrative	1,202,484	2	971,492	2
Research and development	<u>2,086,115</u>	<u>4</u>	<u>1,870,505</u>	<u>4</u>
Total operating expenses	<u>3,554,597</u>	<u>7</u>	<u>3,038,478</u>	<u>6</u>
OPERATING INCOME	<u>6,484,293</u>	<u>13</u>	<u>7,045,198</u>	<u>14</u>
NONOPERATING INCOME AND EXPENSES				
Interest income (Notes 4, 22 and 27)	18,536	-	30,616	-
Other income (Notes 4, 22 and 27)	5,482	-	18,555	-
Other gains and losses (Notes 4, 22 and 27)	323,254	1	390,972	1
Finance costs (Notes 4, 22 and 27)	(179,824)	-	(199,055)	-
Share of profit of subsidiaries (Notes 4 and 12)	3,887,492	7	1,290,381	2
Foreign exchange loss, net (Notes 4 and 22)	<u>(176,463)</u>	<u>-</u>	<u>(457,584)</u>	<u>(1)</u>
Total nonoperating income	<u>3,878,477</u>	<u>8</u>	<u>1,073,885</u>	<u>2</u>
INCOME BEFORE INCOME TAX	10,362,770	21	8,119,083	16
INCOME TAX EXPENSE (Notes 4 and 23)	<u>1,464,372</u>	<u>3</u>	<u>1,456,821</u>	<u>3</u>
NET INCOME	<u>8,898,398</u>	<u>18</u>	<u>6,662,262</u>	<u>13</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4 and 20)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	9,873	-	(31,582)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(5,144)	-	10,922	-
Share of the other comprehensive (loss) income of subsidiaries	<u>(371)</u>	<u>-</u>	<u>(10,836)</u>	<u>-</u>
	4,358	-	(31,496)	-

(Continued)



## POWERTECH TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

---

	2021		2020	
	Amount	%	Amount	%
Items reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (338,497)	(1)	\$ (52,786)	-
Total other comprehensive loss	<u>(334,139)</u>	<u>(1)</u>	<u>(84,282)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 8,564,259</u>	<u>17</u>	<u>\$ 6,577,980</u>	<u>13</u>
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 11.54</u>		<u>\$ 8.60</u>	
Diluted	<u>\$ 11.44</u>		<u>\$ 8.54</u>	

The accompanying notes are an integral part of the parent company only financial statements.(Concluded)

**POWERTECH TECHNOLOGY INC.**

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	Capital Stock		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total Shareholders' Equity
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Investments in Equity Instruments Designated as at Fair Value Through Other Comprehensive Income		
BALANCE, JANUARY 1, 2020	779,147	\$ 7,791,466	\$ 209,852	\$ 7,045,884	\$ 195,070	\$ 28,206,664	\$ (299,686)	\$ (25,055)	\$ (96,467)	\$ 43,027,728
Appropriation of the 2019 earnings										
Legal reserve	-	-	-	582,611	-	(582,611)	-	-	-	-
Special reserve	-	-	-	-	129,671	(129,671)	-	-	-	-
Cash dividends distributed by the Parent	-	-	-	-	-	(3,506,160)	-	-	-	(3,506,160)
Changes in capital surplus from investments in subsidiaries and associates accounted for using the equity method	-	-	67	-	-	-	-	-	-	67
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	377	-	(377)	-	-
Net income for the year ended December 31, 2020	-	-	-	-	-	6,662,262	-	-	-	6,662,262
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(42,418)	(52,786)	10,922	-	(84,282)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	6,619,844	(52,786)	10,922	-	6,577,980
The Parent's shares held by its subsidiaries treated as treasury shares	-	-	-	-	-	-	-	-	(132,867)	(132,867)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	21,375	-	-	-	-	-	-	21,375
BALANCE, DECEMBER 31, 2020	779,147	7,791,466	231,294	7,628,495	324,741	30,608,443	(352,472)	(14,510)	(229,334)	45,988,123
Appropriation of the 2020 earnings										
Legal reserve	-	-	-	662,022	-	(662,022)	-	-	-	-
Special reserve	-	-	-	-	42,241	(42,241)	-	-	-	-
Cash dividends distributed by the Parent	-	-	-	-	-	(3,895,733)	-	-	-	(3,895,733)
Changes in capital surplus from investments in subsidiaries and associates accounted for using the equity method	-	-	55	-	-	-	-	-	-	55
Net income for the year ended December 31, 2021	-	-	-	-	-	8,898,398	-	-	-	8,898,398
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	9,502	(338,497)	(5,144)	-	(334,139)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	8,907,900	(338,497)	(5,144)	-	8,564,259
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(1,018,166)	(1,018,166)
The Parent's shares held by its subsidiaries treated as treasury shares	-	-	-	-	-	-	-	-	(170,800)	(170,800)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	39,445	-	-	-	-	-	-	39,445
BALANCE, DECEMBER 31, 2021	779,147	\$ 7,791,466	\$ 270,794	\$ 8,290,517	\$ 366,982	\$ 34,916,347	\$ (690,969)	\$ (19,654)	\$ (1,418,300)	\$ 49,507,183

The accompanying notes are an integral part of the parent company only financial statements.

# POWERTECH TECHNOLOGY INC.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 10,362,770	\$ 8,119,083
Adjustments for:		
Depreciation	8,024,386	7,799,321
Amortization	2,777	2,777
Finance costs	179,824	199,055
Interest revenue	(18,536)	(30,616)
Share of profit of subsidiaries and associates	(3,887,492)	(1,290,381)
Net loss on disposal of property, plant and equipment	92,565	64,136
(Gain) loss on foreign currency exchange, net	(27,414)	15,154
Realized deferred (gain) loss	(10,902)	38,465
Gain on lease modification	-	(558)
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets held for trading	6,116	(17,797)
Decrease (increase) in contract assets	83,516	(5,885)
(Increase) decrease in accounts receivable	(1,674,018)	1,163,142
Increase in accounts receivable from related parties	(120,610)	(2,110,370)
Decrease (increase) in other receivables	76,779	(19,856)
Decrease in other receivables from related parties	209,453	798,275
Increase in inventories	(1,195,761)	(788,369)
Increase in prepayments	(9,875)	(8,454)
(Increase) decrease in other current assets	(102,407)	112,425
(Decrease) increase in financial liabilities held for trading	(2,878)	3,828
Decrease in contract liabilities	-	(12,119)
Increase (decrease) in accounts payable	1,180,714	(752,887)
Increase in accounts payable to related parties	23,120	15,659
Increase in accrued compensation of employees and remuneration of directors	181,127	66,712
Increase in other payables to related parties	169,274	69,172
Increase (decrease) in accrued expenses and other current liabilities	1,566,645	(493,768)
Decrease in net defined benefit liabilities	(11,358)	(11,318)
Cash generated from operations	15,097,815	12,924,826
Interest received	18,518	32,350
Interest paid	(250,892)	(275,986)
Income tax paid	(1,574,691)	(1,104,626)
Net cash generated from operating activities	<u>13,290,750</u>	<u>11,576,564</u> (Continued)

## POWERTECH TECHNOLOGY INC.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 1,727
Acquisition of investments accounted for using the equity method	-	(276,827)
Acquisition of property, plant and equipment	(6,755,816)	(11,601,762)
Disposal of property, plant and equipment	307,687	313,640
Increase in refundable deposits	(215,562)	(54)
Decrease (increase) in prepayments for equipment	140,008	(138,059)
Dividend received from subsidiaries and associates	<u>913,452</u>	<u>868,933</u>
Net cash used in investing activities	<u>(5,610,231)</u>	<u>(10,832,402)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	19,100,000	18,295,200
Repayments of long-term debt	(19,975,899)	(15,929,750)
Repayment of the principal portion of lease liabilities	(28,717)	(37,454)
Cash dividends distributed by the Corporation	(3,895,733)	(3,506,160)
Payment for buy-back of treasury share	<u>(1,018,166)</u>	<u>-</u>
Net cash used in financing activities	<u>(5,818,515)</u>	<u>(1,178,164)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>(21,354)</u>	<u>29,247</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,840,650</b>	<b>(404,755)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<u><b>12,732,819</b></u>	<u><b>13,137,574</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u><b>\$ 14,573,469</b></u>	<u><b>\$ 12,732,819</b></u>

The accompanying notes are an integral part of the parent company only financial statements.(Concluded)

# **POWERTECH TECHNOLOGY INC.**

## **NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Powertech Technology Corporation (the “Corporation”) was incorporated in the Republic of China (ROC) on May 15, 1997 and commenced business on September 3, 1997. The Corporation is mainly engaged in the manufacturing, packaging, testing, researching and developing, designing, assembling and sale of various integrated circuit products. The Corporation also provides semiconductor testing and assembly services on a turnkey basis, in which the Corporation buys fabricated wafers and sells tested and assembled semiconductors. The Corporation’s registered office and principal place of business is in Hsin-chu Industrial Park, Hukou, Hsin-chu.

The Corporation’s shares were initially listed and started trading on the Taipei Exchange (TPEX) on April 3, 2003, after which the Corporation’s shares were transferred for listing and started trading on the Taiwan Stock Exchange (TWSE) on November 8, 2004. The Corporation also issued Global Depository Shares (GDS), which are listed on the Luxembourg Stock Exchange and trading on the Euro MTF Market. The GDS were accepted for quotation on the International Order Book of the London Stock Exchange.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the financial statements are presented in New Taiwan dollars since the Corporation’s shares are listed on the Taiwan Stock Exchange.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Corporation’s board of directors and issued on March 10, 2022.

### **3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS**

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by International Accounting Standards Board (IASB)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation’s financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17-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 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on The Corporation’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these parent company only financial statements.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.



Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Corporation's foreign operations (including the subsidiaries and associates in other countries or subsidiaries that use currencies different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials and supplies and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction for production are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

### 3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

#### i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation if corporate assets could be allocated to the individual cash-generating units, otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Corporation recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Corporation expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

#### j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

##### 1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties) and pledged financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets and contract assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and contract assets.

The Corporation always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Equity instruments issued by the Corporation are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL

A financial liability is classified as at FVTPL when such a financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated

and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date the Corporation transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the rendering of services

As the Corporation fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time. Contract assets are recognized during the process of semiconductor assembling and testing, and are reclassified to accounts receivable at the point the bills were issued. If the payment exceeds the revenue recognized to date, the Corporation recognizes the difference as a contract liability. It is recognized as contract asset before the Corporation satisfies its performance obligations.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

1) The Corporation as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any

lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Corporation accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur, or when the plan amendment, curtailment or settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.



Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

o. Treasury shares

When the Corporation buys back the issued shares as treasury shares, the cost paid will be debited to the treasury shares and listed as a deduction of shareholders' equity.

The parent company's shares held by its subsidiaries are reclassified to treasury shares from investments accounted for using the equity method, and are recognized based on the original investment cost. Cash dividends earned by subsidiaries are written off from investment income and adjusted to capital surplus - treasury share transactions.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group’s accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

**Key Sources of Estimation Uncertainty**

a. Lessees’ incremental borrowing rates

In determining a lessee’s incremental borrowing rate used in discounting lease payments, a risk-free rate for the same currency and relevant duration is selected as a reference rate, and the lessee’s credit spread adjustments and lease specific adjustments (such as asset type, secured position, etc.) are also taken into account.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Checking accounts and demand deposits	\$ 14,573,296	\$ 12,732,388
Cash on hand	<u>173</u>	<u>431</u>
	<u>\$ 14,573,469</u>	<u>\$ 12,732,819</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2021	2020
Bank deposits	0%-0.41%	0%-0.41%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 23,265</u>	<u>\$ 29,381</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 950</u>	<u>\$ 3,828</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amounts (In Thousands)
<u>December 31, 2021</u>			
Sell	USD to NTD	2022.01.28-2022.03.31	USD140,000
	USD to JPY	2022.01.05-2022.02.10	USD 10,000
<u>December 31, 2020</u>			
Sell	USD to NTD	2021.01.27-2021.03.31	USD115,000
	USD to JPY	2021.01.29	USD 2,000

The Corporation entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in equity instruments at FVTOCI

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Solid State System Co., Ltd.	<u>\$ 30,144</u>	<u>\$ 35,288</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Domestic investments		
Pledged time deposits	\$ <u>5,174</u>	\$ <u>5,174</u>
a. Refer to Note 26 for information relating to their credit risk management and expected credit loss.		
b. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.		

## 10. ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 4,749,322	\$ 3,087,022
Less: Allowance for impairment loss	<u>(4,601)</u>	<u>(4,601)</u>
	<u>\$ 4,744,721</u>	<u>\$ 3,082,421</u>

### At amortized cost

The average credit period of sales of goods was 30 days to 90 days starting from the first day of the month following the invoice date. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current

financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Corporation's provision matrix.

#### December 31, 2021

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 4,729,886	\$ 19,436	\$ -	\$ -	\$ -	\$ 4,749,322
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(4,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,601)</u>
Amortized cost	<u>\$ 4,729,886</u>	<u>\$ 14,835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,744,721</u>

#### December 31, 2020

	<b>Not Past Due</b>	<b>Up to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>	<b>Total</b>
Gross carrying amount	\$ 3,086,591	\$ 431	\$ -	\$ -	\$ -	\$ 3,087,022
Loss allowance (Lifetime ECLs)	<u>(4,170)</u>	<u>(431)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,601)</u>
Amortized cost	<u>\$ 3,082,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,082,421</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 4,601	\$ 4,601
Add: Impairment loss	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 4,601</u>	<u>\$ 4,601</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 4,451,115	\$ 3,274,993
Supplies	<u>348,212</u>	<u>328,573</u>
	<u>\$ 4,799,327</u>	<u>\$ 3,603,566</u>

The nature of the cost of goods sold was as follows:

**For the Year Ended December  
31**

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	<u>\$ 41,223,370</u>	<u>\$ 39,904,266</u>
Write-downs of inventories	<u>\$ 92,767</u>	<u>\$ 75,598</u>
Unallocated production overhead	<u>\$ 3,167,696</u>	<u>\$ 3,025,627</u>
Sales of scrap	<u>\$ 115,887</u>	<u>\$ 110,902</u>

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Investments in subsidiaries	<u>\$ 20,130,941</u>	<u>\$ 17,616,167</u>
Listed companies		
Greatek Electronics Inc.	\$ 9,527,893	\$ 8,474,957
Unlisted companies		
Powertech Holding (BVI) Inc.	1,172,419	1,143,237
Powertech Technology (Singapore) Pte. Ltd.	1,883,866	1,113,562
Powertech Technology (Xian) Ltd.	1,123,688	1,113,919
Powertech Technology (Suzhou) Ltd.	171,185	167,234
Powertech Technology Japan Ltd.	3,010,514	2,864,433
Tera Probe, Inc.	378,628	370,709
TeraPower Technology Inc.	<u>2,862,748</u>	<u>2,368,116</u>
	<u>\$ 20,130,941</u>	<u>\$ 17,616,167</u>

	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Name of Subsidiaries</b>		
Listed companies		
Greatek Electronics Inc.	43%	43%
Unlisted companies		
Powertech Holding (BVI) Inc.	100%	100%
Powertech Technology (Singapore) Pte. Ltd.	100%	100%
Powertech Technology (Xian) Ltd.	36%	36%
Powertech Technology (Suzhou) Ltd.	9%	9%
Powertech Technology Japan Ltd.	100%	100%
Tera Probe, Inc.	12%	12%
TeraPower Technology Inc.	49%	49%

In December 2011, the Corporation's board of directors made a tender offer to acquire the outstanding ordinary shares of Greatek Electronics Inc. ("Greatek") at the price of NT\$25.28 per share. On April 3, 2012, Greatek reelected the directors and supervisors at an interim shareholders' meeting. The Corporation obtained the majority of the directors' seats. Thus, Greatek was deemed a subsidiary of the Corporation and the related investment was accounted for using the equity method. Greatek is mainly engaged in semiconductor assembly and testing services.

The Corporation made an investment to set up Powertech Holding (BVI) Inc. (PH BVI) in the British Virgin Islands on August 18, 2009. PH BVI is mainly engaged in investment. On September 30, 2009, the Corporation obtained approval from the Investments Commission under the Ministry of Economic Affairs to acquire 100% ownership of Spansion (Singapore) Pte. Ltd. (which later became PTI Technology (Singapore) Pte. Ltd.) from Spansion LLC for US\$51,000 thousand. As a result of this acquisition, Spansion (China) Limited (which later became Powertech Technology Suzhou Ltd.) became a subsidiary of the Corporation.

On April 2014, the Corporation entered into an agreement with Nepes Corp., Korea to buy shares from Nepes Pte. Ltd., Singapore. After the transaction, Nepes Pte. Ltd., Singapore (later renamed as Powertech Technology (Singapore) Pte. Ltd.) became an overseas subsidiary of the Corporation. Powertech Technology (Singapore) Pte. Ltd. is mainly engaged in integrated circuit testing and assembly.

In June 2015, the Corporation obtained approval from the Investments Commission under the Ministry of Economic Affairs to acquire 100% ownership of Powertech Technology (Xi'an) Ltd. ("Powertech Xi'an") through Powertech Technology (Singapore) Pte. Ltd. Powertech Xi'an is mainly engaged in the testing, design, manufacturing, assembly and sale of semiconductors. The Corporation directly invested in Powertech Technology (Xian) Ltd. in January 2017, and obtained 36% ownership of the aforementioned company. As a result, Powertech Technology (Singapore) Pte. Ltd. obtained 64% ownership of Powertech Technology (Xian) Ltd.

The Corporation invested in and established Powertech Technology Japan Ltd. in January 2017. Powertech Technology Japan Ltd. is mainly engaged in investment.

Powertech Technology Japan Ltd. publicly acquired the shares of Tera Probe, Inc. by means of tender offer in April 2017 and completed the acquisition in May 2017. 47% ownership of Tera Probe, Inc. was acquired, and including the 12% ownership which the Corporation originally held, the total ownership after the acquisition was 59%, and therefore the Corporation obtained control of Tera Probe, Inc. As a result of Tera Probe, Inc.'s buy back of treasury shares in 2019, Powertech Technology Japan Ltd.'s ownership of Tera Probe, Inc. changed to 49%, and the total ownership changed to 61%. Tera Probe, Inc. is mainly engaged in wafer probing test services.

The Corporation has 49% ownership of TeraPower Technology Inc. and Tera Probe, Inc. has 51% ownership of TeraPower Technology Inc. Since the Corporation already has control over Tera Probe, Inc. in May 2017, it also has control over TeraPower Technology Inc. TeraPower Technology Inc. is mainly engaged in wafer probing test services.

In June 2020, the Corporation directly invested in Powertech Technology (Suzhou) Ltd. and obtained 9% ownership after the capital increase was completed. Powertech Technology (Singapore) Pte. Ltd. and PTI Technology (Singapore) Pte. Ltd. held 19% and 72% ownership, respectively, of Powertech Technology (Suzhou) Ltd.

Due to the adjustment of operational needs, the Corporation scaled down the business operation of Powertech Technology (Singapore) Pte. Ltd. in January 2021, which is mainly engaged in reinvestment business.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2021 and 2020 were based on the subsidiaries' financial statements audited by the auditors for the same years.

### 13. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>							<b>Total</b>
	<b>2021</b>			<b>2020</b>				
<b>Assets used by the Corporation</b>	<b>\$ 36,808,535</b>			<b>\$ 36,527,520</b>				
	<b>Land</b>	<b>Building</b>	<b>Machinery and Equipment</b>	<b>Office Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Advance Payment</b>	
<i>Cost</i>								
Balance at January 1, 2021	\$ 1,387,174	\$ 17,873,015	\$ 55,307,415	\$ 846,765	\$ 1,348,104	\$ 2,215,208	\$ 2,419,153	\$ 81,396,834
Additions	-	16,019	57,163	2,257	808	1,326,960	7,264,482	8,667,689
Disposals	-	(335,730)	(3,786,553)	(120,286)	(127,425)	-	(7,244)	(4,377,238)
Reclassification	173,806	2,660,301	4,038,289	140,171	101,840	(2,266,389)	(4,848,018)	-
Balance at December 31, 2021	<u>1,560,980</u>	<u>20,213,605</u>	<u>55,616,314</u>	<u>868,907</u>	<u>1,323,327</u>	<u>1,275,779</u>	<u>4,828,373</u>	<u>85,687,285</u>
<i>Accumulated depreciation</i>								
Balance at January 1, 2021	-	7,971,903	35,114,705	583,363	1,199,343	-	-	44,869,314
Additions	-	1,022,290	6,766,377	99,899	97,856	-	-	7,986,422
Disposals	-	(306,089)	(3,451,527)	(101,374)	(117,996)	-	-	(3,976,986)
Reclassification	-	19	(19)	-	-	-	-	-
Balance at December 31, 2021	<u>-</u>	<u>8,688,123</u>	<u>38,429,536</u>	<u>581,888</u>	<u>1,179,203</u>	<u>-</u>	<u>-</u>	<u>48,878,750</u>
Carrying amount at December 31, 2021	<u>\$ 1,560,980</u>	<u>\$ 11,525,482</u>	<u>\$ 17,186,778</u>	<u>\$ 287,019</u>	<u>\$ 144,124</u>	<u>\$ 1,275,779</u>	<u>\$ 4,828,373</u>	<u>\$ 36,808,535</u>

(Continued)



	Land	Building	Machinery and Equipment	Office Equipment	Other Equipment	Construction in Progress	Advance Payment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 1,387,174	\$ 17,781,491	\$ 50,913,053	\$ 741,789	\$ 1,354,421	\$ 963,275	\$ 3,574,427	\$ 76,714,630
Additions	-	8,312	71,767	3,331	531	1,251,933	8,207,683	9,543,557
Disposals	-	(329,851)	(4,333,312)	(72,618)	(104,512)	-	(21,060)	(4,861,353)
Reclassification	-	414,063	8,655,907	174,263	97,664	-	(9,341,897)	-
Balance at December 31, 2020	<u>1,387,174</u>	<u>17,873,015</u>	<u>55,307,415</u>	<u>846,765</u>	<u>1,348,104</u>	<u>2,215,208</u>	<u>2,419,153</u>	<u>81,396,834</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	-	7,240,548	32,612,129	547,101	1,201,798	-	-	41,601,576
Additions	-	1,033,646	6,527,062	97,262	93,345	-	-	7,751,315
Disposals	-	(302,291)	(4,024,486)	(61,000)	(95,800)	-	-	(4,483,577)
Balance at December 31, 2020	-	<u>7,971,903</u>	<u>35,114,705</u>	<u>583,363</u>	<u>1,199,343</u>	-	-	<u>44,869,314</u>
Carrying amount at December 31, 2020	<u>\$ 1,387,174</u>	<u>\$ 9,901,112</u>	<u>\$ 20,192,710</u>	<u>\$ 263,402</u>	<u>\$ 148,761</u>	<u>\$ 2,215,208</u>	<u>\$ 2,419,153</u>	<u>\$ 36,527,520</u>

(Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

#### Buildings

Main plants	31-51 years
Mechanical and electrical power equipment	2-16 years
Wafer fab	6-16 years
Fire control equipment	6-16 years
Others	2-11 years
Machinery and equipment	1-8 years
Office equipment	2-6 years
Other equipment	2-8 years

Property, plant and equipment pledged as collateral for bank loans are set out in Note 28.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Land	\$ 1,323,383	\$ 1,353,705
Transportation equipment	<u>2,644</u>	<u>26</u>
	<u>\$ 1,326,027</u>	<u>\$ 1,353,731</u>
	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Additions to right-of-use assets	<u>\$ 10,260</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 36,625	\$ 36,530
Buildings	-	11,164
Transportation equipment	<u>1,339</u>	<u>312</u>
	<u>\$ 37,964</u>	<u>\$ 48,006</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 28,796</u>	<u>\$ 26,073</u>
Non-current	<u>\$ 1,327,158</u>	<u>\$ 1,348,338</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land	0.93%-1.69%	1.10%-1.69%
Transportation equipment	0.92%	1.13%

c. Other lease information

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 11,755</u>	<u>\$ 34,580</u>
Total cash outflow for leases	<u>\$(40,472)</u>	<u>\$(72,034)</u>

The Corporation's leases of certain, machines and vehicles qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Technical Services</b>	<b>Royalty</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2021 and December 31, 2021	<u>\$ 67,964</u>	<u>\$ 29,890</u>	<u>\$ 8,331</u>	<u>\$ 106,185</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 67,964	\$ 29,890	\$ 4,860	\$ 102,714
Amortization expense	<u>-</u>	<u>-</u>	<u>2,777</u>	<u>2,777</u>
Balance at December 31, 2021	<u>\$ 67,964</u>	<u>\$ 29,890</u>	<u>\$ 7,637</u>	<u>\$ 105,491</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 694</u>	<u>\$ 694</u>

(Continued)

	<b>Computer Software</b>	<b>Technical Services</b>	<b>Royalty</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2020 and December 31, 2020	\$ <u>67,964</u>	\$ <u>29,890</u>	\$ <u>8,331</u>	\$ <u>106,185</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 67,964	\$ 29,890	\$ 2,083	\$ 99,937
Amortization expense	<u>-</u>	<u>-</u>	<u>2,777</u>	<u>2,777</u>
Balance at December 31, 2020	\$ <u>67,964</u>	\$ <u>29,890</u>	\$ <u>4,860</u>	\$ <u>102,714</u>
Carrying amount at December 31, 2020	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,471</u>	\$ <u>3,471</u> (Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2-5 years
Technical services	2-4 years
Royalty	3 years

## 16. OTHER ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Tax receivables	\$ 156,355	\$ 111,350
Payment on behalf of others	76,942	20,746
Temporary debits	6,127	4,676
Others	<u>194</u>	<u>439</u>
	<u>\$ 239,618</u>	<u>\$ 137,211</u>
<u>Non-current</u>		
Refundable deposits (Note 29)	\$ 224,303	\$ 8,741
Prepayments for equipment	<u>56,520</u>	<u>196,528</u>
	<u>\$ 280,823</u>	<u>\$ 205,269</u>

## 17. BORROWINGS

### a. Long-term debt

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
1) Secured borrowings	\$ 12,238,482	\$ 10,722,715
2) Unsecured borrowings	<u>13,351,767</u>	<u>15,743,433</u>
	25,590,249	26,466,148
Less: Current portions	<u>                  -</u>	<u>                  -</u>
	<u><u>\$ 25,590,249</u></u>	<u><u>\$ 26,466,148</u></u>

1. Repayable from March 2024 to September 2032; interest rate range was 0.400%-0.998% as of December 31, 2021 and 0.835%-1.050% as of December 31, 2020.

2. Repayable from August 2023 to September 2028; interest rate range was 0.800%-0.9422% as of December 31, 2021 and 0.830%-0.990% as of December 31, 2020.

For the Corporation's long-term debt, the financing banks required the Corporation to comply with the requirements to maintain the current ratio, fixed ratio, liability ratio, financial liability ratio, equity ratio, interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities in its annual and semiannual financial statements. As of December 31, 2021, the Corporation was in compliance with these ratio requirements.

## 18. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Accrued expenses and other current liabilities		
Salaries and bonuses	\$ 2,401,756	\$ 1,418,012
Payables for treasury stock delivery payments	241,156	-
Temporary receipts	198,748	284,920
Payables for insurance	173,192	152,797
Payables for utilities	141,327	133,303
Receipts under custody	103,748	100,472
Payables for annual leave	54,531	52,521
Others	<u>1,699,601</u>	<u>1,313,347</u>
	<u><u>\$ 5,014,059</u></u>	<u><u>\$ 3,455,372</u></u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits	<u>\$ 1,258</u>	<u>\$ 1,258</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Law is belongs to the defined benefit plan administered by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the following year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the following year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 355,889	\$ 368,235
Fair value of plan assets	<u>(290,665)</u>	<u>(281,780)</u>
Net defined benefit liabilities	<u>\$ 65,224</u>	<u>\$ 86,455</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	<u>\$ 325,711</u>	<u>\$(259,520)</u>	<u>\$ 66,191</u>
Service cost			
Current service cost	800	-	800
Net interest expense (income)	<u>2,599</u>	<u>(2,120)</u>	<u>479</u>
Recognized in profit or loss	<u>3,399</u>	<u>(2,120)</u>	<u>1,279</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,182)	(8,182)
Actuarial loss - changes in financial assumptions	19,038	-	19,038
Actuarial loss - experience adjustments	<u>20,726</u>	-	<u>20,726</u>
Recognized in other comprehensive income	<u>39,764</u>	<u>(8,182)</u>	<u>31,582</u>
Contributions from the employer	-	<u>(12,597)</u>	<u>(12,597)</u>
Welfare payment	<u>(639)</u>	<u>639</u>	<u>-</u>
Balance at December 31, 2020	<u>368,235</u>	<u>(281,780)</u>	<u>86,455</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 884	\$ -	\$ 884
Net interest expense (income)	<u>1,468</u>	<u>(1,148)</u>	<u>320</u>
Recognized in profit or loss	<u>2,352</u>	<u>(1,148)</u>	<u>1,204</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,785)	(3,785)
Actuarial (gain) loss			
Changes in demographic assumptions	9,366	-	9,366
Changes in financial assumptions	(16,326)	-	(16,326)
Experience adjustments	<u>872</u>	<u>-</u>	<u>872</u>
Recognized in other comprehensive income	<u>(6,088)</u>	<u>(3,785)</u>	<u>(9,873)</u>
Contributions from the employer	<u>-</u>	<u>(12,562)</u>	<u>(12,562)</u>
Welfare payment	<u>(8,610)</u>	<u>8,610</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 355,889</u>	<u>\$(290,665)</u>	<u>\$ 65,224</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	0.75%	0.40%
Expected rate of salary increase	2.25%	2.25%
Return on plan assets	0.75%	0.40%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
0.50% increase	<u>\$(21,744)</u>	<u>\$(23,596)</u>
0.50% decrease	<u>\$ 23,620</u>	<u>\$ 25,730</u>
Expected rate of salary increase		
0.50% increase	<u>\$ 23,141</u>	<u>\$ 25,116</u>
0.50% decrease	<u>\$(21,539)</u>	<u>\$(23,296)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Expected contributions to the plan for the following year	<u>\$ 12,739</u>	<u>\$ 12,824</u>
Average duration of the defined benefit obligation	11 years	12 years

## 20. EQUITY

### a. Capital stock

#### 1) Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares authorized (in thousands of shares)	<u>1,500,000</u>	<u>1,500,000</u>
Shares authorized (in thousands of dollars)	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Shares issued and fully paid (in thousands of shares)	<u>779,147</u>	<u>779,147</u>
Shares issued (in thousands of dollars)	<u>\$ 7,791,466</u>	<u>\$ 7,791,466</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

Out of the shares authorized, 15,000 thousand shares were reserved for the issuance of employee share options.

As of December 31, 2021, 22 units of GDS of the Corporation were trading on the Luxembourg Stock Exchange. The number of ordinary shares represented by the GDS was 44 shares (one GDS represents 2 ordinary shares).

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as cash dividends or transferred to capital stock (1)		
Share premium	\$ 1,929	\$ 1,929
<u>May be used to offset a deficit only</u>		
Arising from treasury share transactions	197,092	157,647
Change in percentage of ownership interests in subsidiaries (2)	<u>71,773</u>	<u>71,718</u>
	<u>\$ 270,794</u>	<u>\$ 231,294</u>

- 1) The premium from share issued in excess of par may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in the following order:

- 1) Offset deficits.
- 2) Set aside as legal reserve 10% of the remaining profit.
- 3) Appropriate as special reserve.
- 4) After the abovementioned amounts have been deducted, any remaining profit from the previous years and the current year's undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved by the shareholders as to whether the amount should be distributed as dividends or retained within the Corporation.

Dividends are distributed in the form of cash, common share or a combination of cash and common share. In consideration of the Corporation being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, shareholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total cash dividends paid in any given year should be at least 20% of total dividends distributed.



For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 22-(g).

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's capital surplus, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 29, 2021 and May 28, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 662,022</u>	<u>\$ 582,611</u>
Special reserve	<u>\$ 42,241</u>	<u>\$ 129,671</u>
Cash dividends	<u>\$ 3,895,733</u>	<u>\$ 3,506,160</u>
Cash dividends per share (NT\$)	\$ 5	\$ 4.5

The appropriation of earnings for 2021 had been proposed by the Corporation's board of directors on March 10, 2022. The appropriations and dividends per share were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	<u>\$ 890,790</u>
Special reserve	<u>\$ 343,641</u>
Cash dividends	<u>\$ 5,162,197</u>
Cash dividends per share (NT\$)	\$ 6.8

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in their meeting to be held on May 27, 2022.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	<u>\$(352,472)</u>	<u>\$(299,686)</u>
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	<u>(338,497)</u>	<u>(52,786)</u>
Other comprehensive loss recognized for the year	<u>(338,497)</u>	<u>(52,786)</u>
Balance at December 31	<u>\$(690,969)</u>	<u>\$(352,472)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (14,510)	\$ (25,055)
Recognized for the year		
Unrealized gain - equity instruments	(5,144)	10,922
Other comprehensive income (loss) recognized for the year	(5,144)	10,922
Transfer of accumulated profit and loss from disposal of equity instruments to retained earnings	-	(377)
Balance at December 31	<u>\$ (19,654)</u>	<u>\$ (14,510)</u>

e. Treasury shares

<b>Purpose of Buy - Back</b>	<b>Shares Cancelled (In Thousands of Shares)</b>	<b>Shares Held by Subsidiaries (In Thousands of Shares)</b>
Number of shares at January 1, 2020	-	2,650
Increase during the year	-	3,520
Number of shares at December 31, 2020	-	6,170
Increase during the year	10,412	3,830
Number of shares at December 31, 2021	<u>10,412</u>	<u>10,000</u>

The Corporation's shares held by its subsidiaries at the end of the reporting period were as follows:

<b>Name of Subsidiary</b>	<b>Number of Shares Held (In Thousands of Shares)</b>	<b>Carrying Amount</b>	<b>Market Price</b>
<u>December 31, 2021</u>			
Greatek Electronics Inc	10,000	\$ 977,000	\$ 977,000
<u>December 31, 2020</u>			
Greatek Electronics Inc	6,170	\$ 585,533	\$ 585,533

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The Corporation's shares held by its subsidiary are treated as treasury shares.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from packaging services	\$ 34,694,819	\$ 31,718,669
Revenue from testing services	8,793,151	9,359,636
Revenue from module services	7,675,143	8,760,487
Others	<u>99,147</u>	<u>149,150</u>
	<u>\$ 51,262,260</u>	<u>\$ 49,987,942</u>

### a. Contract information

As the Corporation fulfills the obligations in the contract for testing services, the customer simultaneously receives and consumes the benefits provided by the Corporation. The Corporation has the right to revenue collection for the portion of testing services that have been fulfilled, and the revenue from testing services is recognized over time. The Corporation fulfills the obligations in the contract for packaging services when the customer creates or enhances the goods they have control of. The Corporation has the right to revenue collection for the portion of packaging services that have been fulfilled, and the revenue from packaging services is recognized over time.

### b. Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Accounts receivable (including related parties) (Note 10)	<u>\$ 10,740,393</u>	<u>\$ 8,976,584</u>	<u>\$ 8,099,760</u>
Contract assets - current			
Revenue from services	<u>\$ 1,271,411</u>	<u>\$ 1,354,927</u>	<u>\$ 1,349,042</u>
Contract liabilities - current			
Revenue from services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,119</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Corporation's performance and the respective customer's payment.

Revenue recognized from the beginning contract liability at the end of the reporting period is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From the beginning contract liability		
Revenue from services	<u>\$ -</u>	<u>\$ 12,119</u>

c. Disaggregation of contract revenue

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
<u>Primary geographical markets</u>		
Japan	\$ 22,213,109	\$ 24,719,308
Singapore	12,817,857	8,557,382
North America	9,873,632	11,150,860
Taiwan (the principal place of business of the Corporation)	3,667,810	2,738,184
Europe	756,456	1,091,879
China, Hong Kong and Macao	669,556	228,010
Others	<u>1,263,840</u>	<u>1,502,319</u>
	<u>\$ 51,262,260</u>	<u>\$ 49,987,942</u>

## 22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as FVTPL	\$ 124,809	\$ 195,009
Financial liabilities classified as held for trading	(43,261)	(20,532)
Others	<u>241,706</u>	<u>216,495</u>
	<u>\$ 323,254</u>	<u>\$ 390,972</u>

### b. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 18,536	\$ 23,179
Others	<u>-</u>	<u>7,437</u>
	<u>\$ 18,536</u>	<u>\$ 30,616</u>

### c. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income		
Operating lease rental income	<u>\$ 5,482</u>	<u>\$ 18,555</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 226,284	\$ 252,782
Capitalized interest	(69,541)	(78,155)
Interest on lease liabilities	<u>23,081</u>	<u>24,428</u>
	<u>\$ 179,824</u>	<u>\$ 199,055</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest	\$ 69,541	\$ 78,155
Capitalization rate	0.836%-0.927 %	0.929%-1.144 %

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 7,986,422	\$ 7,751,315
Right-of-use assets	37,964	48,006
Intangible assets	<u>2,777</u>	<u>2,777</u>
Total	<u>\$ 8,027,163</u>	<u>\$ 7,802,098</u>
An analysis of depreciation by function		
Operating costs	\$ 7,558,283	\$ 7,201,638
Operating expenses	<u>466,103</u>	<u>597,683</u>
	<u>\$ 8,024,386</u>	<u>\$ 7,799,321</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 2,777</u>	<u>\$ 2,777</u>

f. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 19)		
Defined contribution plans	\$ 314,225	\$ 308,166
Defined benefit plans	<u>1,204</u>	<u>1,279</u>
	315,429	309,445
Termination benefits	1,809	5,607
Other employee benefits	<u>11,845,581</u>	<u>10,514,945</u>
Total employee benefit expense	<u>\$ 12,162,819</u>	<u>\$ 10,829,997</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 9,884,731	\$ 9,107,423
Operating expense	<u>2,278,088</u>	<u>1,722,574</u>
	<u>\$ 12,162,819</u>	<u>\$ 10,829,997</u>

g. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Corporation, the Corporation accrues compensation of

employees and remuneration of directors at the rates between 5% and 7.5% and no higher than 1.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. However, if the Corporation has accumulated deficits (including adjustment of unappropriated earnings), the Corporation should retain the net profit in advance for deducting accumulated deficits. The compensations of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which were approved by the Corporation's board of directors on March 10, 2022 and March 12, 2021, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	5.42%	5.19%
Remuneration of directors	1.08%	1.04%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 600,642	\$ 449,703
Remuneration of directors	120,128	89,940

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 325,332	\$ 471,033
Foreign exchange losses	<u>(501,795)</u>	<u>(928,617)</u>
	<u><u>\$(176,463)</u></u>	<u><u>\$(457,584)</u></u>

## 23. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 1,327,652	\$ 1,404,892
Deferred tax		
In respect of the current year	<u>136,720</u>	<u>51,929</u>
Income tax expenses recognized in profit or loss	<u>\$ 1,464,372</u>	<u>\$ 1,456,821</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before income tax	<u>\$ 10,362,770</u>	<u>\$ 8,119,083</u>
Income tax expense calculated at the statutory rate	\$ 2,072,554	\$ 1,623,817
Items that should be reduce	(763,393)	(241,368)
Generation of temporary differences	<u>155,211</u>	<u>74,372</u>
Income tax expense recognized in profit or loss	<u>\$ 1,464,372</u>	<u>\$ 1,456,821</u>

- b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax liabilities		
Income tax payable	<u>\$ 582,456</u>	<u>\$ 829,495</u>

- c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 127,286</u>	<u>\$(127,286)</u>	<u>\$ -</u>
<u>Deferred tax liabilities</u>			
Temporary differences	<u>\$ -</u>	<u>\$ 9,434</u>	<u>\$ 9,434</u>



For the year ended December 31, 2020

	<b>Balance, Beginning of Year</b>	<b>Movements in the Year</b>	<b>Balance, End of Year</b>
<u>Deferred tax assets</u>			
Temporary differences	<u>\$ 179,215</u>	<u>\$ (51,929)</u>	<u>\$ 127,286</u>
d. Deductible temporary differences for which no deferred tax assets have been recognized in the parent company only balance sheets			

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Deductible temporary differences	<u>\$ 121,950</u>	<u>\$ 12,446</u>
e. Income tax assessments		

The Corporation's income tax returns through 2019 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share	<u>\$ 11.54</u>	<u>\$ 8.60</u>
Diluted earnings per share	<u>\$ 11.44</u>	<u>\$ 8.54</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Earnings used in the computation of basic earnings per share	\$ 8,898,398	\$ 6,662,262
Effect of potentially dilutive ordinary shares:		
Compensation of employees	_____ -	_____ -
Earnings used in the computation of diluted earnings per share	<u>\$ 8,898,398</u>	<u>\$ 6,662,262</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares outstanding used in the computation of basic earnings per share	770,870	774,313
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>7,009</u>	<u>5,505</u>
Weighted average number of ordinary shares used in the computation of dilutive earnings per share	<u>777,879</u>	<u>779,818</u>

If the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of share outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential share is included in the computation of diluted earnings per share until the number of share to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure its ability to continue as a going concern while maximizing the return to stakeholders. The Corporation's overall strategy remains unchanged from the previous year.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings and other equity).

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) Fair value of financial instruments that are not measured at fair value

The management of the Corporation considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

#### 2) Fair value of financial instruments that are measured at fair value on a recurring basis

##### a) Fair value hierarchy

##### December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 23,265</u>	<u>\$ -</u>	<u>\$ 23,265</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 1,644</u>	<u>\$ 28,500</u>	<u>\$ -</u>	<u>\$ 30,144</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 950</u>	<u>\$ -</u>	<u>\$ 950</u>

##### December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 29,381</u>	<u>\$ -</u>	<u>\$ 29,381</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	<u>\$ 2,488</u>	<u>\$ 32,800</u>	<u>\$ -</u>	<u>\$ 35,288</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,828</u>	<u>\$ -</u>	<u>\$ 3,828</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

- b) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurements.

<b>Financial Instrument</b>	<b>Valuation Techniques and Inputs</b>
Derivatives - foreign currency forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted securities	Using the market approach and the binomial option pricing model to calculate the fair value.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 23,265	\$ 29,381
Financial assets at amortized cost (Note 1)	25,815,881	22,283,577
Financial assets at FVTOCI		
Equity instruments	30,144	35,288
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Held for trading	950	3,828
Financial liabilities at amortized cost (Note 2)	33,531,715	31,460,545

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), pledged time deposits and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise accounts payable (including related parties), other payables (including related parties), accrued expenses and other current liabilities, and long-term debt.

c. Financial risk management objectives and policies

The Corporation's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Corporation's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of

risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function, an independent body that monitors risks and policies implemented to mitigate risk exposures, reports quarterly to the Corporation's board of directors.

#### 1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Corporation entered into a variety of derivative financial instruments (including foreign exchange forward contracts) to manage its exposure to foreign currency risk and interest rate risk.

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

##### a) Foreign currency exchange risk

The Corporation's operating activities are partially denominated in foreign currencies and thus have natural hedging effects. The purpose of the Corporation's management of the foreign currency risk is for risk hedging instead of speculative purposes.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and to manage the risk of the net position. The Corporation selects the instruments to hedge against currency exposure by the hedging cost and period. The Corporation currently utilizes derivative financial instruments, including buy/sell foreign exchange forward contracts, to hedge against foreign currency exchange risk.

For the book values of the monetary assets and monetary liabilities denominated in the non-functional currencies of the Corporation on the balance sheet date, refer to Note 30.

The Corporation uses foreign exchange forward contracts to reduce foreign currency risk exposure. It is the Corporation's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Corporation.

##### Sensitivity analysis

The Corporation was mainly exposed to the USD and JPY.

The following table details the Corporation's sensitivity to a 5% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), accounts payable (including related parties), other payables (including related parties) and short-term bank loans and long-term debt. A positive number below indicates a decrease in pre-tax loss/an increase in pre-tax profit associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax loss/pre-tax profit and the balances below would be negative.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ (377,096)	\$ (398,544)	\$ 44,366	\$ 16,202

b) Interest rate risk

As the Corporation owns assets at both fixed and floating interest rates, the Corporation is exposed to interest rate risk. The Corporation's interest rate risk also comes from borrowings at floating interest rates. Since the Corporation's bank borrowings are at floating interest rates, fluctuations in interest rates will affect future cash flow but will not affect the fair value.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 1,958,974	\$ 2,146,382
Cash flow interest rate risk		
Financial assets	12,618,897	10,590,968
Financial liabilities	25,590,249	26,466,148

Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rate risk for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2021 and 2020 would

have decreased/increased by \$12,971 thousand and \$15,875 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rate risk on its variable-rate net liabilities.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Corporation does not actively trade these investments. The Corporation's equity price risk was mainly concentrated on equity instruments operating in the electronics industry sector listed on the Taipei Exchange.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the post-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,507 thousand and \$1,764 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of the counterparty to discharge its obligation arises from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, the management of the Corporation has established rules for credit and accounts receivable management to ensure that follow-up action is taken to recover overdue debt. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Corporation's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit ratings.

The counterparties of trade receivables cover a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Corporation's concentration of credit risk was related to the three largest customers within the Corporation. Besides the aforementioned customers, there was no other customer that accounted for 10% of total gross accounts receivable for the years ended December 31, 2021 and 2020. The three largest customers are creditworthy counterparties; therefore, the Corporation believes the concentration of credit risk is insignificant.

### 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows.

The Corporation relies on bank loans as a significant source of liquidity. As of December 31, 2021 and 2020, the Corporation had available unutilized short-term bank loan facilities of approximately \$6,739,081 thousand and \$7,247,360 thousand, respectively.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Corporation's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

#### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 3,110,691	\$ 3,414,647	\$ 1,416,128	\$ -	\$ -
Lease liabilities	4,298	8,596	38,544	191,716	1,614,346
Variable interest rate liabilities	-	-	-	<u>21,597,449</u>	<u>3,992,800</u>
	<u>\$ 3,114,989</u>	<u>\$ 3,423,243</u>	<u>\$ 1,454,672</u>	<u>\$21,789,165</u>	<u>\$ 5,607,146</u>

#### Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 51,438</u>	<u>\$ 191,716</u>	<u>\$ 233,688</u>	<u>\$ 233,688</u>	<u>\$ 233,688</u>	<u>\$ 913,282</u>
Variable interest rate liabilities	<u>\$ -</u>	<u>\$21,597,449</u>	<u>\$ 3,937,058</u>	<u>\$ 55,742</u>	<u>\$ -</u>	<u>\$ -</u>

#### December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 2,130,761	\$ 2,278,678	\$ 584,958	\$ -	\$ -
Lease liabilities	4,170	8,288	36,339	188,376	1,661,083
Variable interest rate liabilities	-	-	-	<u>25,187,865</u>	<u>1,278,283</u>
	<u>\$ 2,134,931</u>	<u>\$ 2,286,966</u>	<u>\$ 621,297</u>	<u>\$25,376,241</u>	<u>\$ 2,939,366</u>



Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	\$ <u>48,797</u>	\$ <u>188,376</u>	\$ <u>233,688</u>	\$ <u>233,688</u>	\$ <u>233,688</u>	\$ <u>960,019</u>
Variable interest rate liabilities	\$ <u>-</u>	\$ <u>25,187,865</u>	\$ <u>1,017,981</u>	\$ <u>260,302</u>	\$ <u>-</u>	\$ <u>-</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Corporation's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,545,104	\$ 2,651,343	\$ -
Outflows	<u>(1,533,953)</u>	<u>(2,640,179)</u>	<u>-</u>
	\$ <u>11,151</u>	\$ <u>11,164</u>	\$ <u>-</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,221,357	\$ 2,130,541	\$ -
Outflows	<u>(1,202,585)</u>	<u>(2,123,760)</u>	<u>-</u>
	\$ <u>18,772</u>	\$ <u>6,781</u>	\$ <u>-</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Secured bank loan facilities which may be mutually extended:		
Amount used	\$ 12,238,482	\$ 10,722,715
Amount unused	<u>16,775,000</u>	<u>2,000,000</u>
	\$ <u>29,013,482</u>	\$ <u>12,722,715</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

As disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Corporation</u>
Greatek Electronics Inc. (“GEI”)	Subsidiary
Powertech Technology (Singapore) Pte. Ltd.	Subsidiary
Powertech Technology (Xian) Ltd.	Subsidiary
Powertech Technology (Suzhou) Ltd.	Subsidiary
Powertech Technology Japan Ltd.	Subsidiary
Tera Probe, Inc.	Subsidiary
Powertech Technology Akita Inc.	Subsidiary
TeraPower Technology Inc.	Subsidiary
Kioxia Corporation	Substantial related party
Toshiba International Procurement Hong Kong, Ltd.	Substantial related party
Kingston Technology International Ltd.	Substantial related party
Kingston Digital International Ltd.	Substantial related party
Kingston Solution, Inc.	Substantial related party
Kingston Technology Far East Corp.	Substantial related party
PTI Education Foundation	Substantial related party

b. Sales of goods

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales of goods	Substantial related parties		
	Kioxia Corporation	\$ 21,373,163	\$ 21,246,845
	Others	<u>829,027</u>	<u>1,172,225</u>
		22,202,190	22,419,070
	Subsidiaries	<u>71,546</u>	<u>36,835</u>
		<u>\$ 22,273,736</u>	<u>\$ 22,455,905</u>

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment terms for sales of the Corporation are from 30 days to 90 days starting from the first day of the month following the invoice date.

c. Purchases

Related Party Category	For the Year Ended December 31	
	2021	2020
Substantial related parties	\$ 987,046	\$ 798,763
Subsidiaries	<u>14,691</u>	<u>2,926</u>
	<u>\$ 1,001,737</u>	<u>\$ 801,689</u>

The purchase prices and payment terms were based on negotiations for which there are no comparable transactions in the market.

d. Operating costs

Related Party Category	For the Year Ended December 31	
	2021	2020
Subsidiaries	\$ 1,191,818	\$ 924,907
Substantial related parties	<u>198</u>	<u>419</u>
	<u>\$ 1,192,016</u>	<u>\$ 925,326</u>

Operating costs from transactions with related parties include subcontracting costs and other costs. The terms of the transactions with related parties were made under a subcontracting cooperation agreement for which there are no comparable transactions in the market.

e. Operating expenses

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 7,917	\$ 69,568
Substantial related parties	<u>-</u>	<u>3,000</u>
	<u>\$ 7,917</u>	<u>\$ 72,568</u>

Operating expenses include rent expenses, professional service fee, market survey expenses and donation fee. The rentals with related parties were based on conditions agreed by both parties for which there are no comparable transactions in the market.

f. Miscellaneous income

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Powertech Technology (Suzhou) Ltd.	\$ 4,505	\$ 14,449
TeraPower Technology Inc.	977	1,623
Others	<u>-</u>	<u>300</u>
	<u>\$ 5,482</u>	<u>\$ 16,372</u>

The rental amount and payment terms with related parties were based on conditions agreed by both parties for which there are no comparable transactions in the market.

g. Other gains and losses

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Greatek Electronics Inc. (“GEI”)	\$ 64,244	\$ 62,037
Others	<u>33,214</u>	<u>18,050</u>
	97,458	80,087
Substantial related parties	<u>16,917</u>	<u>23,376</u>
	<u>\$ 114,375</u>	<u>\$ 103,463</u>

Other gains and losses mainly include the purchase and sales of raw materials and the difference between collections and payment transfers. The purchase and sales of raw materials were based on conditions agreed by both parties for which there are no comparable transactions in the market.

h. Contract assets

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related parties		
Kioxia Corporation	\$ 646,759	\$ 845,865
Others	<u>9,593</u>	<u>27,643</u>
	656,352	873,508
Subsidiaries	<u>456</u>	<u>223</u>
	<u>\$ 656,808</u>	<u>\$ 873,731</u>

For the years ended December 31, 2021 and 2020, no impairment loss was recognized for contract assets from related parties.

i. Accounts receivable from related parties (excluding loans to related parties and contract assets)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Accounts receivable from related parties	Substantial related parties		
	Kioxia Corporation	\$ 5,844,829	\$ 5,704,033
	Others	<u>141,689</u>	<u>180,492</u>
		5,986,518	5,884,525
	Subsidiaries	<u>9,154</u>	<u>9,638</u>
		<u>\$ 5,995,672</u>	<u>\$ 5,894,163</u>

The outstanding accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for accounts receivable from related parties.

j. Payables to related parties (excluding loans from related parties)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2021</b>	<b>2020</b>
Accounts payable from related parties	Substantial related party		
	Toshiba International Procurement Hong Kong, Ltd.	\$ 154,391	\$ 134,111
	Subsidiaries	<u>2,925</u>	<u>977</u>
		<u>\$ 157,316</u>	<u>\$ 135,088</u>

The outstanding trade payables to related parties are unsecured.

k. Payable to equipment suppliers

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Substantial related party	\$ 40,121	\$ -
Substantial	<u>1,416</u>	<u>-</u>
	<u>\$ 41,537</u>	<u>\$ -</u>

l. Other receivables from related parties (excluding loans to related parties)

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Powertech Technology (Suzhou) Ltd.	\$ 83,972	\$ 19,247
Powertech Technology (Xian) Ltd.	8,833	80,826
TeraPower Technology Inc.	8,747	161,116
Greatek Electronics Inc.	2,574	39,269
Others	<u>-</u>	<u>961</u>
	104,126	301,419
Substantial related parties	<u>8,260</u>	<u>21,163</u>
	<u>\$ 112,386</u>	<u>\$ 322,582</u>

m. Other payables from related parties (excluding loans from related parties)

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Greatek Electronics Inc. (“GEI”)	\$ 167,316	\$ 56,351
TeraPower Technology Inc.	94,910	53,057
Powertech Technology (Suzhou) Ltd.	76,006	63,380
Powertech Technology Akita Inc.	33,402	33,641
Others	<u>10,894</u>	<u>9,260</u>
	<u>\$ 382,528</u>	<u>\$ 215,689</u>

n. Acquisitions of property, plant and equipment

<b>Related Party Category</b>	<b>Acquisition Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 228,168	\$ 133,129
Substantial related party	<u>45,930</u>	<u>-</u>
	<u>\$ 274,098</u>	<u>\$ 133,129</u>

The purchase of property, plant and equipment from related parties were based on negotiations of cooperation agreements for which there were no comparable transactions in the market.

o. Disposal of property, plant and equipment

Related Party Type	Proceeds		Gain on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Subsidiaries	\$ 93,039	\$ 217,711	\$ 9,812	\$ 9,920

The sale of property, plant and equipment to related parties and the purchase of property, plant and equipment from related parties were based on negotiations of cooperation agreements for which there were no comparable transactions in the market. The gain on disposal of property, plant and equipment was deferred.

p. Lease arrangements

Acquisition of right-of-use assets

In November 2019, the Corporation leased a plant from its subsidiary, TeraPower Technology Inc., for operational use with a lease term of 8 years and the rental is paid on a monthly basis. From October 2020, the Corporation has no operational needs, and the lease contract was modified so that the Corporation did not have to make rental payments for the remaining lease term.

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Interest expense</u>		
Subsidiary		
TeraPower Technology Inc.	\$ -	\$ 982

q. Loans to related parties

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Interest revenue</u>		
Subsidiaries		
Powertech Technology (Singapore) Pte. Ltd.	\$ -	\$ 7,429

The Corporation provided subsidiaries Powertech Technology (Singapore) Pte. Ltd. and Powertech Technology (Suzhou) Ltd. with loans at rates comparable to market interest rate.

r. Prepayments for equipment

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
Powertech Technology (Singapore) Pte. Ltd.	\$ -	\$ 139,763
Powertech Technology Akita Inc.	<u>-</u>	<u>11,567</u>
	<u>\$ -</u>	<u>\$ 151,330</u>

s. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 344,667	\$ 291,611
Post-employment benefits	<u>1,836</u>	<u>1,836</u>
	<u>\$ 346,503</u>	<u>\$ 293,447</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been provided as collateral mainly for long-term debts and lease deposits:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 16,586,323	\$ 13,681,982
Pledged deposits (classified as financial assets at amortized cost - non-current)	<u>5,174</u>	<u>5,174</u>
	<u>\$ 16,591,497</u>	<u>\$ 13,687,156</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2021 and 2020 were as follows:

- From September 2017 to September 2018, the Corporation signed a contract worth \$1,811,372 thousand with Jian Ming Contractor Co., Ltd. for factory engineering. As of December 31, 2021, the Corporation has paid a total of \$1,811,372 thousand.
- From November 2019 to December 2020 and February 2021 to October 2021, the Corporation signed a purchase agreement of equipment worth \$1,047,751 thousand and \$646,433 thousand



with Kulicke & Soffa Pte. Ltd., respectively. As of December 31, 2021, the Corporation has paid \$1,047,751 thousand and \$94,198 thousand, respectively.

- c. From August 2020 to July 2021, the Corporation signed a contract worth \$595,845 thousand with Yi-Sheng Systems Integration Co., Ltd. for factory engineering. As of December 31, 2021, the Corporation has paid a total of \$438,636 thousand.
- d. From June 2021 to August 2021, the Corporation signed a purchase agreement of equipment worth \$534,275 thousand with Applied Materials South East Asia Pte. Ltd. As of December 31, 2021, the Corporation has paid a total of \$186,549 thousand.
- e. From December 2020 to December 2020, the Corporation signed the purchase agreements of equipment worth \$588,119 thousand with Disco Hi-Tec Taiwan Co., Ltd. As of December 31, 2021, the Corporation has paid a total of \$160,278 thousand.
- f. From April 2021 to January 2022, the Corporation signed a purchase agreement of equipment worth \$505,374 thousand with Advantest Corporation, respectively. As of December 31, 2021, the Corporation has paid a total of \$102,382 thousand.
- g. From March 2021 to January 2022, the Corporation signed a contract worth \$713,114 thousand with Jiu Han Engineering Co., Ltd. to set up clean rooms and plumbing systems. As of December 31, 2021, the Corporation has paid a total of \$105,240 thousand.
- h. As of December 31, 2021, the Corporation unused letters of credit for purchases of machinery and equipment amounted to approximately US\$12,340 thousand and EUR3,830 thousand.
- i. In November 2021, the Corporation signed a contract with Zhen Ding Technology Co., Ltd. to set up capacity reservation agreement, Security deposit required US\$35,000 thousand. As of December 31, 2021, the Corporation has paid a total of US\$7,000 thousand.

### **30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Corporation's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency and the related exchange rates between the foreign currencies and respective functional currency were as follows:

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD		27.6900	
	\$ 485,740	(USD:NTD)	\$ 13,449,722
JPY	753,267	0.2406(JPY:NTD)	181,236
RMB		4.3406	
	7,906	(RMB:NTD)	<u>34,317</u>
			<u>\$ 13,665,275</u>

Non-monetary items			
USD	266,695	27.6900 (USD:NTD)	\$ 7,384,776
JPY	1,574,351	0.2406 (JPY:NTD)	<u>378,789</u>
			<u>\$ 7,763,565</u>

Financial liabilities

Monetary items			
USD		27.6900 (USD:NTD)	\$ 5,907,808
JPY	213,355	0.2406 (JPY:NTD)	1,068,557
EUR	4,441,220	31.3382 (EUR:NTD)	<u>93,190</u>
	2,974		<u>\$ 7,069,555</u>
Non-monetary items			
USD		0.2406 (USD:NTD)	\$ <u>950</u>
	3,948		

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD		28.5080 (USD:NTD)	\$ 11,183,606
JPY	\$ 392,297	0.2765 (JPY:NTD)	178,430
RMB	645,317	4.3592 (RMB:NTD)	<u>43,089</u>
	9,885		<u>\$ 11,405,125</u>
Non-monetary items			
USD	225,601	28.5080 (USD:NTD)	\$ 6,431,428
JPY	1,341,942	0.2765 (JPY:NTD)	<u>371,047</u>
			<u>\$ 6,802,475</u>

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD		28.5080	
	\$ 112,696	(USD:NTD)	\$ 3,212,725
JPY	1,817,239	0.2765 (JPY:NTD)	502,467
EUR		35.563	
	781,232	(EUR:NTD)	<u>27,387</u>
			<u>\$ 3,742,579</u>
Non-monetary items			
USD		28.5080	
	134	(USD:NTD)	<u>\$ 3,828</u>
			(Concluded)

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$176,463 thousand and \$457,584 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Corporation.

### 31. SEPARATELY DISCLOSED ITEMS

Except for the following, the Corporation has no other significant transactions, investees and investments in mainland China that need to be disclosed as required by the Securities and Futures Bureau.

- a. Financing provided to others: Table 1 (attached)
- b. Endorsements/guarantees provided: Table 2 (attached)
- c. Marketable securities held (excluding investments in subsidiaries and associates): Table 3 (attached)
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)

- i. Derivative transactions: Note 7
- j. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 8 (attached)
- k. Information on investments in mainland China
  - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investments at the end of the period, repatriations of investment income, and limit on the amount of investments in the mainland China area: Table 9 (attached).
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Note 27.
- l. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limit (Notes 3 and 4)	Note
													Item	Value			
0	POWERTECH TECHNOLOGY INC.	Powertech Technology (Suzhou) Ltd.	Other receivables	Note 2	\$ 415,350	\$ 415,350	\$ -	1.0%	For short term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 2,475,359	\$ 4,950,718	-
1	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivables	Note 1	182,856	182,856	158,796	1.0%	For short term financing	-	Working capital	-	-	-	284,657	569,314	-

Note 1: Direct investments, the Corporation's wholly-owned subsidiaries.

Note 2: Indirect investments, the Corporation's wholly-owned subsidiaries.

Note 3: The amount of financing provided by the Corporation to any individual shall not exceed five percent of the Corporation's net worth. The aggregate amount available for financing shall not exceed ten percent of the Corporation's net worth.

Note 4: The amount of financing provided by Tera Probe, Inc. to any individual shall not exceed five percent of Tera Probe, Inc.'s net worth. The aggregate amount available for financing shall not exceed ten percent of Tera Probe, Inc.'s net worth.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collateral	Ratio of Accumulated Endorsement/Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/Guarantee Limit (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Powertech Technology Inc.	Powertech Technology (Singapore) Pte. Ltd.	Note 1	\$ 4,950,718	\$ 830,700	\$ 830,700	\$ -	\$ -	1.68	\$ 24,753,591	Yes	-	-	-

Note 1: Direct investment; the Corporation's wholly-owned subsidiaries.

Note 2: The amount of guarantees provided by Corporation to any individual entity shall not exceed ten percent of the Corporation's net worth. The aggregate amount of guarantees available shall not exceed fifty percent of the Corporation's net worth.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (In Thousands)	Carrying Value	% of Ownership	Fair Value	
Powertech Technology Inc.	<u>Shares</u> Solid state system Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,053	\$ 30,144	3	\$ 30,144	Note 3
Greatek Electronics Inc.	<u>Fund</u> Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	5,000	79,200	-	79,200	Note 4
	<u>Bond</u> P06 Taipower 1A	-	Financial assets at amortized cost - current	300	300,000	-	300,715	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - current	50	50,000	-	50,000	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - current	50	50,000	-	50,128	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost - noncurrent	100	100,000	-	100,470	Note 2
	<u>Stock</u> Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive income - noncurrent	10,000	977,000	1	977,000	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 5
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 5
	Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 5

Note 1: The fair value was based on the closing price of the shares as of December 31, 2021.

Note 2: The fair value was based on the closing price in the share market at the end of the month in hundreds of new Taiwan dollars as of December 31, 2021.

Note 3: The fair value of ordinary shares was based on the closing price in the share market at the end of the month, and the fair value of privately placed shares as of December 31, 2021 was determined using valuation techniques.

Note 4: The fair value was based on the net asset value of the fund as of December 31, 2021.

Note 5: The fair value was based on the carrying value as of December 31, 2021.

Note 6: As of December 31, 2021, the above marketable securities had not been pledged or mortgaged.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Powertech Technology Inc.	<u>Stock</u> Powertech Technology Inc.	Treasury stock	-	The Corporation	-	\$ -	10,412	\$1,018,166	-	\$ -	\$ -	\$ -	10,412	\$ 1,018,166
Greatek Electronics Inc.	<u>Stock</u> Powertech Technology Inc.	Financial assets at fair value through other comprehensive income - noncurrent	-	Greatek Electronics Inc.'s parent company	6,170	585,533	3,830	398,044	-	-	-	-	10,000	977,000

Note 1: Beginning balance and ending balance include premium value.



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Property	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Powertech Technology Inc.	Factory engineering	2020.08.07- 2021.07.27	\$ 595,845	\$ 438,636	Yi-Sheng Systems Integration Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
Greatek Electronics Inc.	Building	2021.03.10	510,000	357,000	Jian Ming Contractor Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Self build not applicable	Plant expansion	None
	Land	2021.05.12	330,802	330,802	Orgchen Technologies, Inc.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
	MEP system	2021.06.17	980,000	294,000	Jiu Han System Technology Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
	Clean rooms and plumbing systems	2021.07.06	360,000	108,000	Jiu Han System Technology Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
	MEP system	2021.09.27	378,000	-	Jiu Han System Technology Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Powertech Technology Inc.	Kioxia Corporation	Corporate director's parent company	Sale	\$21,373,163	42	Note 1	\$ -	-	\$5,844,829	54	-
	Kingston Technology International Ltd.	The ultimate parent company of the related party is the juristic-person director of the Corporation.	Sale	694,268	1	Note 1	-	-	117,776	1	-
	Toshiba International Procurement Hong Kong, Ltd.	Corporate director's sister company.	Purchase	985,369	5	Note 1	-	-	(154,391)	(3)	-
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor.	Sale	1,021,407	5	Net 60 days from monthly closing date	Note 2	-	234,991	5	-
	PowerTech Technology Inc.	Parent company of Greatek Electronics Inc.	Sale	339,601	2	Net 90 days from monthly closing date	Note 2	-	156,711	4	-
	Realtek Singapore Private Limited	Same parent company with Greatek Electronics Inc.'s corporate director.	Sale	313,168	2	Net 60 days from monthly closing date	Note 2	-	42,926	1	-
TeraPower Technology Inc.	Kioxia Corporation	Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company.	Sale	408,575	8	Net 90 days from monthly closing date	\$ -	-	140,022	11	-

Note 1: 30 to 90 days after the end of the month of the invoice date.

Note 2: The prices of goods Greatek Electronics Inc. sold to related parties were determined based on general transactions.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
Powertech Technology Inc.	Kioxia Corporation	Corporate director's parent company	\$ 5,844,829	3.7	\$ -	-	\$ 3,869,074	\$ -
	Kingston Technology International Ltd.	The ultimate parent company of the related party is the juristic-person director of the Corporation.	117,776	5.12	-	-	117,776	-
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate ditector	234,991	4.29	-	-	156,811	-
TeraPower Technolgy Inc.	Powertech Technology Inc.	Parent company	156,711	3.60	-	-	69,720	-
	Kioxia Corporation	Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company	140,022	3.72	-	-	87,951	-

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	\$ 1,153,964	\$ 1,153,964	73,386	49	\$ 2,862,748	\$ 798,574	\$ 483,975	Notes 1 and 2
	Powertech Holding (BVI) Inc.	British Virgin Islands	Investment business	1,679,370	1,679,370	50	100	1,172,419	58,403	50,895	Notes 1 and 2
	Greattek Electronics Inc.	Miaoli	Semiconductor assembly and testing services	6,169,948	6,169,948	244,064	43	9,527,893	4,602,762	1,969,065	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 85,000	USD 85,000	85,000	100	1,883,866	816,512	814,566	Notes 1 and 2
	Powertech Technology Japan Ltd.	Japan	Investment business	USD 103,052	USD 103,052	-	100	3,010,514	202,412	345,339	Note 1
Powertech Holding (BVI) Inc.	Tera Probe, Inc.	Japan	Wafer probing test services	\$ 230,616	\$ 230,616	1,077	12	378,628	448,678	62,138	Notes 1 and 2
	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 51,000	USD 51,000	103	100	USD 42,016	USD 2,089	USD 2,089	Note 1
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Japan	Wafer probing test services	USD 43,963	USD 43,963	4,440	49	USD 100,332	USD 16,041	USD 7,814	Note 1
	Powertech Technology Akita Inc.	Japan	Semiconductor assembly and testing services	USD 58,329	USD 58,329	6	100	USD 9,689	USD (347)	USD (347)	Note 1
Tera Probe, Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	JPY 4,348,056	JPY 4,348,056	76,381	51	JPY 4,348,056	JPY 3,142,869	JPY 1,602,863	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY 221,616	JPY 221,616	180	100	JPY 221,616	JPY (218,865)	JPY (218,865)	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: Excluding unrealized intercompany gains (losses).

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investments from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	\$ 2,769,000 (US\$100,000)	Note 1	\$ 1,412,190 (US\$51,000)	\$ -	\$ -	\$ 1,412,190 (US\$51,000)	\$ 81,597 (US\$ 2,901)	100%	\$ 80,624 (US\$ 2,866)	\$ 1,684,648 (US\$60,839)	\$ -	-
Powertech Technology (Xian) Ltd.	Semiconductor testing and assembly services	1,938,300 (US\$70,000)	Note 1	1,833,493 (US\$66,215)	-	155,341 (US\$ 5,610)	1,678,152 (US\$60,605)	544,095 (US\$19,422)	100%	544,095 (US\$19,422)	2,657,829 (US\$95,985)	260,148 (US\$ 9,395)	-

Equity-method Investee Company	Accumulated Investments in Mainland China as of December 31, 2021 (In Thousands of USD)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands of USD)	Ceiling Amount on of the Corporation's Investments in Mainland China
Powertech Technology (Suzhou) Ltd	US\$ 51,000	US\$ 79,000	\$ 29,704,309
Powertech Technology (Xian) Ltd	US\$ 60,605	US\$ 70,000	

Note 1: Investments in companies in mainland China were made through companies established in a third region.

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2021.

## STATEMENTS OF MAJOR ACCOUNTING ITEMS

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**POWERTECH TECHNOLOGY INC.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash		
Cash in banks		
Demand deposits	Including NT\$10,669,007 thousand, US\$62,635 thousand @27.69, JPY753,267 thousand @0.2406 and RMB7,899 thousand @4.3406, interest rate range was 0.001%-0.14%	\$ 12,618,897
Time deposits	Expired in March 2022, interest rate range was 0.18%-0.41%	1,953,800
Checking accounts		<u>599</u>
		14,573,296
Cash on hand		<u>173</u>
Total		<u>\$ 14,573,469</u>

**POWERTECH TECHNOLOGY INC.****STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 1,838,430
Client B	1,003,692
Client C	477,564
Client D	262,698
Client E	259,399
Others (Note)	<u>907,539</u>
	4,749,322
Allowance for impairment loss	<u>(4,601)</u>
Total	<u>\$ 4,744,721</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.



**POWERTECH TECHNOLOGY INC.****STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Value</b>
Raw materials	\$ 4,451,115	\$ 4,550,562
Supplies and spare parts	<u>348,212</u>	<u>367,470</u>
Total	<u>\$ 4,799,327</u>	<u>\$ 4,918,032</u>

Note: The amount of inventory insurance was \$49,995,000 thousand (including insurance of OEM by client).

**POWERTECH TECHNOLOGY INC.**

**STATEMENT OF PREPAID EXPENSES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Maintenance fee	\$ 26,981
Insurance fee	18,791
Others (Note)	<u>11,776</u>
Total	<u>\$ 57,548</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

## POWERTECH TECHNOLOGY INC.

STATEMENT OF CHANGES IN RIGHTS-OF-USE ASSETS AND ACCUMULATED DEPRECIATION OF  
RIGHT-OF-USE ASSETS

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

	Land	Transportation Equipment	Total
Cost			
January 1, 2021	\$ 1,427,348	\$ 649	\$ 1,427,997
Additions	6,303	3,957	10,260
Disposals	<u>(4,392)</u>	<u>(649)</u>	<u>(5,041)</u>
December 31, 2021	<u>1,429,259</u>	<u>3,957</u>	<u>1,433,216</u>
Accumulated depreciation and impairment			
January 1, 2021	73,643	623	74,266
Depreciation	36,625	1,339	37,964
Disposals	<u>(4,392)</u>	<u>(649)</u>	<u>(5,041)</u>
December 31, 2021	<u>105,876</u>	<u>1,313</u>	<u>107,189</u>
Carrying amount at December 31, 2021	<u>\$ 1,323,383</u>	<u>\$ 2,644</u>	<u>\$ 1,326,027</u>

## POWERTECH TECHNOLOGY INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2021		Increase		Decrease (Note 1)		Changes in Net value of Investments in Subsidiaries and Associates Accounted for Using the Equity Method	The Corporation's Shares Held by its Subsidiaries Treated as Treasury Shares	Gains (Losses) on Investments Accounted for Using the Equity Method (Notes 2 and 3)	Remeasurements of Defined Benefit Plans	Exchange Differences on Translating Foreign Operations	Deferred Credit Adjustment	Balance, December 31, 2021			Carrying Value (Note 2)	Pledged or Mortgaged
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount							Number of Shares	%	Amount		
	(In Thousands)		(In Thousands)		(In Thousands)								(In Thousands)				
Greatek Electronics Inc.	244,064	\$ 8,474,957	-	\$ -	-	\$ (756,600)	\$ 55	\$ (170,800)	\$ 1,969,065	\$ 127	\$ -	\$ 11,089	244,064	43	\$ 9,527,893	\$ 8,937,109	-
Powertech Holding (BVI) Inc.	50	1,143,237	-	-	-	-	-	-	50,895	-	(6,829)	(14,884)	50	100	1,172,419	1,195,831	-
TeraPower Technology Inc.	73,386	2,368,116	-	-	-	-	-	-	483,975	35	-	10,622	73,386	49	2,862,748	2,509,238	-
Powertech Technology (Singapore) Pte. Ltd.	85,000	1,113,562	-	-	-	-	-	-	814,566	-	(49,684)	5,422	85,000	100	1,883,866	2,079,269	-
Powertech Technology (Xian) Ltd.	-	1,113,919	-	-	-	(156,852)	-	-	194,319	-	(27,698)	-	-	36	1,123,688	949,225	-
Powertech Technology (Suzhou) Ltd.	-	167,234	-	-	-	-	-	-	6,640	-	(761)	(1,928)	-	9	171,185	1,104,251	-
Powertech Technology Japan Ltd.	-	2,864,433	-	-	-	-	-	-	345,339	(429)	(199,410)	581	-	100	3,010,514	1,943,847	-
Tera Probe, Inc.	1,077	370,709	-	-	-	-	-	-	62,138	(104)	(54,115)	-	1,077	12	378,628	674,051	-
		<u>\$ 17,616,167</u>		<u>\$ -</u>		<u>\$ (913,452)</u>	<u>\$ 55</u>	<u>\$ (170,800)</u>	<u>\$ 3,926,937</u>	<u>\$ (371)</u>	<u>\$ (338,497)</u>	<u>\$ 10,902</u>			<u>\$ 20,130,941</u>	<u>\$ 19,392,821</u>	

Note 1: The decrease was due to cash dividends from investees.

Note 2: Investment (loss) gain and carrying value were based on the associates' financial statements audited by the auditors for the same years.

Note 3: Gains (loss) on investments accounted for using the equity method did not include the adjustment of capital surplus due to the distribution of dividends to subsidiaries in the amount of \$39,445 thousand.

## POWERTECH TECHNOLOGY INC.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2021		Increase		Decrease		Unrealized Gain or Loss On Financial Instrument Amount	Balance, December 31, 2021			Fair Value (Note)	Collateral
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount		Number of Shares (In Thousands)	%	Amount		
<u>Shares</u>												
Solid State System Co Ltd	2,053	\$ 35,288	-	\$ -	-	\$ -	\$ (5,144)	2,053	3	\$ 30,144	\$ 30,144	-

Note: The fair value of Solid State System Co., Ltd.'s private equity as of December 31, 2021 was determined using valuation techniques.

**POWERTECH TECHNOLOGY INC.****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Shinko Electric Industries Co., LTD.	\$ 592,415
SIMMTECH CO., LTD.	499,948
KINSUS INTERCONNECT TECHNOLOGY CORP.	305,868
Chroma New Material Corp.	255,191
Others (Note)	<u>2,729,422</u>
Total	<u>\$ 4,382,844</u>

Note: The amount payable to each individual vendor under others does not exceed 5% of the account balance.

**POWERTECH TECHNOLOGY INC.**

**STATEMENT OF PAYABLES TO CONTRACTORS AND EQUIPMENT SUPPLIERS**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Disco Hi-Tec Taiwan Co.,Ltd.	\$ 212,806
TechWing, Inc.	188,133
Others (Note)	<u>2,388,747</u>
Total	<u>\$ 2,789,686</u>

Note: The amount payable to each individual vendor under others does not exceed 5% of the account balance.

## POWERTECH TECHNOLOGY INC.

STATEMENT OF LONG-TERM BANK LOANS  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Bank Name	Trustee	Amount at Year End	Interest Payment Date	Coupon Rate (%)	Financing Facility	Note	Pledged or Mortgaged
First Bank	Guaranteed loan	\$ 1,125,000	2020.10.15-2025.10.15	0.9700	\$ 2,500,000		Buildings of \$683,959 thousand
KGI Commercial Bank	Credit loan	1,000,000	2020.12.11-2024.12.11	0.9408	2,000,000	Note 3	-
Bank of Taiwan	Guaranteed loan	925,446	2012.11.26-2027.11.26	0.9980	2,608,000		Land and buildings of \$2,030,158 thousand
Shin Kong Bank	Credit loan	1,000,000	2020.11.03-2023.09.16	0.9200	1,200,000		-
Land Bank of Taiwan	Credit loan	1,000,000	2020.08.17-2023.08.17	0.8300	2,000,000		-
Yuanta Commercial Bank	Credit loan	1,000,000	2021.11.01-2025.09.13	0.8000	1,000,000		-
The Hongkong and Shanghai Banking Co., Ltd.	Credit loan	1,000,000	2020.09.02-2023.09.02	0.9422	1,000,000		-
The Hongkong and Shanghai Banking Co., Ltd.	Credit loan	500,000	2021.09.02-2025.02.27	0.9422	500,000		-
Mega International Commercial Bank Co., Ltd.	Guaranteed loan	2,000,000	2020.12.17-2023.12.17	0.9250	3,000,000		Machinery and equipment of \$1,361,544 thousand
E-SUN Commercial Bank	Guaranteed loan	622,500	2017.09.01-2032.09.01	0.9000	830,000		Land and buildings of \$1,662,784 thousand
ChinaTrust Commercial Bank	Credit loan	800,000	2020.12.03-2023.09.02	0.9400	3,000,000	Note 1	-
ChinaTrust Commercial Bank	Credit loan	500,000	2020.12.18-2023.09.02	0.9400	3,000,000	Note 1	-
Chang Hwa Commercial Bank, Ltd.	Guaranteed loan	500,000	2019.05.30-2025.05.30	0.9100	1,500,000		Machinery and equipment of \$289,374 thousand
Chang Hwa Commercial Bank, Ltd.	Guaranteed loan	100,000	2021.12.27-2028.12.15	0.8300	2,000,000		Machinery and equipment of \$175,720 thousand
Taiwan Cooperative Bank	Guaranteed loan	149,286	2017.04.17-2032.04.17	0.9200	220,000		Land and buildings of \$363,420 thousand
Taiwan Cooperative Bank	Guaranteed loan	200,000	2021.12.15-2028.12.15	0.6000	2,000,000		Machinery and equipment of \$195,414 thousand
Bank of Taiwan	Guaranteed loan	485,000	2019.10.25-2024.10.25	0.9302	2,000,000	Note 5	Machinery and equipment of \$600,890 thousand
Bank of Taiwan	Guaranteed loan	625,000	2020.06.19-2025.06.19	0.9302	2,000,000	Note 5	Machinery and equipment of \$924,826 thousand
Bank of Taiwan	Guaranteed loan	2,000,000	2021.09.01-2031.08.15	0.4000	3,200,000	Note 4	Land and buildings of \$1,730,561 thousand
Bank of Taiwan	Guaranteed loan	800,000	2021.09.01-2031.08.15	0.6000	3,200,000	Note 4	Land and buildings of \$1,730,561 thousand
Bank of Taiwan	Guaranteed loan	500,000	2021.09.01-2028.08.15	0.6000	2,000,000		Machinery and equipment of \$487,360 thousand
Hua Nan Bank	Credit loan	800,000	2021.09.25-2024.09.25	0.8350	4,000,000	Note 2	-
Hua Nan Bank	Guaranteed loan	650,000	2021.03.13-2024.03.13	0.8350	4,000,000	Note 2	Land and buildings of \$243,479 thousand
Hua Nan Bank	Guaranteed loan	550,000	2021.07.24-2024.07.24	0.8350	4,000,000	Note 2	Land and buildings of \$243,479 thousand
Hua Nan Bank	Credit loan	500,000	2020.06.24-2024.06.24	0.8350	4,000,000	Note 2	-
Hua Nan Bank	Credit loan	500,000	2020.08.21-2024.08.21	0.8350	4,000,000	Note 2	-
Hua Nan Bank	Guaranteed loan	600,000	2021.09.01-2028.09.01	0.6000	2,000,000		-
KGI Commercial Bank	Credit loan	500,000	2021.05.31-2024.05.31	0.9411	2,000,000	Note 3	-
Taishin Bank	Credit loan	1,000,000	2021.03.04-2024.03.04	0.9100	2,600,000		-

(Continued)



Bank Name	Trustee	Amount at Year End	Interest Payment Date	Coupon Rate (%)	Financing Facility	Note	Pledged or Mortgaged
E-SUN Commercial Bank	Credit loan	\$ 1,000,000	2021.05.14-2024.05.14	0.9100	\$ 1,000,000		-
E-SUN Commercial Bank	Credit loan	204,167	2017.09.01-2024.09.01	0.9000	700,000		Land and buildings of \$1,662,784 thousand
E-SUN Commercial Bank	Guaranteed loan	500,000	2021.10.25-2028.10.15	0.6500	2,400,000		Machinery and equipment of \$926,997 thousand
First Bank	Guaranteed loan	406,250	2021.03.25-2026.03.25	0.9700	2,000,000		Machinery and equipment of \$1,012,777 thousand
First Bank	Guaranteed loan	100,000	2021.12.15-2028.12.15	0.8000	2,000,000		Machinery and equipment of \$163,914 thousand
MUFG Bank	Credit loan	950,000	2021.09.24-2024.03.25	0.9000	1,500,000	Note 6	-
MUFG Bank	Credit loan	<u>497,600</u>	2020.12.11-2023.12.11	0.8700	1,500,000	Note 6	-
		25,590,249					
Current portion		<u>-</u>					
		<u>\$ 25,590,249</u>					

Note 1: Joint financing facility of \$3,000,000 thousand.

Note 2: Joint financing facility of \$4,000,000 thousand.

Note 3: Joint financing facility of \$2,000,000 thousand.

Note 4: Joint financing facility of \$3,200,000 thousand.

Note 5: Joint financing facility of \$2,000,000 thousand.

Note 6: Joint financing facility of \$1,500,000 thousand.

(Concluded)

**POWERTECH TECHNOLOGY INC.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Rental Period</b>	<b>Discount Rate</b>	<b>Amount</b>
Land	From October 1996 to October 2060	0.93%-1.69%	\$ 1,353,299
Transportation equipment	From January 2021 to September 2023	0.92%	2,655
Less: Lease liabilities - current			<u>(28,796)</u>
Lease liabilities - non-current			<u>\$ 1,327,158</u>

**POWERTECH TECHNOLOGY INC.**

**STATEMENT OF NET REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Subcontracting revenue	\$ 51,173,891
Others	99,147
Sales discounts and allowances	<u>(10,778)</u>
Net revenue	<u>\$ 51,262,260</u>

**POWERTECH TECHNOLOGY INC.****STATEMENT OF COST OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials used	
Balance, beginning of year	\$ 3,274,993
Raw materials purchased	18,274,348
Raw materials, end of year	(4,451,115)
Others	<u>(787,572)</u>
Subtotal	16,310,654
Direct labor	4,818,980
Manufacturing expenses	<u>17,045,637</u>
Manufacturing cost	38,175,271
Transferred to manufacturing or operating expenses	(3,710)
Scrap revenue	(115,887)
Unallocated overhead	<u>3,167,696</u>
Total	<u>\$ 41,223,370</u>

**POWERTECH TECHNOLOGY INC.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>
Payroll expense	\$ 116,826	\$ 692,003	\$ 1,195,775
Export expense	107,250	34	416
Freight fee	16,764	211	174
Depreciation expense	2,828	73,495	389,780
Remuneration of directors	-	130,568	-
Others (Note)	<u>22,330</u>	<u>306,173</u>	<u>499,970</u>
Total	<u>\$ 265,998</u>	<u>\$ 1,202,484</u>	<u>\$ 2,086,115</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

## POWERTECH TECHNOLOGY INC.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31					
	2021			2020		
	Classified as Cost of Revenue	Classified as Operating Expenses	Total	Classified as Cost of Revenue	Classified as Operating Expenses	Total
Labor cost						
Salary and bonus	\$ 8,487,021	\$ 2,004,604	\$10,491,625	\$ 7,758,958	\$ 1,483,434	\$ 9,242,392
Labor and health insurance	712,087	78,371	790,458	662,805	72,749	735,554
Pension	273,943	41,486	315,429	268,030	41,415	309,445
Remuneration of directors	-	130,568	130,568	-	99,580	99,580
Others	411,680	23,059	434,739	417,630	25,396	443,026
	<u>\$ 9,884,731</u>	<u>\$ 2,278,088</u>	<u>\$12,162,819</u>	<u>\$ 9,107,423</u>	<u>\$ 1,722,574</u>	<u>\$10,829,997</u>
Depreciation	<u>\$ 7,558,283</u>	<u>\$ 466,103</u>	<u>\$ 8,024,386</u>	<u>\$ 7,201,638</u>	<u>\$ 597,683</u>	<u>\$ 7,799,321</u>
Amortization	<u>\$ -</u>	<u>\$ 2,777</u>	<u>\$ 2,777</u>	<u>\$ -</u>	<u>\$ 2,777</u>	<u>\$ 2,777</u>

Note 1: As of December 31, 2021 and 2020, the Corporation had 11,569 and 11,699 employees, respectively. There were 8 non-employee directors for 2021 and 2020.

Note 2: Companies whose shares are listed on the Taiwan Stock Exchange or the Taipei Exchange should disclose the following additional information:

- 1) The average employee welfare expense for the current year is \$1,041 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”). The average employee welfare expense for the current year is \$918 thousand (“Total employee welfare expenses for the current year-Total directors’ remuneration”/“Number of employees for the current year-Number of directors who are not concurrent employees”).
- 2) The average employee salary expenses for the current year is \$908 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”). The average employee salary expenses for the current year is \$791 thousand (the total salary expenses for the current year/“the number of employees in the current year-the number of directors who are not part-time employees”).
- 3) Average employee salary expense reduced by 15% (“Average employee salary expense for the current year-Average employee salary expense for the previous year”/Average employee salary expense for the previous year).
- 4) The Corporation had established an audit committee on June 26, 2014, so there was no supervisor in 2021 and 2020.
- 5) The Corporation’s salary and remuneration policy (including directors, managers and employees):

The Corporation’s salary and remuneration policies are prepared and implemented with reference to the Corporation’s policy, salary management measures, annual bonus regulations, assessment management measures, quarterly bonus regulations, compensation of employees, labor incentive bonuses, employee stock ownership trust implementation measures and welfare management measures, etc.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 4)	Aggregate Financing Limits (Notes 3 and 4)	Note
													Item	Value			
0	Powertech Technology Inc.	Powertech Technology (Suzhou) Ltd.	Other receivables	Note 2	\$ 415,350	\$ 415,350	\$ -	1.0%	For short term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 2,475,359	\$ 4,950,718	-
1	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivables	Note 1	182,856	182,856	158,796	1.0%	For short term financing	-	Working capital	-	-	-	284,657	569,314	-

Note 1: Direct investments, the Corporation's 100%-owned subsidiary.

Note 2: Indirect investments, the Corporation's 100%-owned subsidiary.

Note 3: The amount of financing provided by PTI to any individual shall not exceed five percent of PTI's net worth. The aggregate amount available for financing not exceed ten percent of PTI's net worth.

Note 4: The amount of financing provided by Tera Probe, Inc. to any individual shall not exceed five percent of Tera Probe, Inc.'s net worth. The aggregate amount available for financing shall not exceed ten percent of Tera Probe, Inc.'s net worth.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement /Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement /Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement /Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0.	Powertech Technology Inc.	Powertech Technology (Singapore) Pte. Ltd.	Note 1	\$ 4,950,718	\$ 830,700	\$ 830,700	\$ -	\$ -	1.68	\$ 24,753,591	Yes	-	-	-

Note 1: Direct investment; the Corporation's 100%-owned subsidiary.

Note 2: The amount of guarantee provided by PTI to any individual entity shall not exceed ten percent of PTI's net worth. The aggregate guarantee amount shall not exceed fifty percent of PTI's net worth.



## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (In Thousands)	Carrying Value	% of Ownership	Fair Value	
Powertech Technology Inc.	<u>Stock</u> Solid state system Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	2,053	\$ 30,144	3	\$ 30,144	Note 3
Greatek Electronics Inc.	<u>Fund</u> Yuanta Taiwan High-yield Leading Company Fund A	-	Financial assets at fair value through profit or loss - current	5,000	79,200	-	79,200	Note 4
	<u>Bond</u> P06 Taipower 1A	-	Financial assets at amortized cost - current	300	300,000	-	300,715	Note 2
	P06 Taipower 3A	-	Financial assets at amortized cost - current	50	50,000	-	50,000	Note 2
	P06 FPC 1A	-	Financial assets at amortized cost - current	50	50,000	-	50,128	Note 2
	P08 Taipower 3A	-	Financial assets at amortized cost - noncurrent	100	100,000	-	100,470	Note 2
	<u>Stock</u> Powertech Technology Inc.	Parent entity	Financial assets at fair value through other comprehensive income – noncurrent	10,000	977,000	1	977,000	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets at fair value through profit or loss - noncurrent	268	-	3	-	Note 5
	Terawins Inc.	-	Financial assets at fair value through profit or loss - noncurrent	643	-	2	-	Note 5
	Airwave Technologies Inc.	-	Financial assets at fair value through profit or loss - noncurrent	93	-	1	-	Note 5

Note 1: The fair value was based on stock closing price as of December 31, 2021.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of December 31, 2021.

Note 3: The fair value of ordinary shares was based on stock closing price, and the fair value of privately placed shares was determined using valuation techniques as of December 31, 2021.

Note 4: The fair value was based on the net asset value of the fund as of December 31, 2021.

Note 5: The fair value was based on the carrying value as of December 31, 2021.

Note 6: As of December 31, 2021, the above marketable securities had not been pledged or mortgaged.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Powertech Technology Inc.	<u>Stock</u> Powertech Technology Inc.	Treasury stock	-	The Corporation	-	\$ -	10,412	\$ 1,018,166	-	\$ -	\$ -	\$ -	10,412	\$ 1,018,166
Greatek Electronics Inc.	<u>Stock</u> Powertech Technology Inc.	Financial assets at fair value through other comprehensive income - noncurrent	-	Greatek Electronics Inc.'s parent company	6,170	585,533	3,830	398,044	-	-	-	-	10,000	977,000

Note 1: Beginning balance and ending balance include premium value.

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Buyer	Property	Transaction Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Powertech Technology Inc.	Factory engineering	2020.08.07-2021.07.27	\$ 595,845	\$ 438,636	Yi-Sheng Systems Integration Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
Greatek Electronics Inc.	Building	2021.03.10	510,000	357,000	Jian Ming Contractor Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Self build not applicable	Plant expansion	None
	Land	2021.05.12	330,802	330,802	Orgchen Technologies, Inc.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
	MEP system	2021.06.17	980,000	294,000	Jiu Han Engineering Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	The two sides agreed	Plant expansion	None
	Clean rooms and plumbing systems MEP system	2021.07.06 2021.09.27	360,000 378,000	108,000 -	Jiu Han Engineering Co., Ltd. Jiu Han Engineering Co., Ltd.	None None	Not applicable Not applicable	Not applicable Not applicable	Not applicable Not applicable	Not applicable Not applicable	The two sides agreed The two sides agreed	Plant expansion Plant expansion	None None

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Powertech Technology Inc.	Kioxia Corporation Kingston Technology International Ltd.	Corporate director's parent company The ultimate parent company of the related party is the juristic-person director of the Corporation.	Sale	\$ 21,373,163	42	Note 1	\$ -	-	\$ 5,844,829	54	-
			Sale	694,268	1	Note 1	-	-	117,776	1	-
			Purchase	985,369	5	Note 1	-	-	(154,391)	(3)	-
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor.	Sale	1,021,407	5	Net 60 days from monthly closing date	Note 2	-	234,991	5	-
			Sale	339,601	2	Net 90 days from monthly closing date	Note 2	-	156,711	4	-
			Sale	313,138	2	Net 60 days from monthly closing date	Note 2	-	42,926	1	-
TeraPower Technology Inc.	Kioxia Corporation	Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company.	Sale	408,575	8	Net 90 days from monthly closing date	\$ -	-	140,022	11	-

Note 1: 30 to 90 days after the end of the month of the invoice date.

Note 2: The sales price of Greatek Electronics Inc. sold to related parties is determined based on general trading practices.

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debt
					Amount	Action Taken		
Powertech Technology Inc.	Kioxia Corporation	Corporate director's parent company	\$ 5,844,829	3.7	\$ -	-	\$ 3,869,074	\$ -
	Kingston Technology International Ltd.	The ultimate parent company of the related party is the juristic-person director of the Corporation.	117,766	5.12	-	-	117,776	-
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of the corporate ditector	234,991	4.29	-	-	156,811	-
TeraPower Technology Inc.	Powertech Technology Inc.	Parent company	156,711	3.60	-	-	69,720	-
	Kioxia Corporation	Parent company of corporate director of TeraPower Technology Inc.'s ultimate parent company	140,022	3.72	-	-	87,951	-

## POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Company Name	Counterparty	Transaction Flow	Intercompany Transactions			Percentage to Consolidated Total Gross Sales or Total Assets
			Financial Statement Item	Amount	Terms	
Powertech Technology Inc.	Powertech Technology (Suzhou) Ltd.	1	Sales	\$ 26,784	Note 3	-
	TeraPower Technology Inc.	1	Sales	19,565	Note 3	-
	Tera Probe, Inc.	1	Sales	818	Note 3	-
	Greatek Electronics Inc.	1	Sales	24,392	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Purchase	14,633	Note 2	-
	TeraProbe, Inc.	1	Purchase	58	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Subcontract costs	693,934	Note 2	1%
	Greatek Electronics Inc.	1	Subcontract costs	332,380	Note 2	-
	TeraPower Technology Inc.	1	Subcontract costs	153,692	Note 2	-
	Tera Probe, Inc.	1	Production overhead	5,631	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Production overhead	1,566	Note 2	-
	Powertech Technology Akita Inc.	1	Production overhead	4,266	Note 2	-
	Powertech Technology (Suzhou)	1	Production overhead	349	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Rent income	4,505	Note 2	-
	TeraPower Technology Inc.	1	Rent income	977	Note 2	-
	TeraPower Technology Inc.	1	Rent	5,265	Note 2	-
	TeraPower Technology Inc.	1	Other gains and losses	8,920	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other gains and losses	25,718	Note 2	-
	Greatek Electronics Inc.	1	Other gains and losses	95,766	Note 2	-
	Powertech Technology Akita Inc.	1	Other gains and losses	340	Note 2	-
	Greatek Electronics Inc.	1	Accounts receivable from related parties	4,725	Note 3	-
	TeraPower Technology Inc.	1	Accounts receivable from related parties	4,429	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Other receivables from related parties	8,833	Note 2	-
	TeraPower Technology Inc.	1	Other receivables from related parties	8,747	Note 2	-
	Greatek Electronics Inc.	1	Other receivables from related parties	2,574	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other receivables from related parties	83,972	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Disposal of property, plant and equipment	90,760	Note 2	-
	Greatek Electronics Inc.	1	Disposal of property, plant and equipment	1,955	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Disposal of property, plant and equipment	324	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Purchase of property, plant and equipment	223	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Purchase of property, plant and equipment	134,987	Note 2	-
	Powertech Technology (Suzhou)	1	Purchase of property, plant and equipment	61,327	Note 2	-
	Powertech Technology Akita Inc.	1	Purchase of property, plant and equipment	31,631	Note 2	-
	Powertech Technology (Suzhou)	1	Accounts payables to related parties	2,925	Note 2	-
Powertech Technology (Suzhou)	1	Payable to equipment suppliers	1,416	Note 2	-	
TeraPower Technology Inc.	1	Other payables to related parties	94,910	Note 2	-	
Powertech Technology (Suzhou) Ltd.	1	Other payables to related parties	76,006	Note 2	-	
Greatek Electronics Inc.	1	Other payables to related parties	167,316	Note 2	-	
Powertech Technology (Japan) Ltd.	1	Other payables to related parties	10,528	Note 2	-	
Powertech Technology Akita Inc.	1	Other payables to related parties	33,402	Note 2	-	
Tera Probe, Inc.	1	Other payables to related parties	366	Note 2	-	
Tera Probe, Inc.	TeraPower Technology Inc.	1	Other receivables from related parties	3,919	Note 2	-

(Continued)

Note 1: No. 1 - from the parent company to the subsidiary. No. 2 - from the subsidiary to the subsidiary.

Note 2: The transactions for related parties were negotiated and thus not comparable with those in the market.

Note 3: The selling prices with subsidiaries were negotiated and thus not comparable with those in the market, and the collection period with subsidiaries was same as common customer.

Note 4: The selling prices with sister companies were negotiated and thus not comparable with those in the market, and the collection period with sister companies was the same as common customer.

(Concluded)

**POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES**

**TABLE 9**

**INFORMATION OF INVESTEEES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	\$1,153,964	\$1,153,964	73,386	49	\$2,862,748	\$798,574	\$483,975	Notes 1 and 2
	Powertech Holding (BVI) Inc.	British Virgin Islands	Investment business	1,679,370	1,679,370	50	100	1,172,419	58,403	50,895	Notes 1 and 2
	Greatek Electronics Inc.	Miaoli	Semiconductor assembly and testing services	6,169,948	6,169,948	244,064	43	9,527,893	4,602,762	1,969,065	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD85,000	USD85,000	85,000	100	1,883,866	816,512	814,566	Notes 1 and 2
	Powertech Technology Japan Ltd.	Japan	Investment business	USD103,052	USD103,052		100	3,010,514	202,412	345,339	Note 1
Powertech Holding (BVI) Inc.	Tera Probe, Inc.	Japan	Wafer probing test services	\$230,616	\$230,616	1,077	12	378,628	448,678	62,138	Notes 1 and 2
	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD51,000	USD51,000	103	100	USD42,016	USD2,089	USD2,089	Note 1
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Japan	Wafer probing test services	USD43,963	USD43,963	4,440	49	USD100,332	USD16,041	USD7,814	Note 1
	Powertech Technology Akita Inc.	Japan	Semiconductor assembly and testing services	USD58,329	USD58,329		100	USD9,689	USD(347)	USD(347)	Note 1
Tera Probe, Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	JPY4,348,056	JPY4,348,056	76,381	51	JPY4,348,056	JPY3,142,869	JPY1,602,863	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY221,616	JPY221,616	180	100	JPY221,616	JPY(218,865)	JPY(218,865)	Note 1

Note 1: Amount was recognized on the basis of reviewed financial statements.

Note 2: Including unrealized intercompany gains (losses).



POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TABLE 10

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Accounted for Using the Equity Method	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investments from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2021 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2021	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	\$ 2,769,000 (US\$100,000)	Note 1	\$ 1,412,190 (US\$51,000)	\$ -	\$ -	\$ 1,412,190 (US\$51,000)	\$ 81,597 (US\$2,901)	100%	\$ 80,624 (US\$2,866)	\$ 1,684,648 (US\$60,839)	\$ -	-
Powertech Technology (Xian) Ltd.	Semiconductor testing and assembly services	1,938,300 (US\$70,000)	Note 1	1,833,493 (US\$66,215)	-	155,341 (US\$5,610)	1,678,152 (US\$60,605)	544,095 (US\$19,422)	100%	544,095 (US\$19,422)	2,657,829 (US\$95,985)	260,148 (US\$9,395)	-

Investee Company Accounted for Using the Equity Method	Accumulated Investment in Mainland China as of December 31, 2021 (In Thousands of USD)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands of USD)	Ceiling Amount on of the Corporation's Investment in Mainland China
Powertech Technology (Suzhou) Ltd	US\$ 51,000	US\$ 79,000	\$ 29,704,309
Powertech Technology (Xian) Ltd	US\$ 60,605	US\$ 70,000	

Note 1: Indirect investments through Powertech Holding (BVI) Inc., the Corporation's 100%-owned subsidiary.

Note 2: Amount was recognized on the basis of reviewed financial statements.

Note 3: Based on the exchange rate as of December 31, 2021.

**6. Risk Analysis and Assessment in the Recent Year and as of Publication Date of Annual Report: None.**

## VII. Discussion and Analysis of Financial Status and Operating Results and Risk Management

### 1. Financial Status

#### Nonconsolidated Financial Statements

Item	Year	2021	2020	Difference	
				Amount	%
Current Assets		\$ 51,958,614	\$ 44,590,593	\$7,368,021	16.52
Investment		508,679	928,313	(419,634)	(45.20)
Real estate, Plant & Equipment		63,236,697	60,111,194	3,125,503	5.20
Intangible Assets		982,640	1,002,475	(19,835)	(1.98)
Other Assets		1,900,392	2,113,665	(213,273)	(10.09)
Total Assets		118,587,022	108,746,240	9,840,782	9.05
Current Liabilities		23,319,131	16,865,006	6,454,125	38.27
Long-term Liabilities		31,961,649	33,476,595	(1,514,946)	(4.53)
Total Liabilities		55,280,780	50,341,601	4,939,179	9.81
Capital Stock		7,791,466	7,791,466	0	0.00
Capital Surplus		270,794	231,294	39,500	17.08
Retained Earnings		43,573,846	38,561,679	5,012,167	13.00
Other shareholders' Equity		(710,623)	(366,982)	(343,641)	93.64
Treasury Stock		(1,418,300)	(229,334)	(1,188,966)	518.44
Equity Belong to Parent Company		49,507,183	45,988,123	3,519,060	7.65
Non-Controlling Interests		13,799,059	12,416,516	1,382,543	11.13
Total Shareholders' Equity		63,306,242	58,404,639	4,901,603	8.39
Reason for Major Difference:					
1. Decreased of investment: Mature of bonds from subsidiaries.					
2. Increase of current liability: increase of material payable, equipment payable, and other liability.					
3. Increase of other equity: increase of 2021 overseas subsidiaries exchange gains.					
4. Increased of treasury stock: increase of share buyback.					
Note: The listed numbers were from consolidated report and audited by CPA using IFRS.					

## 2. Operating Results

### (1) Comparison and Analysis Table for Operating Results for Last Two Years Nonconsolidated Financial Statements

Unit: NT\$ Thousands

Item	Year	2021	2020	Increase (Decrease)	Difference (%)	Analysis
Net Sales		\$ 83,793,572	\$ 76,180,649	\$ 7,612,923	9.99	
Cost of Sales		64,498,915	61,152,021	3,346,894	5.47	
Gross Profit		19,294,657	15,028,628	4,266,029	28.39	1
Operating Expenses		4,769,711	4,310,458	459,253	10.65	
Operating Income		14,524,946	10,718,170	3,806,776	35.52	2
Non-Operating Income/Expenses		180,541	(323,219)	503,760	(155.86)	3
Net Income Before Tax		14,705,487	10,394,951	4,310,536	41.47	4
Income Tax Expense		2,979,562	2,215,974	763,588	34.46	5
Net Income		11,725,925	8,178,977	3,546,948	43.37	4
Analysis of Difference over 20%						
1. Increase in gross margin: increase in revenue.						
2. Increase in net income: gross margin increase more than operating expenses.						
3. Increase in non-operating income: gain from assets disposal and foreign exchange.						
4. Increase in net income and net income before tax: increase in operating profits.						
5. Increase in income tax expenses: increase of net income before tax.						
Note: The listed numbers were from consolidated report and audited by CPA.						

### (2) Revenue Forecast and Financial Impact:

See 2022 Operation Report for details.

### 3. Cash Flow

#### (1) Cash Flow Analysis for 2021

Unit: NT\$ Thousand

Beginning Cash Balance 1/1/2021	2021 Cash Flow from Operating Activities	2021 Cash Flow from Investing Activities	2021 Cash Flow from Financing Activities	Currency Exchange for Cash and Cash Equivalent	Ending Cash Balance 12/31/2021
21,019,812	24,649,382	(14,059,133)	(8,715,936)	(279,892)	22,614,233
<p>2021 Cash Flow Analysis :</p> <p>(1) Operating Activities: Increase cash inflow from change in 2021 depreciation and profit.</p> <p>(2) Investing Activities: Increase of cash outflow was due to acquisition of real estate, property and equipment in 2021.</p> <p>(3) Financing Activities: The increase of cash outflow was due to change in cash dividends payout and bank loan payment in 2021.</p>					

#### (2) Cash Flow Improvement Plan

Not applicable.

#### (3) Cash Flow Estimation for 2022

Unit: NT\$ Thousand

Beginning Cash Balance 1/1/2022	Estimated 2022 Cash Flow from Operating Activities	Estimated 2022 Cash Outflow	Estimated Ending Cash Balance 12/31/2022	Funding for Cash Flow Shortage	
				Investing Activities	Finance Activities
22,614,233	22,000,000	(21,000,000)	23,614,233	—	—
<p>1. 2022 Cash Flow Analysis:</p> <p>(1) Operating Activities: The cash inflow is from 2022 estimated net income and depreciation.</p> <p>(2) Investing Activities: The cash flow is for acquisition of real estate, property, and equipment in 2022.</p> <p>(3) Financing Activities: The cash flow is for 2022 cash dividends payout and payback bank loan.</p> <p>2. Funding for Cash Flow Shortage: Not Applicable.</p>					

#### **4. Effects of Major Capital Expenditures on Financial Status in Most Recent Year**

##### **(1) Major Capital Expenditures and Sources of Capital**

Majority of 2021 PTI capital expenditures were for acquiring real estate, property and equipment. The sources of capital were from the Company's own funds and bank loans. In order to stay competitive, PTI has constantly devoted on production efficiency modification, new technology research, upgrade equipment, and capacity expansion to meet customer satisfaction.

#### **5. Investment Policy in Recent Years, Main Causes for Profits or Losses, Improvement Plans, and Investment Plans for the Coming Year**

PTI's investment policies conform with its strategies of deep cultivation of core business, strengthening of strategic alliance relationships with major clients and expansion of related industries, excepting to increase return on equity through the investment gains.

Investment Commission had approved no more than US\$51 million investment through Powertech Holding (BVI) Inc. for subsidiary Powertech Technology (Suzhou) Ltd. (PTI Suz) for further expansion in China in 2009. Total investment for PTI Suz was US\$216 million and register capital was US\$72 million. As of end of 2019, PTI Suz accumulated lost was over US\$54 million which was over half of register capital. PTI Suz financial performance has not met expectation after a decade. Supply chain swift from trade tensions and local made incentives from China government created a favorable condition for operations in China. PTI HQ assigned new management team to undergo a serious leadership revolution for PTI Suz and continue funding its operation by increase capital of US\$ 28 million. The capital increased was approved by Apr 2020 board meeting. PTI Suz was expected to improve its financial status with new leadership and favorable operations condition.

Board meeting in Aug 2020 concluded to end the operations of Powertech Technology Akita Inc. due to its poor financial performance and limited foreseeable opportunity.

Board meeting in Aug 2020 concluded to end the operations of Powertech Technology (Singapore) Pte. Ltd. due to its poor financial performance.

Future investment plan will justify with industry condition and potential growing opportunities. Under the direction of strengthen the relationship of alliance and supply chain networking, the Board of Directors will carefully consider all the investment proposals.

#### **6. Risk Analysis and Assessment in the Recent Year and as of Publication Date of Annual Report**

##### **(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:**

###### **1. Interest Rate**

The semiconductor packaging and testing industry where our company is in is capital intensive therefore large fund is required for the Company to invest into fixed assets.

Besides the Company's own funds, the sources of the Company's funding are primarily

bank loans, thus the Company's profitability is affected by interest rate movement. To minimize this risk, PTI compares the level of interest rates of its bank loans on a regular basis with market average rate and negotiate timely with the correspondent banks to obtain better interest rates to ensure the financing costs are at comparatively low level.

## 2. Foreign Exchange Rate:

### (1) Effects

Exportation account for 76.90% of 2021 PTI's net sales, so the majority of trade were conducted in foreign currency and US dollars is the most common currency used. Majority of equipment and raw materials were mainly trade in US dollars and Japanese yen as well. Both import and export were affected by currency exchange rate fluctuate. 2021 net foreign exchange lost were about NT\$ 260.9 million.

### (2) Future Response Measures

- Foreign currencies from exporting income balance out with importing expenses which creates mutual hedging effects to eliminate exchange rate risks.
- Finance staff collected information regarding changes of foreign exchange rates, including supply and demand of foreign currencies, monetary tightness condition of the correspondent banks, and trend analysis of exchange rates, which will then serve as reference information to respond to future exchange rate movements.
- To timely purchase foreign currencies based on the Company's future foreign currency requirements, in order to determine the cost and reduce the impact of movements in exchange rates.
- To use the bank credit at the right time to convert foreign currency loans to NT dollars borrowing.
- To apply financial instruments such as derivatives of forward exchange to avoid the risks of changes in exchange rates leading to exchange loss on assets, liabilities and future transactions denominated by foreign currencies.

## 3. Inflation:

No significant impact of inflation on the PTI's profitability and business operations in 2021.

### (2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

1. PTI has not engaged in any high-risk or high-leveraged investments.
2. PTI proposed and approved by board to authorized Chairman to lend Powertech Technology (Singapore) Pte. Ltd. US\$50 m in 2014. Board had reduced the endorsement and guarantees limit to US\$30 m in Mar 2016 after review its funding

needs. The subsidiary had fully payback its debt and removed the endorsement liability. As the date of printing, PTI has no endorsement liability.

3. 9<sup>th</sup> Annual 8<sup>th</sup> Board meeting on Nov 5, 2021 approved to lend Powertech Technology (Suzhou) Ltd. no more than US\$15 million for the period no longer than 1 year with estimated annual interest rate at 1.0%. As the end of Apr 2021 outstanding loan balance for Powertech Technology (Suzhou) Ltd. was US\$11 million (NT\$257,598,000).

As of Dec 31 2021, PTI net worth was NT\$49.5 billion and lending amount were NT2.5 billion and NT\$4.9 billion for separated entities which were below the lending regulation maximum. As of Dec 31 2021, Tera Probe Inc. net worth was NT\$6.3 billion (JPY 26.2 billion) and lending amount were NT315 million (JPY1,309 million) which were below the lending regulation maximum NT\$630 million (JPY 2,619 million).

4. No major currency exchange gain or loss from currency investment as of the date of printing.

(3) Future Research and Development Plans and R&D Expenses from Expected Investments

The Company has put much emphasis on the development of talents since its establishment. Setting up a R&D department in 1998 and the R&D technology center in 2006, PTI has continually introduced new processes and technologies of packaging and testing. To adapt to the future semiconductor memory device trend towards being versatile, high-speed, highly reliable and high density and the development of new products of our customers, PTI will proactively develop and introduce new technologies in the future. PTI R&D budget was about NT\$2.6 billion for 2022.

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales.

PTI has always pay close attention to any international and domestic policies changes, and PTI will make appropriate modifications to the operating systems when necessary. As of the publication date of this annual report, there is no significant change or impact of law on PTI's operations.

(5) Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales:

The semiconductor industry, where PTI belongs to, is under rapid changes in products and technology. To adapt to these rapid changes, PTI needs to upgrade its processes and develop new technologies constantly, upgrade its equipment, and expand its capacities in a timely manner. To reduce the risks of overexpansion at the same time keep up with the product development trend, PTI has established collaborative relationships and co-op with strategic alliances with major customers to develop advanced technology capabilities. In addition, PTI has invested in related industries to form a complete supply chain network



and diversify the risks caused by market changes. PTI also strengthen its cost control and cash management skills to maintain competitiveness and eliminate the impacts of changes in technology and in industry relating to corporate finance and sales.

PTI has implemented measures to protect the information security of our networks and computers. There are also established rules and procedures for information security risk management.

1. Different assets may face different risks. Methods for assessing or calculating asset value were adjusted to make them more appropriate to the nature of the unit.
2. The basic information security requirements are data confidentiality, integrity and usability. These ensure the appropriateness and effectiveness of related regulations and processes.
3. Information security insurance is an emerging risk type that involves information security rating organizations, claim assessment organizations, and no-compensation clauses. To mitigate potential losses due to information security incidents, information security insurance policy with up to US\$10 million in coverage was purchased by PTI in 2021.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since the establishment of the Company, PTI has consistently maintained an ethical business practices, and has actively strengthened its internal and quality management to build up customer trusts. PTI has a good corporate image and there has been no corporate crisis in recent years caused by changes in corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

No plan of merger and acquisition as of the date of printing.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

PTI has been devoted on Fan-Out Panel-Level packages (FOPLP) for packaging solution post Moor's Law. Hsin Chu Science Park Plant III will be dedicated for FOPLP. The new facility finished construction in 2021 and expect to pull in equipment in second half of 2022.

(9) Risks Relating to and Response to Excessive Concentration on Supply Sources and Customer

The supply sources and major customers of the Company have been disclosed in related sections of this report. As the concentration level of the upper stream memory IC markets gets intense, sales of the downstream packaging and testing providers will get more concentrated. PTI has proactively developed new customers, collaborative relationships,

and strategic alliances with existing customers to eliminate the highly customer concentrated risks. PTI has also actively reached out to non-memory IC packaging and testing business. The results are noticeable. In terms of supply sources, PTI has been actively seeking qualified alternative suppliers to reduce the risks of excessive concentration.

(10) Effects, Risks, and Solution for Share Transfers of Shareholders with 10% Or More Shares: None

(11) Effects, Risks, and Solution of Changes in Control over the Company: None.

(12) For litigation or non-litigious matters, clearly state if the Company or the Company's directors, supervisors, president, actual person in charge, shareholders with 10% shareholdings or more, and affiliated companies that have been concluded or pending major litigations, non-litigation or administrative litigation matters, whose outcome may have major impact on shareholders' equity or securities prices:

1. The Company's major litigations, non-litigation or administrative litigation matters: None.

2. Major litigations, non-litigation or administrative litigation matters of the Company's directors, supervisors, president, actual person in charge, shareholders with 10% shareholdings or more and affiliated companies: None.

(13) Other Important Risks and Remedies: None.

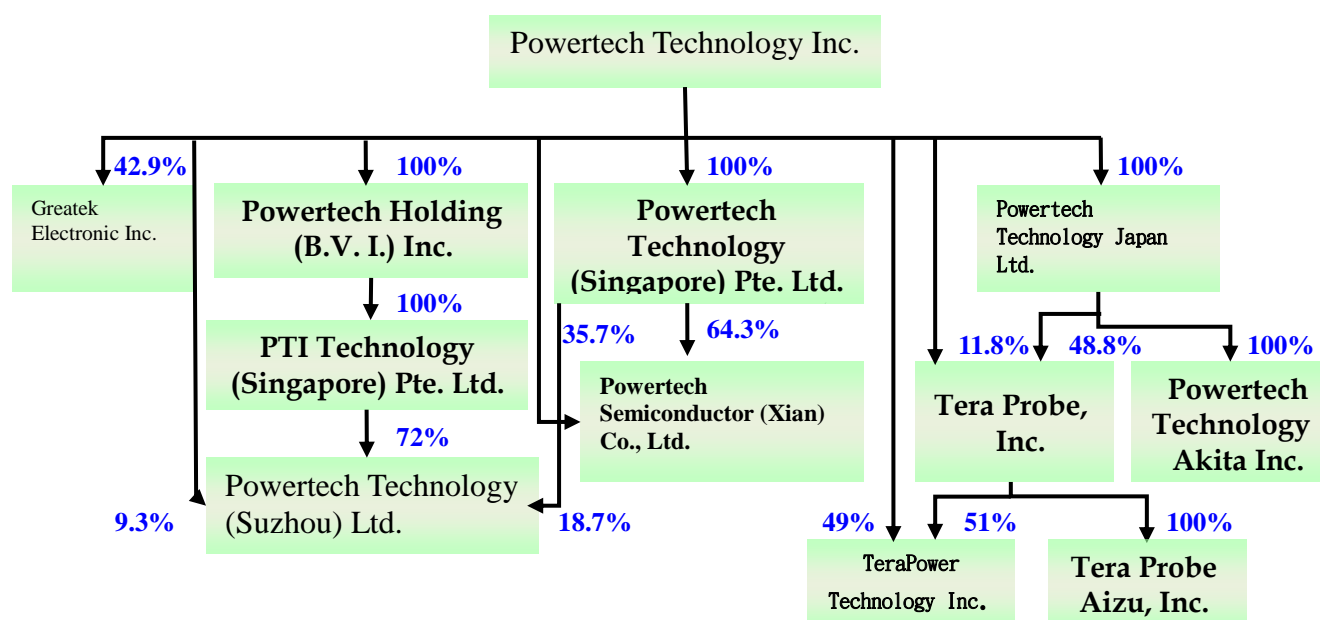
**7. Other Important Matters:** None.

## VIII. Special Notes

### 1. Summary of Affiliated Companies

#### (1) Profile of Affiliated Companies

##### 1. Company Structure



#### 2. Names, Date of Establishment, Address, Paid-in Capital and Major Business Items of Consolidated Subsidiaries :

Dec 31 2021 ; Unit : thousands

Entity Name	Date of Establishment	Address	Paid-In Capital Amount	Major Services
Powertech Holding (B.V.I.) Inc.	Aug 2009	P.O. Box 3444 Road Town, Tortola, B.V.I.	US\$52,000	Investment
PTI Technology (Singapore) Pte. Ltd.	Nov 1994	8 Marina Boulevard #05-02 Marina Bay Financial Centre Tower 1 Singapore 018981	US\$72,102	Investment
Powertech Technology (Suzhou) Ltd.	Aug 1995	No. 33, Xinghai Street, Suzhou Industrial Park, Suzhou, China	US\$100,000	Packaging and Final Testing Services
Greatek Electronics Inc.	Mar 1983	No. 136, Gung-Yi Rd., Chunan Town, Miaoli, Taiwan.	NT\$5,688,459	Packaging and Final Testing Services
Powertech Technology (Singapore) Pte. Ltd.	Dec 2005	50 Ubi Avenue 3# 01-09 Frontier Singapore 408866	US\$85,000	Investment
Powertech Semiconductor (Xian) Co., Ltd.	May 2015	Building I Room 10000, Shaanxi Xi'an Export Processing Zone, No. 28-2, Xinxu Avenue, Xi'an, Shaanxi 710119, China	US\$70,000	Packaging and Final Testing Services

Entity Name	Date of Establishment	Address	Paid-In Capital Amount	Major Services
Powertech Technology Japan Ltd.	Jan 2017	KAKiYA Bldg., 2-7-17 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa, Japan	JPY 100,000	Investment & Packaging and Testing Services
Tera Probe, Inc.	Aug 2005	KAKiYA Bldg., 2-7-17 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa, Japan	JPY 11,823,312	Chip Probing Services
Tera Probe Aizu, Inc.	Oct 2015	No.4 Kogyo Danchi, Monden-Machi, Aizu Wakamatsu City, Fukushima Prefecture, Japan	JPY 45,000	Chip Probing Services
TeraPower Technology Inc.	Aug 2008	No.20, Wenhua Road, Hsinchu Industrial Park. Hukou , Hsinchu 303, Taiwan	NT\$1,497,600	Chip Probing Services
Powertech Technology Akita Inc.	Apr 1969	89-2 Yamada, Yuwaishida, Akita-shi Akita 010-1222 Japan	JPY 100,000	Packaging and Final Testing Services

3. Presumed to Have Control and Affiliation Relationship: None.

4. Business Items of Affiliated Companies:

The business items of PTI and its affiliated companies cover manufacturing, marketing & sales and investments of electronics.

5. The Names and the Shareholding or Funding Status of the Directors, Committee Members, and President of Each Affiliated Company:

March 31, 2022

Name of Company	Title	Name or Representative	Shareholding	
			Number of shares (capital contribution)	%
Powertech Holding (B.V.I.) Inc.	Director	Powertech Technology Inc. Representative: D.K. Tsai	US\$ 52,000,000	100%
PTI Technology (Singapore) Pte. Ltd.	Director	Powertech Holding (B.V.I.) Inc. Representative: D. K. Tsai, J.S. Leu, Jeswant Singh S/O Darshan Singh	US\$ 51,000,000	100%
Powertech Technology (Suzhou) Ltd.	Chairman	PTI Technology (Singapore) Pte. Ltd. Representative: J.S. Leu	US\$50,900,000	72%
	Director	PTI Technology (Singapore) Pte. Ltd. Representative: D. K. Tsai, Carlos Huang		
	Supervisor	PTI Technology (Singapore) Pte. Ltd. Representative: Evan Tseng		
	President	Carlos Huang		
			-	-

Name of Company	Title	Name or Representative	Shareholding	
			Number of shares (capital contribution)	%
Greatek Electronics Inc	Chairman	Powertech Technology Inc. Legal Rep Director: Boris Hsieh	NT\$244,064,379	42.91%
	Director	Powertech Technology Inc. Legal Rep Director: DK Tsai J.S. Leu, Chien-Chao Ning, YC Chen		
	Director	Hung-Wei Venture Capital Company: Eric Chang	5,823,602	1.02%
	Independent Director	Chi-Yung Wu	0	0%
	Independent Director	Chu-Chien Feng	0	0%
	Independent Director	M.J. Chuang	0	0%
	President	Chien-Chao Ning	NT\$ 2,201,224	0.39%
Powertech Technology (Singapore) Pte. Ltd.	Director	Powertech Technology Inc. Representative: DK Tsai, J.S Luu, Evan Tseng, Tay Hua Nguan	US\$ 85,000,000	100%
Powertech Semiconductor (Xian) Pte. Ltd.	Chairman	Powertech Technology (Singapore) Pte. Ltd Representative: J.S. Leu	US\$ 45,000,000	64%
	Director	Powertech Technology (Singapore) Pte. Ltd. Representative: Chris Yeh		
	Supervisor	Powertech Technology (Singapore) Pte. Ltd. Representative: Yohan Lin		
	Director	Powertech Technology Inc. Representative: Evan Tseng	US\$ 25,000,000	36%
	President	Chris Yeh		
Powertech Technology Japan Ltd.	Executive Director	DK Tsai	0	0%
			(Powertech Technology Inc. JPY 100,000,000)	100%
Tera Probe, Inc.	Director & Representative Statutory Executive Officer	Tsuyoshi Yokoyama (Powertech Technology Japan Ltd)	500	0.00%
			(Powertech Technology Japan Ltd. 4,440,300 shares Powertech Technology Inc 1,077,100 shares)	48.81%
				11.84%
	Director	DK Tsai, Boris Hsieh Evan Tseng, Naohiko Urasaki (Powertech Technology Inc.)	- - - -	0.00%
	Outside Director	Koji Iwama	-	0.00%
Outside Director	Naoki Mori	-	0.00%	

Name of Company	Title	Name or Representative	Shareholding	
			Number of shares (capital contribution)	%
	Outside Director	Takayuki Mashiko	-	0.00%
Tera Probe Aizu, Inc.	Representative Director	Hiroaki Harada (Tera Probe, Inc.)	- - -	0.00%
			(Tera Probe, Inc. 180,000 shares)	100%
	Director	Naokazu Jinushi, Hajime Funatani	-	0.00%
	Supervisor	Takayuki Mashiko	-	0.00%
TeraPower Technology Inc.	Chairman	Evan Tseng (Tera Probe, Inc.)	76,381,170	51.0%
	Director	Tera Probe, Inc. Tsuyoshi Yokoyama, Naokazu Jinushi		
	Director	Powertech Technology Inc. Legal Rep Director: Wilber Wu, Noty Lin	73,385,830	49.0%
	Supervisor	Takayuki Mashiko, Yohan Lin	-	-
	President	Noty Lin	-	-
Powertech Technology Akita Inc.	Representative Director	Evan Tseng (Powertech Technology Japan Ltd)	0	0.00%
			(Powertech Technology Japan Ltd. 6,203 shares)	100%
	Director	DK Tsai	0	0.00%
	Supervisor	Yohan Lin	0	0.00%

## 6. Operations of Affiliated Companies

Unit: NT\$ Thousands

Name of Company	Paid-in Capital	Total Assets	Total Liabilities	Equity	Revenues	Operating Income	Net income (loss) (after tax)	Earnings Per Share (NT\$) (After tax) Note
Powertech Holding (B.V.I.) Inc.	1,442,787	1,375,831	0	1,375,831	0	0	58,403	NA
PTI Technology (Singapore) Pte. Ltd.	1,996,491	1,343,475	51	1,343,424	0	0	58,749	NA
Powertech Technology (Suzhou) Ltd.	3,400,200	2,733,827	868,205	1,865,622	1,855,689	58,461	81,567	NA
Greatek Electronics Inc	5,688,459	26,506,083	5,676,178	20,829,905	19,461,143	5,647,090	4,602,762	8.09
Powertech Technology (Singapore) Pte. Ltd.	2,353,650	2,233,453	1,334	2,232,119	0	742,299	728,225	NA
Powertech	1,938,300	3,841,756	1,183,927	2,657,829	5,944,934	617,005	544,095	NA

<b>Name of Company</b>	<b>Paid-in Capital</b>	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Equity</b>	<b>Revenues</b>	<b>Operating Income</b>	<b>Net income (loss) (after tax)</b>	<b>Earnings Per Share (NT\$) (After tax) Note</b>
Semiconductor (Xian) Pte. Ltd.								
Powertech Technology Japan Ltd.	2,853,512	2,991,787	1,047,941	1,943,846	0	438	202,633	NA
Powertech Technology Akita Inc.	15,478	193,700	3,664	190,036	0	(9,957)	(17,446)	NA
Tera Probe Inc.	2,844,689	6,709,953	1,016,813	5,693,140	1,612,860	44,844	448,678	49.32
TeraPower Technology Inc.	1,497,670	10,509,006	5,388,112	5,120,894	4,916,929	1,002,057	798,574	5.33

Note: No need to calculate EPS for limited companies

**Affiliated Companies Overview:**

REPRESENTATION LETTER

Mar 10, 2022

The entities that are required to be included in the combined financial statements of Powertech Technology Inc. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Powertech Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Duh-Kung Tsai

Chairman  
Powertech Technology Inc.

Affiliated Companies Report: None.



**2. Private Placement Securities as of the Date of Annual Report Printing: None.**

**3. Status of PTI Common Shares and GDR Acquired, Disposed of, and Held by Subsidiaries in 2020 and as of the Publication Date of this Annual Report:**

Unit: NTD K; Shares; %

Name of Subsidiary	Capital Received	Source of Fund	% Holding by PTI	Date	Acquired Shares and Amount	Sold Shares and Amount	Investment Gain/Loss	As of Printing Date	
								Holding Shares	Amount
Greatek Electronic Inc.	5,688,459	Self Funding	42.91%	2017	1,800,000 shares NT\$158,719,000	-	-	10,000,000	932,515
				2018	400,000 shares NT\$33,130,000				
				2019	450,000 shares NT\$32,981,000				
				2020	3,520,000 shares NT\$309,641,000				
				2021	3,830,000 shares NT\$398,044,000				
				Apr 2022	0 shares NT\$0				

**Note:**

No creation of pledge by the above subsidiary.

PTI did not endorse and guarantee for the above subsidiary.

No fund lent by PTI to the above subsidiary.

**4. Other Necessary Supplement: None.**

**5. Any Events in 2021 and as of the Publication Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.**