

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	
Current Assets		\$19,289,640	\$22,634,087	\$27,056,110	\$27,442,420	\$31,977,573	Note3
Property, Plant, and Equipment		36,344,220	36,364,180	35,113,054	36,527,520	36,808,535	
Intangible Assets		4,359	0	6,248	3,471	694	
Other Assets		16,532,424	17,175,479	18,916,216	19,342,915	21,773,109	
Total Assets		72,170,643	76,173,746	81,091,628	83,316,326	90,559,911	
Current Liabilities	Before Distribution	10,800,669	9,924,490	12,419,225	9,426,004	14,059,405	
	After Distribution	14,306,829	13,664,394	15,925,385	5,530,271	Note 2	
Non-Current Liabilities		23,309,164	25,246,030	25,644,675	27,902,199	26,993,323	
Total Liabilities	Before Distribution	34,109,833	35,170,520	38,063,900	37,328,203	41,052,728	
	After Distribution	37,615,993	38,910,424	41,570,060	33,432,470	Note 2	
Capital Stocks		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 Stocks		(68,099)	(82,315)	(96,467)	(229,334)	(1,418,300)	
Total Equity	Before Distribution	38,060,810	41,003,226	43,027,728	45,988,123	49,507,183	
	After Distribution	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	
	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:

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	%
CURRENT ASSETS					CURRENT LIABILITIES				
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
NON-CURRENT ASSETS					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	-	NON-CURRENT LIABILITIES				
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>
TOTAL	<u>\$ 118,587,022</u>	<u>100</u>	<u>\$ 108,746,240</u>	<u>100</u>	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 20)				
					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
					NON-CONTROLLING INTERESTS (Notes 12 and 20)				
					Total equity	<u>63,306,242</u>	<u>53</u>	<u>58,404,639</u>	<u>54</u>
					TOTAL	<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											Noncontrolling Interests	Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total			
	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
CASH FLOWS FROM OPERATING ACTIVITIES		
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
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(279,892)</u>	<u>(339,731)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,594,421	(780,236)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>21,019,812</u>	<u>21,800,048</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<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)

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

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 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

	December 31	
	2021	2020
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:

	December 31	
	2021	2020
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

	Not Past Due	Up to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
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

	Not Past Due	Up to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
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:

	For the Year Ended December 31	
	2021	2020
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

	December 31	
	2021	2020
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:

	For the Year Ended December 31	
	2021	2020
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)

	For the Year Ended December 31	
	2021	2020
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.

	December 31	
	2021	2020
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>

	For the Year Ended December 31	
	2021	2020
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

	<u>\$ (359,232)</u>	<u>\$ 77,809</u> (Concluded)
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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
Cost										
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>
Accumulated depreciation										
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>-</u>	<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>-</u>	<u>-</u>	<u>-</u>	<u>92,349,335</u>
Accumulated impairment										
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>-</u>	<u>835</u>	<u>39,792</u>	<u>-</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>
Cost										
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>
Accumulated depreciation										
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>-</u>	<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>-</u>	<u>-</u>	<u>13,651</u>	<u>86,432,024</u>
Accumulated impairment										
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>-</u>	<u>-</u>	<u>45,729</u>	<u>-</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:

Buildings	
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

	December 31	
	2021	2020
<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>
	For the Year Ended December 31	
	2021	2020
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

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

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
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

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

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

	Computer Software	Goodwill	Core Techniques	Client Relationships	Royalty	Technical Services	Total
<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)

	December 31	
	2021	2020
<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

	December 31	
	2021	2020
<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:

	December 31	
	2021	2020
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:

	December 31	
	2021	2020
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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:

	December 31	
	2021	2020
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:

	December 31	
	2021	2020
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.

	December 31	
	2021	2020
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

	December 31	
	2021	2020
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:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
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:

	For the Year Ended December 31, 2021
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.

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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

Purpose of Buy-Back	Shares Cancelled (In Thousands of Shares)	Shares Held by Subsidiary (In Thousands of Shares)
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>	
	2021	2020
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

	December 31, 2021	December 31, 2020	January 1, 2020
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:

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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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>
	<u>\$ 228,152</u>	<u>\$ 279,465</u>

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	<u>\$ 14,052,238</u>	<u>\$ 13,822,936</u>

An analysis of depreciation by function

Operating costs	\$ 13,478,789	\$ 13,068,865
Operating expenses	<u>532,948</u>	<u>689,245</u>
	<u>\$ 14,011,737</u>	<u>\$ 13,758,110</u>

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>
	<u>\$ 40,501</u>	<u>\$ 64,826</u>

f. Employee benefit expense

	<u>For the Year Ended December 31</u>	
	2021	2020
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

	<u>For the Year Ended December 31</u>	
	2021	2020
Compensation of employees	5.42%	5.19%
Remuneration of directors	1.08%	1.04%

Amount

	<u>For the Year Ended December 31</u>	
	2021	2020
	Cash	Cash
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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:

	For the Year Ended December 31	
	2021	2020
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

	December 31	
	2021	2020
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

	Balance, Beginning of Year	Movements in the Year	Balance, End of Year
<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

	Balance, Beginning of Year	Movements in the Year	Balance, End of Year
<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

	December 31	
	2021	2020
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.

	USD Impact		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
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.

	December 31	
	2021	2020
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

	December 31	
	2021	2020
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

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
Substantial related parties	<u>\$ 198</u>	<u>\$ 419</u>

Operating costs mainly was occasional fee.

e. Operating expenses

Related Party Category	For the Year Ended December 31	
	2021	2020
Substantial related parties	<u>\$ -</u>	<u>\$ 3,000</u>

Operating expenses mainly was donation fee.

f. Other gains and losses

Related Party Category	For the Year Ended December 31	
	2021	2020
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

Related Party Category/Name	December 31	
	2021	2020
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:

	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
<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>

	December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount
<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.

	Revenue		Non-current Assets	
	For the Year Ended		December 31	
	2021	2020	2021	2020
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:

Customer	For the Year Ended December 31			
	2021		2020	
	Amount	% of Total	Amount	% of Total
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	%
CURRENT ASSETS				
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	-
Total current assets	31,977.5	35	27,442.4	33
NON-CURRENT ASSETS				
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	-
Total non-current assets	58,582.3	65	55,873.9	67
TOTAL	\$ 90,559.9	100	\$ 83,316.3	100

LIABILITIES AND EQUITY	2021		2020	
	Amount	%	Amount	%
CURRENT LIABILITIES				
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
Total current liabilities	14,059.4	15	9,426.0	11
NON-CURRENT LIABILITIES				
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	-
Total non-current liabilities	26,993.3	30	27,902.1	34
Total liabilities	41,052.7	45	37,328.2	45
EQUITY (Notes 4 and 20)				
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)	-
Total equity	49,507.1	55	45,988.1	55
TOTAL	\$ 90,559.9	100	\$ 83,316.3	100

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
CASH FLOWS FROM OPERATING ACTIVITIES		
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
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(21,354)</u>	<u>29,247</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,840,650	(404,755)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>12,732,819</u>	<u>13,137,574</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 14,573,469</u>	<u>\$ 12,732,819</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)

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 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 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

	December 31	
	2021	2020
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

	Not Past Due	Up to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
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

	Not Past Due	Up to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
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:

	2021	2020
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

	December 31	
	2021	2020
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
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	<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

	December 31	
	2021	2020
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>

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiaries	2021	2020
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

	December 31								
					2021				2020
Assets used by the Corporation					<u>\$ 36,808,535</u>				<u>\$ 36,527,520</u>
	Land	Building	Machinery and Equipment	Office Equipment	Other Equipment	Construction in Progress	Advance Payment	Total	
<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>
	For the Year Ended December	
	31	
	<u>2021</u>	<u>2020</u>
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

	December 31	
	2021	2020
<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:

	December 31	
	2021	2020
Land	0.93%-1.69%	1.10%-1.69%
Transportation equipment	0.92%	1.13%

c. Other lease information

	December 31	
	2021	2020
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

	Computer Software	Technical Services	Royalty	Total
<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)

	Computer Software	Technical Services	Royalty	Total
<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

	December 31	
	2021	2020
<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

	December 31	
	2021	2020
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

	December 31	
	2021	2020
<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:

	December 31	
	2021	2020
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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>-</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>-</u>	<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)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
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:

	December 31	
	2021	2020
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:

	December 31	
	2021	2020
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.

	December 31	
	2021	2020
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

	December 31	
	2021	2020
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:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2020	2019
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:

	For the Year Ended December 31, 2021
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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	\$ (19,654)	\$ (14,510)

e. Treasury shares

Purpose of Buy - Back	Shares Cancelled (In Thousands of Shares)	Shares Held by Subsidiaries (In Thousands of Shares)
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	10,412	10,000

The Corporation'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. The Corporation's shares held by its subsidiary are treated as treasury shares.

21. REVENUE

	For the Year Ended December 31	
	2021	2020
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

	December 31, 2021	December 31, 2020	January 1, 2020
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:

	For the Year Ended December 31	
	2021	2020
From the beginning contract liability		
Revenue from services	<u>\$ -</u>	<u>\$ 12,119</u>

c. Disaggregation of contract revenue

	For the Year Ended December	
	31	
	2021	2020
<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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 18,536	\$ 23,179
Others	<u>-</u>	<u>7,437</u>
	<u>\$ 18,536</u>	<u>\$ 30,616</u>

c. Other income

	For the Year Ended December 31	
	2021	2020
Rental income		
Operating lease rental income	<u>\$ 5,482</u>	<u>\$ 18,555</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
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:

	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	\$ 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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
Compensation of employees	5.42%	5.19%
Remuneration of directors	1.08%	1.04%

Amount

	For the Year Ended December 31	
	2021	2020
	Cash	Cash
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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:

	For the Year Ended December 31	
	2021	2020
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

	December 31	
	2021	2020
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

	Balance, Beginning of Year	Movements in the Year	Balance, End of Year
<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

	Balance, Beginning of Year	Movements in the Year	Balance, End of Year
<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			

	December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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):

	For the Year Ended December	
	31	
	2021	2020
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

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 23,265	\$ -	\$ 23,265
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,644	\$ 28,500	\$ -	\$ 30,144
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 950	\$ -	\$ 950

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 29,381	\$ -	\$ 29,381
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 2,488	\$ 32,800	\$ -	\$ 35,288
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 3,828	\$ -	\$ 3,828

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.

Financial Instrument	Valuation Techniques and Inputs
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

	December 31	
	2021	2020
<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.

	USD Impact		JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
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:

	December 31	
	2021	2020
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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
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:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-interest bearing liabilities	\$ 2,130,761	\$ 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:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,545,104	\$ 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

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
<u>Gross settled</u>			
Foreign exchange forward contracts			
Inflows	\$ 1,221,357	\$ 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

	<u>December 31</u>	
	2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
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

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
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

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
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)

Line Item	Related Party Category/Name	December 31	
		2021	2020
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)

Line Item	Related Party Category/Name	December 31	
		2021	2020
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

Related Party Category/Name	December 31	
	2021	2020
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)

Related Party Category/Name	December 31	
	2021	2020
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)

Related Party Category/Name	December 31	
	2021	2020
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

Related Party Category	Acquisition Price	
	For the Year Ended December 31	
	2021	2020
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

Related Party Category	For the Year Ended December 31	
	2021	2020
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

	For the Year Ended December 31	
	2021	2020
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:

	December 31	
	2021	2020
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

	Foreign Currency	Exchange Rate	Carrying Amount
<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

	Foreign Currency	Exchange Rate	Carrying Amount
<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 INVESTEEES 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
	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	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.

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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)**

Item	Description	Amount
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)**

Client Name	Amount
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)**

Item	Amount	
	Cost	Market Value
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)**

Item	Amount
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)**

Vendor Name	Amount
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)

Vendor Name	Amount
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)**

Item	Rental Period	Discount Rate	Amount
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)**

Item	Amount
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)**

Item	Amount
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)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses
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	Sale	\$ 21,373,163	42	Note 1	\$ -	-	\$ 5,844,829	54	-
		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	-
		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	313,138	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 INVESTEES

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.