

OTC 3374

Xintec Inc.

2022 Annual Report

Taiwan Stock Exchange Market Observation Post System :

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

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(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

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V. Overseas trade places for listed negotiable securities : None**VI. Company Website : [http : //www.xintec.com.tw](http://www.xintec.com.tw)**

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I. A letter to Shareholders

Dear Shareholders,

The global Covid-19 gradually eased in the second half of 2022. Most of the countries are gradually lifting lockdown measures; at the mean times, the patterns of daily life and work are slowing returning to the pre-epidemic norms. The demand for consumer related electronics products that benefited from the epidemic has rapidly declined; resulting in excessive inventory in the supply chain. The overall global economic outlook is gloomy due to the adverse impacts of the geopolitical conflicts and wars, high inflation, and interest rate hikes by central banks worldwide. Our company's consumer image sensor packaging orders have declined significantly in 2022, but automotive-related product packaging still has a small increase. The impact on 3D sensing component packaging orders and 12-inch wafer testing business are relatively stable. Although the all year long orders declined, benefiting from the appreciation of the US dollar and improved operational efficiency, revenue and profit performance have remained at the previous year's level and slight growth.

Operating Performance

Xintec's operating revenue was NT\$7.73 billion in 2022, an increase of 0.8% over NT\$7.67 billion in 2021. The net income after tax of 2022 was NT\$1.98 billion, an increase of 5.7% from the previous year. Basic Earnings per share was NT\$7.31 in 2022.

The major figures are as follow,

(In Millions of New Taiwan Dollars, except basic EPS)

Items	Year 2022	Year 2021	Increase (decrease) %
Operating Revenue	7,732	7,667	0.8%
Gross income	2,867	2,587	10.8%
Net income	1,984	1,877	5.7%
Return on Total Assets (%)	22.53%	23.64%	-1.1%
Return on Total Equity (%)	29.16%	33.42%	-4.3%
Income from Operations to Paid-in Capital (%)	90.61%	81.36%	9.3%
Pre-tax Income to Paid-in Capital (%)	92.16%	81.03%	11.1%
Net Margin (%)	25.66%	24.48%	1.2%
Basic Earnings Per Share(NT\$)	7.31	6.92	5.6%

Technology and Innovation

Our company invests in R&D funds yearly, and continues to innovate, develop and invest in wafer-level packaging to meet customer and market needs. Our company invested NT210 million to purchase and upgrade new equipment for various development projects in 2022, copper wire through-silicon via (Cu-TSV) related process equipment for 12" wafers, precision circuit exposure and lithography machines included. Although our company closed the loss-making 12" AI-TSV production line in 2019, we still retain major process equipment and waits for the opportunity to restart. Xintec must find a new niche market in the field of 12" special sensor chips packaging as soon as possible for the long-term business development strategy. The company aggressively rebuilt R&D project of 12" wafer sensor processing technology, and started trial run production in the fourth quarter in 2022. At present, the R&D team is actively constructing CSP process integration with a new generation of 12" Cu-TSV technology, thinner line width and multi-layer RDL. It is expected to provide customers with 12" sensor of CSP or PPI special packaging applications in 2024.

Corporate Governance and Social Responsibility

Xintec had been honored as top 5% ranking at "Corporate governance Evaluation" by OTC for consecutive 6 years. Xintec established the corporate governance officer to further strengthen the management of practical implementation in 2010. To pursue the sustainable development of the enterprise, ESG was introduced in 2021, and Xintec proposed specific plans and performance goals from the three aspects of environmental protection, social responsibility and corporate governance.

In response to climate change and to ensure the sustainable development of the earth's environment, the company will purchase about 2 million kWh of green electricity annually this year. The company will proceed to do the ISO 50001 energy management system certification and implementation of the carbon reducing plan. The company estimate to reduce 20,000 tons of carbon dioxide equivalent emissions this year, and to realize a green low-carbon operation model gradually. In terms of reducing water resource consumption, we completed processing water optimization and processing water recovery system expansion as scheduled to reduce more than 30% usage of processing water in 2011. The overall processing water recovery rate improved to more the 67%, increased by 2% this year. Line C won the Bronze Award for the 4th of National Enterprise Environmental Protection Award and received commendation from President Tasi Ing-wen. We will continue to take effort in energy saving, emission reduction and optimization of processing water recycling to fulfill our corporate environmental protection responsibilities this year.

In addition to passing the Occupational Health and Safety Management

System, we also promote accident-free work hours activity of the Industrial Safety and Health Association.

The company has achieved accident-free work hours for three consecutive years. Social welfare organizations encountered difficulties in resource collection during the epidemic generally. The participation of Xintec colleagues in public welfare activities has not been interrupted. They hold many charity sales in the factory area, collect materials to donate to disadvantaged groups, donate stationery and sporting goods to 3 elementary school of remote village in Taoyuan City, and sponsor more than 50 underprivileged children.

Xintec will start the audit certification of the Responsible Business Alliance (RBA). Xintec expects to be an excellent enterprise that demonstrates fine Social responsibility by continuous effort of all colleagues, trust of all stakeholders and supports of all customers.

Outlook and Prospects

The market of sensors and MEMS components will continue to grow in the future due to their extensively used. Xintec currently focuses on these two packaging and mid-end process processing, and also provides strategic partners with high-end wafer testing services. In the near future, we will speed the development of new technologies to support customers and meet market needs, and actively apply them to even broader applications. The new factory building planned for the company's mid-term operation and development has officially started construction in November 2022. It is expected to be completed and enters production by the end of 2024. It will become the new base for the next wave of growth for the company.

Looking forward to the 2023 operation, there is a risk of uncertainty about when the economy will bottom out and recover. Our management team will firmly continuously invest in talents and funds for key technologies and business development for future growth.

Thank all shareholders for your long-term support and trust. We will uphold sustainable operation to create good rewards for shareholders.

Chairman and President, CH Chen

II. Company Introduction

A. Funding date : September 11, 1998

B. Formation History :

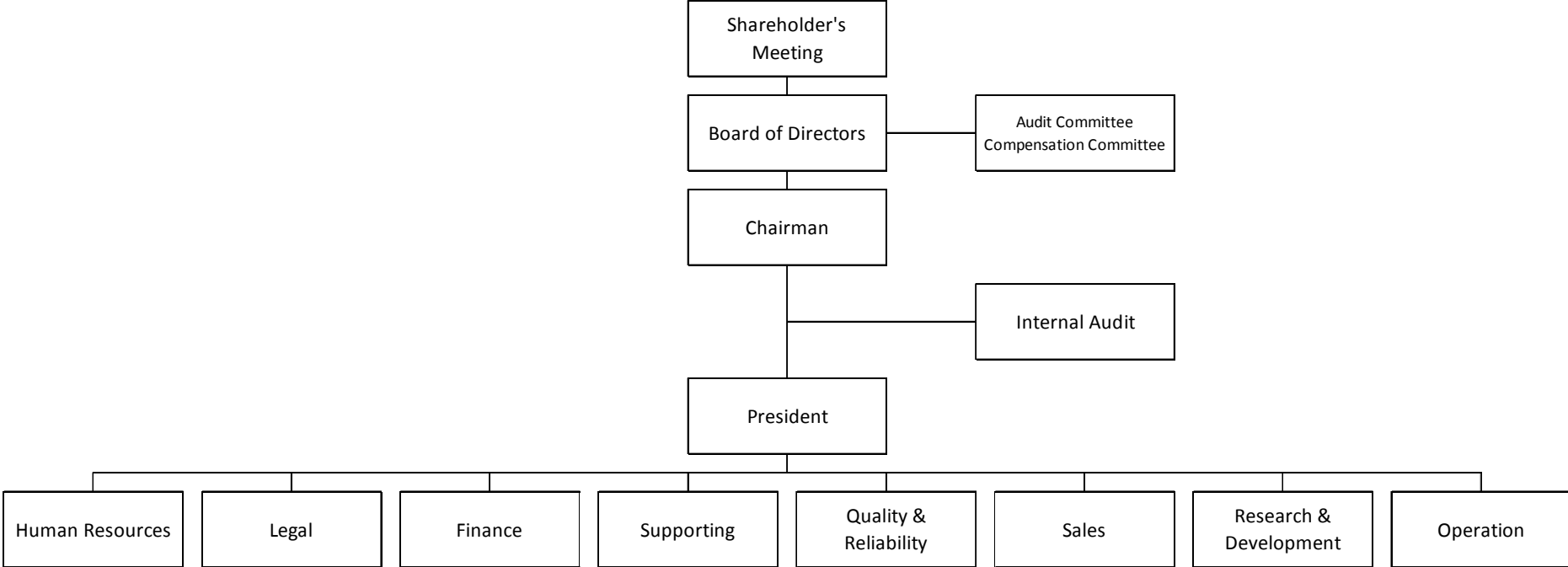
Year	Milestones
Sep, 1998	Xintec Inc. founded in capital NT\$280 million.
May, 2000	Signed technology licensing agreement with Engineering and IP Advanced Technologies Ltd. (Original ShellCase Ltd.) to engage in wafer level chip scale packaging.
Oct, 2000	Constructed facility in Zhongli Industrial District, Taoyuan City.
Oct, 2001	Commenced mass production.
Mar, 2002	ISO9000 certification.
Feb, 2003	QS9000 certification.
Dec, 2003	Xintec became a public company.
Jul, 2004	Became bonded factory.
Sep, 2004	Stock began trading on Emerging Stock Market.
Jan, 2005	ISO14001 EMS certification.
Dec, 2005	TL9000 QMS certification.
Dec, 2005	VisEra Holding Company (Cayman Islands) held 30% shares of Xintec and became the biggest shareholder.
Dec, 2005	8" CSP capacity reached 10,000 chips on Line-A plant.
Sep, 2006	8" CSP capacity reached 20,000 chips on Line-A plant.
Dec, 2006	Procured Line-B plant.
Jan, 2007	Strategic introduction of TSMC invested 43% shares of the Company to become the largest shareholder by private placement of securities.
Sep, 2007	8" CSP capacity reached 40,000 chips.
Dec, 2007	OHSAS18001 certification.
Dec, 2007	12" Capacity reached 2,000 chips on Hsinchu plant.
Jan, 2009	TOSHMS certification.
Nov, 2010	Line-A of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.
Dec, 2010	ISO/TS16949 QMS certification.
Feb, 2011	Procured Line-C plant.
Mar, 2011	Line-B of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.
Jun, 2011	Automotive CSP image sensor production
Jul, 2011	Canceled Hsinchu branch and moved back Hsinchu plant to Zhongli plant.
Jul, 2012	The Zhongli factory passed the Greenhouse Gas Inventory Assessment. and was assured by external auditors.
Sep, 2012	The Zhongli factory passed the Main Products Carbon Footprint Assessment and was assured by external auditors.

Aug, 2013	8" Capacity of Biometric sensors build.
Mar, 2015	Stock began trading on OTC.
Apr, 2017	Ranked in top 5% in Corporate Governance Evaluation.
Apr, 2018	Ranked in top 5% in Corporate Governance Evaluation.
Aug, 2018	Certified for ISO45001/CNS45001OSHMS systems
Apr, 2019	Ranked in top 5% in Corporate Governance Evaluation.
Aug, 2019	Won the "Uniform Invoice Outstanding Business Entities Award of 2019"
Nov, 2019	ISO45001/TOSHMS certification.
May, 2020	Ranked in top 5% in Corporate Governance Evaluation.
Jun, 2020	Accident-free work hours certificate
Jun, 2020	Build 12-inch high-end wafer testing capacity
Aug, 2020	SGS ISO45001 Plus Awards
May, 2021	Ranked in top 5% in Corporate Governance Evaluation.
Nov, 2021	Line-C of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.
May, 2022	Ranked in top 5% in Corporate Governance Evaluation.
Nov, 2022	Line-C won the 4th National Enterprise Environmental Protection Bronze Award

III. Corporate Governance Report

A. Company Organization

1. Organization Chart



2.Department functions :

Department	Functions
Internal Audit	Responsible for assisting the board of directors and managers to review the internal control system and to measure the effectiveness and efficiency of operations, and provide recommendations timely to ensure implement internal control system effectively and as a proof to review the internal control system.
Human Resources	Responsible for manpower planning, recruitment & staffing, compensation & benefit, training & development, employee services and relations.
Legal	Responsible for IP legal affairs and negotiation, contract review and negotiation, corporate legal affairs, legal disputes or litigation management.
Finance	Responsible for financial and accounting service, tax management, investment management, financial planning, capital allocation and annual performance evaluation.
Supporting	Responsible for material requirements planning, procurement management, import/export management, warehouse management, capacity and planning. Planning, developing and maintaining information infrastructure, communication systems ,logistics information systems and operational related systems · build the policy, systems for protection of information property protection.
Quality & Reliability	Responsible for quality and reliability management.
Sales	Responsible for business development, customer negotiation, pricing and business support.
Research & Development	Responsible for project leading-in, new process development, technology research and mask design, demand forecasting, market information gathering, product roadmap planning.
Operation	Responsible for manufacturing, production engineering, equipment maintenance, process integration, factory affairs, ESH and risk management.

B. Information on the company's directors, supervisors, general manager, assistant general manager, deputy assistant general manager, and the chiefs of all the company's divisions and branches

1. Directors:

(1) Directors information:

March 31, 2023

Title	Name	Nationality or Place of Registration	Gender Age	First Elected Date	Elected Date	Term (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	CH Chen (Note 1)	R.O.C.	Male 61-70	6/30/2017	5/26/2022	3	0	0	300,000	0.11	0	0	0	0	Senior Director of Advanced Packaging and Testing Fab 3, TSMC President of TSMC Solid state lighting President of TSMC Solar President of TSMC China Fab 3 Director, TSMC Vice president, Systems on Silicon Manufacturing Co. Pte. Ltd. Director of Product Engineering Fab 7 Director, TSMC M.S. degree, Institute of Electro-Optical Engineering, NCTU Bachelor of Electronic Physics, NCTU	President, Xintec, Inc.	None	None	None
	Representative of TSMC	R.O.C.		3/5/2007	5/26/2022	3	111,281,925	41.01	111,281,925	41.01	0	0	0	0	-	-	-	-	-
Director	Y.J. Wan	R.O.C.	Male 51-60	11/1/2018	5/26/2022	3	0	0	0	0	0	0	0	0	Director, Intelligent Engineering Center, TSMC Fab 3 Director, TSMC Master of Materials Science and Engineering, Tsing Hua University	Director, HR Business Partner Operations, TSMC	None	None	None
	Representative of TSMC	R.O.C.		3/5/2007	5/26/2022	3	111,281,925	41.01	111,281,925	41.01	0	0	0	0	-	-	-	-	-
Independent Director	Wen-Yeu Wang	R.O.C.	Male 61-70	6/13/2013	5/26/2022	3	0	0	0	0	0	0	0	0	Independent Director, KGI Bank Independent Director, President Chain Store Corporation Former Executive Yuan Fair Trade Commission member Ph. D., Stanford Law School	Chairman of Compensation Committee, Xintec Independent Director, member of the strategy committee and convener of the remuneration committee, Global Unichip Corp. Independent Director, Nidec Chau-Choung Technology Corporation Professor of College of Law at National Taiwan University Director, IACL Taiwan Branch	None	None	None

Title	Name	Nationality or Place of Registration	Gender Age	First Elected Date	Elected Date	Term (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Robert Hsieh	R.O.C.	Male 71-80	6/13/2013	5/26/2022	3	0	0	0	0	0	0	0	0	Independent Director, Anpec Electronics Corporation Independent Director, Pou Sheng International (Holdings) Limited Finance Vice President, Vanguard International Semiconductor Co. Vice President, Country Banking Head, Bank of America, NT&SA Taipei Branch MBA, National Taiwan University B. S. degree in Department of Nuclear Engineering, National Tsing Hua University	Chairman of the Audit Committee and a member of Compensation Committee, Xintec	None	None	None
Independent Director	Stella Wen	R.O.C.	Female 61-70	6/14/2016	5/26/2022	3	0	0	0	0	0	0	0	0	Deputy R&D Director, Research and Development Office, National Chiao-Tung University; Vice Professor, Department of Electrical Engineering, National Chiao-Tung University B.S., M.S. and Ph.D. degrees in Department of Electrical Engineering, National Cheng-Kung University	A member of Audit Committee and Compensation Committee, Xintec Independent Director and Compensation Committee, ChipMOS Technologies Inc. Professor, Department of Electrical Engineering, National Chiao-Tung University CEO, Social Responsibility Promotion Office, National Chiao-Tung University Vice President, International Semiconductor Institute, National Chiao-Tung University	None	None	None

Note1 : The chairman of the company, Mr. CH Chen, is the legal representative of TSMC, and Mr. CH Chen is appointed by the board of directors as the general manager. Only one of the five directors has the status of concurrent manager, and three of them are independent directors, which meets the requirement that more than half of the directors do not have employees or managers. According to Article 4 of the " Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies " issued on January 2, 2020, the Chairman of the OTC Company is the same as the General Manager or equivalent For people, the number of independent directors should be no less than 4 before December 31, 2023. The company will elect one additional independent director on May 29, 2023.

(2) Major Shareholders of the Institutional Shareholders:

As of 6/22/2022 (last record date)

Institutional Shareholder	Major Shareholders of the Institutional Shareholders	Percentage
Taiwan Semiconductor Manufacturing Company, Ltd.	ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	20.52%
	National Development Fund, Executive Yuan	6.38%
	Citibank (Taiwan) Ltd. in custody for Government of Singapore	2.89%
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.41%
	New Labor Pension Fund	1.22%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.21%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	1.06%
	iShares Core MSCI Emerging Markets ETF	0.83%
	Yuanta/P-shares Taiwan Top 50 ETF	0.81%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Euro Pacific Growth Fund	0.80%

(3) Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders: None.

(4) Disclosure of Professional qualifications of Directors and Supervisors and Independence of Independent Directors:

Qualification Name	professional qualifications and experience	Independence Attribute	Current Positions at Other Companies
CH Chen	More than five years of work experience required for commercial and corporate business and No violations of Article 30 of the Company Act. For their experience, please refer to the information of directors and supervisors.	Not a spouse of or a second degree relative of any other Director of the Company.	None
Y.J. Wan	More than five years of work experience required for commercial and corporate business and No violations of Article 30 of the Company Act. For their experience, please refer to the information of directors and supervisors.	Not a spouse of or a second degree relative of any other Director of the Company.	None
Wen-Yeu Wang	More than five years of work experience as a lecturer in public and private colleges and universities with relevant disciplines required for legal affairs and corporate business and No violations of Article 30 of the Company Act. For their experience, please refer to the information of directors and supervisors.	Not a board member or employee of the company or any of its affiliates, nor is spouse or any first- or second-degree relative; holds no shares in the company; has provided no commercial, legal, or financial services to the company. Meets criteria for independence.	2
Robert Hsieh	More than five years of working experience in finance, accounting and corporate business and No violations of Article 30 of the Company Act. For their experience, please refer to the information of directors and supervisors.	Not a board member or employee of the company or any of its affiliates, nor is spouse or any first- or second-degree relative; holds no shares in the company; has provided no commercial, legal, or financial services to the company. Meets criteria for independence.	0
Stella Wen	More than five years of work experience as a lecturer in public and private colleges and universities with relevant departments required by the company's business and No violations of Article 30 of the Company Act. For their experience, please refer to the information of directors and supervisors.	Not a board member or employee of the company or any of its affiliates, nor is spouse or any first- or second-degree relative; holds no shares in the company; has provided no commercial, legal, or financial services to the company. Meets criteria for independence.	1

(5) Board Diversity and Independence:

a. Board Diversity:

The selection of directors of the company should consider the overall configuration of the board of directors. Board members should generally possess the knowledge, skills, and literacy needed to perform their duties, such as operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, leadership, and decision-making capabilities.

The qualifications and selection of independent directors of the company shall comply with the provisions of the "Measures for the Establishment of Independent Directors of Public Offering Companies and the Matters to Be Followed" and shall be handled in accordance with the provisions of Article 24 of the "Code of Practice for the Administration of Listed OTC Companies". The selection of directors of the company shall be conducted in accordance with the procedures for the nomination of candidates as stipulated in Article 192 of the Company Law.

The composition of the board of directors should be considered for diversity. Except for the director who is also the manager of the company should not exceed one-third of the number of directors, and formulate an appropriate diversity policy for its own operation, operation type and development needs. The two major standards:

- (a) Basic conditions and values: gender, age, nationality and culture.
- (b) Professional knowledge and skills: professional background (such as law,

accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.

Board of directors diversification goal is to have more than half of the independent directors and at least one female director.

b. Board Diversity Management Goals and Current Achievement:

The members of the board of directors have already met the requirements for diversity. The company will consider the long-term development goals and the complementarity of directors' professions in the future continuously, or strengthen the training courses to meet the goal of diversification of board members.

c. Implementation of Diversity of Board of Directors:

The board of directors is composed of five directors, three independent directors included. The board of directors is independent each other because the five directors do not have a relationship within the spouse or Second-class relatives. Mr. CH Chen, the chairman of the board of directors and the president of the company, also complies with the rule that the number of directors who concurrently serve as the manager of the company should not exceed one-third of the board members. One of the five directors is female director. Additionally, the board members possess cross-industry and cross-field capabilities, demonstrating Board diversity and complementary support among board members. Directors also have their own skills and experiences in various professions, such as law, financial accounting, industrial knowledge, operation management, professional skills and industrial experience.

	Gender	Nationality	Age	Term	business management	Leadership decision	industry knowledge	Financial Accounting	Legal
CH Chen	Male	R.O.C.	61~70	3~6	✓	✓	✓		
Y.J. Wan	Male	R.O.C.	51~60	3~6	✓	✓	✓		
Wen-Yeu Wang	Male	R.O.C.	61~70	6~9	✓	✓			✓
Robert Hsieh	Male	R.O.C.	71~80	6~9	✓	✓		✓	
Stella Wen	Female	R.O.C.	61~70	3~6	✓	✓	✓		

b. Board independence:

The current board of directors of the company consists of 5 directors, including 3 independent directors (60%), and there are no conditions stipulated in paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. There are no spouses or relatives within the second degree between the directors, supervisors or between the directors and supervisors.

2. Executive Officers:

March 31, 2023

Title	Name	Nationality	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	CH Chen (Note 1)	R.O.C.	7/1/2017	300,000	0.11	0	0	0	0	Senior Director of Advanced Packaging and Testing Fab 3, TSMC President of TSMC Solid state lighting President of TSMC Solar President of TSMC China Fab 3 Director, TSMC Vice president, Systems on Silicon Manufacturing Co. Pte. Ltd. Director of Product Engineering Fab 7 Director, TSMC M.S. degree, Institute of Electro-Optical Engineering, NCTU Bachelor of Electronic Physics, NCTU	None	None	None	None
Operation Vice President	MY Chu	R.O.C.	12/3/2018	0	0	0	0	0	0	Consultant, X'Formula Sr. Director, Xintec Director, VisEra Manager, TSMC Ph.D., Physics, National Tsing Hua University	None	None	None	None
Finance Vice President	Simon Lin	R.O.C.	8/1/2001	69,629	0.03	0	0	0	0	Manager, Accounting, GVC Principal, Accounting, LITEON Bachelor, Accounting, Soochow University	None	None	None	None
Supporting Sr. Director	CM Fan	R.O.C.	8/2/2019	16,787	0.01	0	0	0	0	Sr. Director, Zhongli factory / Senior Director of Supporting Deputy Manager, TSMC Bachelor NTUST	None	None	None	None
RD Sr. Director	TY Liu	R.O.C.	8/2/2019	20,025	0.01	0	0	0	0	Senior Director of R&D Deputy Manager, TSMC Master, Chemistry, NTU	None	None	None	None
Sales Sr. Director	JW Ma	R.O.C.	11/4/2022	0	0	0	0	0	0	Senior Director of QR Senior Director of Sales Deputy Manager, TSMC Master, University of Missouri	None	None	None	None
Head of Department of Legal Affairs and Company Supervisor	CT Chou	R.O.C.	8/4/2020	5	0.00	0	0	0	0	Top Team International Patent & Trademark Office/copartner JC IP GROUP/patent manager Soochow University School of Law	None	None	None	None
Internal Audit Director	LK Huang	R.O.C.	3/6/2014	675	0.00	0	0	0	0	Director, PMM & IT, Xintec Director, Supply Chain, Hannspree Manager, Manufacturing Technology, TSMC Ph.D., Industrial Engineer and Engineering, National Tsing Hua University	None	None	None	None

Note1: The chairman of the company, Mr. CH Chen, is the legal representative of TSMC, and Mr. CH Chen is appointed by the board of directors as the general manager. Only one of the five directors has the status of concurrent manager, and three of them are independent directors, which meets the requirement that more than half of the directors do not have employees or managers. According to Article 4 of the " Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEx Listed Companies " issued on January 2, 2020, the Chairman of the OTC Company is the same as the General Manager or equivalent For people, the number of independent directors should be no less than 4 before December 31, 2023. The company expects to increase the number of independent directors to at May 29 2023.

3. Remuneration to Directors, Supervisors and Management Team

(1) Remuneration to Directors:

December 31, 2022, Unit: NT\$Thousand; Thousand shares

Title	Name	Remuneration to Directors								A+B+C+D amount and as % of Net Income		Compensation Earned by a Director Who is an employee of Xintec								A+B+C+D+E+F+G amount and as % of Net Income		Other Remuneration
		Remuneration (A)		Retirement pay(B)		Compensation to Directors(C) (Note2)		Transportation (D)				Salary and Bonus (E)		Retirement Pay (F)		Employee Compensation (G)						
		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec		Xintec & Affiliates		Xintec	Xintec & Affiliates			
												Cash	Stock	Cash	Stock							
Chairman	CH Chen Representative of TSMC	0	0	0	0	840	840	120	120	960 / 0.05%	960 / 0.05%	4,966	4,966	0	0	7,769	0	7,769	0	13,695 / 0.69%	13,695 / 0.69%	None
Director	Y.J. Wan Representative of TSMC	0	0	0	0	840	840	120	120	960 / 0.05%	960 / 0.05%	0	0	9	9	0	0	0	0	960 / 0.05%	960 / 0.05%	None
Independent Director	Wen-Yeu Wang	840	840	0	0	0	0	120	120	960 / 0.05%	960 / 0.05%	0	0	0	0	0	0	0	0	960 / 0.05%	960 / 0.05%	None
Independent Director	Robert Hsieh	840	840	0	0	0	0	120	120	960 / 0.05%	960 / 0.05%	0	0	0	0	0	0	0	0	960 / 0.05%	960 / 0.05%	None
Independent Director	Stella Wen	840	840	0	0	0	0	120	120	960 / 0.05%	960 / 0.05%	0	0	0	0	0	0	0	0	960 / 0.05%	960 / 0.05%	None

Note1: Since CH Chen, Y.J. Wan are representatives of TSMC, the directors' Compensation they are entitled to was received by the juristic-person shareholders they represent.

Note2: The remuneration of independent directors of the company is handled in accordance with the company's articles of association and the company's "Directors' Compensation, Remuneration and Carriage Payment Methods". It was set up depend on the directors' degree of involvement to the company's operation, contribution value, industry standard. The company pays the monthly remuneration and carriage fee for each independent director.

Note3: In addition to those disclosed in the above table, the remuneration received by the directors of the company in the most recent year for providing services (such as serving as a consultant for non-employees of the parent company / all companies listed in the financial report / transfer investment enterprises, etc.): None.

(2) Remuneration to Supervisors: None

(3) Remuneration to President and Vice Presidents:

December 31, 2022, Unit: NT\$thousand

Title	Name	Salary (A)		Retirement pay (B) (Note 1)		Bonus (C)		Employee Compensation (D)				A+B+C+D as % of Net Income		Other Remuneration
		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec		Xintec & Affiliates		Xintec	Xintec & Affiliates	
								Cash	Stock	Cash	Stock			
President	CH Chen	26,364	26,364	665	665	2,216	2,216	23,095	0	23,095	0	52,340 / 2.6%	52,340/ 2.6%	None
Vice President	CA Lin (Note2)													
Vice President	MY Chu													
Vice President	Simon Lin													
Sr. Director	CM Fan													
Sr. Director	TY Liu													
Sr. Director	JW Ma (Note3)													
Head of Department of Legal Affairs and Company Supervisor	CT Chou													

Note1: The amount was the Company makes contributions to employees' pension account.

Note2: CA Lin, Vice President, resigned on February 10, 2023.

Note3: Sr. Director JW Ma was promoted to manager on November 4, 2022 (remuneration is calculated from that date)

Range of Remunerations

Range of Remunerations to President and Vice Presidents (NT\$)	Name of President and Vice Presidents	
	Xintec	Xintec
Less than 1,000,000	-	-
1,000,000 (included) ~ 2,000,000 (excluded)	-	-
2,000,000 (included) ~ 3,500,000 (excluded)	JW Ma	JW Ma
3,500,000 (included) ~ 5,000,000 (excluded)	CT Chou	CT Chou
5,000,000 (included) ~ 10,000,000 (excluded)	CA Lin, MY Chu, Simon Lin, CM Fan, TY Liu	CA Lin, MY Chu, Simon Lin, CM Fan, TY Liu
10,000,000 (included) ~ 15,000,000 (excluded)	CH Chen	CH Chen
15,000,000 (included) ~ 30,000,000 (excluded)	-	-
30,000,000 (included) ~ 50,000,000 (excluded)	-	-
50,000,000 (included) ~ 100,000,000(excluded)	-	-
Over than 100,000,000	-	-
Total	8	8

(4) Employee compensation granted to the management team

Unit: NT\$Thousand

	Title	Name	Stock	Cash	Total	Remunerations as of Net Income
Management team	President	CH Chen	0	23,095	23,095	1.2%
	Vice President	CA Lin				
	Vice President	MY Chu				
	Vice President	Simon Lin				
	Sr. Director	CM Fan				
	Sr. Director	TY Liu				
	Sr. Director	JW Ma				
	Head of Department of Legal Affairs and Company Supervisor	CT Chou				

4. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years.

(1) Analysis of remuneration to net Income Ratio in the last two years for Company Directors, supervisors and Executive Officers:

The remuneration paid to directors were NT\$4,800 thousand and NT\$4,800 thousand in 2021 and 2022, the proportion of remuneration to net income were 0.3% and 0.2%. The remuneration paid to general managers and deputy general manager were NT\$49,548 thousand and NT\$52,340 thousand in 2021 and 2022, the proportion of remuneration to net income were 2.6% and 2.6%.

(2) Company Remuneration Policy, Pattern, Procedure and Ties to the Operational Result:

a. If company makes a profit, remuneration of board would be contributed less than 2% from the profit according to the regulation, and the boards which fill the position of manager in the company are not included. The remuneration of board would be released according to "Regulation of Paying the Board's Remuneration, Salary, and Transportation Allowance". Besides, Board's remuneration policy would be stipulated based on its contribution and value towards management of the company and standard of the industry domestically and internationally. The relevant result of board's performance and evaluation would be taken into consideration, deliberated by Remuneration Committee discussing and passing through the board of director.

b. According to the regulation, if the Company has annual profits, the Company shall allocate a profit sharing bonus for employees at rates of not less than 1% of annual profits. The remuneration of the manager would be stipulated based on individual's contribution and value towards management of the company, personal performance, condition of goal achievement, position, and job grade. Items for evaluation are below: ratio of goal achievement, profit rate, operational efficiency, and contribution. After go through consideration, consult with principle from other company in the same industry, and pass Remuneration Committee and the board of director then would it be conducted.

To sum up, remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure are relative with each other.

(3) Regularly review policies, systems, standards, and structure of performance evaluation, salary and remuneration for directors and managers.

Company would periodically reviews performance assessment of the boards and manager. Remuneration Committee reports and discusses performance assessment method of the board in the fourth quarter of each year. At the end of the year, the Committee would conduct the assessment. Explain the result at the first quarter meeting next year and report to the board of directors.

Performance assessment of manager would become the goal and assessment form for the next year by general manager at the fourth quarter meeting. After having the agreement from Remuneration Committee and the board of directors, the verification would be held at the end of next year. The result would be reported and inspected at the first quarter of each year.

Remuneration Committee would deliberate regularly performance assessment and remuneration of the board and manager annually. Please refer to the information of Remuneration Committee meeting.

C. Implementation of Corporate Governance

1. Information on implementation of Board of Directors:

A total of six (A) meetings of the Board of Directors were held in 2022. The attendance of director and supervisor were as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman	CH Chen: Representative of TSMC	6	0	100%	
Director	Y.J. Wan: Representative of TSMC	5	1	83%	
Independent Director	Wen-Yeu Wang	6	0	100%	
Independent Director	Robert Hsieh	6	0	100%	
Independent Director	Stella Wen	5	1	83%	

Other mentionable items:

1. In the event that the Board of Directors encounters any of the following conditions during the course of its operations, a description of the date, term, and content of the proposed motion of the Board of Directors along with the opinion of the Independent directors and the Company's handling of the Independent directors' opinion shall be provided.

(1) Conditions stipulated in Article 14-3 of the *Securities and Exchange Act*.

Board of Directors	Proposed Motions	Independent Directors' opinion	Action taken by the Company
13th Meeting(9th Term) 2022/2/10	<ol style="list-style-type: none"> 1. Approved the company's managers with identity of director and mangers' the special incentive bonus of 2021. 2. Approved remuneration and compensation for directors of 2021, directors' remuneration and compensation policy of 2022. 3. Approved the company's managers with the identity of director and managers' performance evaluation of 2021 and salary adjustment of 2022. 4. Approved the company's managers with the identity of director and managers' employee compensation of 2021. 5. Approved the company's managers with the identity of director and managers' salary compensation of 2021 and salary policy of 2022. 6. Approved that the company has appointed accountants Mei Chen Tsai and Yu Feng Huang from Deloitte & Touche accounting firm to handle the certification of the company's financial statements since 2022. After the assessment, Mei Chen Tsai and Yu Feng Huang accounted for the requirements of the independence and suitability. 7. Approved the company's revision of the "Sustainable Development Code of Practice". 8. Approved the revision of the "Corporate Governance Code of Practice" by the company. 	None	None
14th Meeting(9th Term) 2022/4/15	<ol style="list-style-type: none"> 1. Approved the removal of non-compete restrictions on new directors and their representatives, and submitted to the 	None	None

	shareholders meeting for discussion. 2. Approved the revision of the company's "Procedures for Acquisition or Disposal of Assets".		
15th Meeting(9th Term) 2022/5/5	1. Approved the company's managers with identity of director and mangers' the special incentive bonus of 2022.	None	None
2nd Meeting(10th Term) 2022/8/4	1. Approved and revised the company's "internal control system" and "internal audit system".	None	None
3rd Meeting(10th Term) 2022/11/4	1. Approved the signing of the "factory building and factory facilities and office leasing contract" with VisEra Technologies Co., Ltd. 2. Approved the audit fee of Deloitte & Touche accounting firm. After the assessment, Mei Chen Tsai and Yu Feng Huang accounted for the requirements of the independence and suitability. 3. Approved the company's managers with identity of director and mangers' the second special incentive bonus of 2022. 4. Approved the company's revision of internal material information processing procedures.	None	None

(2) Other board meeting decisions that are opposed or reserved by independent directors and have record or written statements: None.

2.If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

- (1) Approved special incentive bonus from Sep to Dec'21 for manager with the identity of director and managers on February 10, 2022. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.
- (2) Approved remuneration and compensation paid to directors of 2021 and director remuneration and compensation policy of 2022 on February 10, 2022. Directors avoided voting causes for avoidance of motions in conflict of interest.
- (3) Approved manager with the identity of director and managers' performance evaluation of 2021 and salary adjustment of 2022 on February 10, 2022. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.
- (4) Approved manager with the identity of director and managers compensation of 2021 and on February 10, 2022. CH Chen, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (5) Approved manager with the identity of director and managers' salary remuneration of 2021 and salary policy of 2022 on February 10, 2022. CH Chen, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (6) Approved the removal of non-compete restrictions on new directors and their representatives on April 15, 2022. Directors avoided voting causes for avoidance of motions in conflict of interest.
- (7) Approved special incentive bonus of 2022 for manager with the identity of director and managers on May 5, 2022. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.
- (8) Approved the signing of the "factory building and factory facilities and office leasing contract" with VisEra Technologies Co., Ltd on November 4, 2022. The legal person directors of VisEra Company and the company are both TSMC, and CH Chen and Y.J. Wan, the representatives of TSMC's legal person directors, have avoided the discussions and resolutions in accordance with the law in order to avoid doubts about conflicts of interest.
- (9) Approved the second special incentive bonus of 2022 for manager with the identity of director and managers on November 4, 2022. Directors of CH Chen avoided voting causes for avoidance of motions in conflict of interest.

3. Board of Directors self (or peer) evaluation:

Cycle	Period	Scope	Method	Content
Once a year	From Jan.1, 2022 to Dec.31, 2022	Board of Directors	Board of Directors internal evaluation, director self-evaluation	(1)The Board of Directors overall performance assessment including: Participation in company operations, improvement of board decision-making quality, board composition and structure, selection and continuous education of directors, internal control. (2)The performance evaluation of directors includes: mastery of the company's goals and tasks, cognition of directors 'duties, participation in company operations, internal relationship management and communication, directors' professional and continuous education, and internal control.

4.Measures taken to strengthen the functionality of the board:

- (1) The Company set up Compensation Committee on November 11, 2011, which assisted the Board in executing and evaluating the Company's compensation and benefit policies, and the directors' and executives' compensation.
- (2) The Company set up Audit committee in 2013, made up by three independent directors to strengthen the functionality of the board.

2. Information on implementation of Audit Committee:

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee is responsible to review the following major matters :

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems and including related policies and procedures;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or insurance of any equity-type securities;
- Derivatives and cash investments;
- Legal compliance;
- Related-party transactions and potential conflicts of interests involving executive offices and directors;
- Ombudsman reports;
- Fraud prevention and investigation reports;
- IT security;
- Corporate risk management;
- Performance, independence, qualification of independent auditors;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto;
- Appointment or discharge of financial, accounting, or internal auditing officers;
- Assessment of Committee Charter and fulfillment of Audit Committee duties.

Six regular Audit Committee meetings (A) were convened in 2022. The attendance status of independent directors was as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Independent director	Wen-Yeu Wang	6	0	100%	
Independent director	Robert Hsieh	6	0	100%	
Independent director	Stella Wen	4	2	67%	

Other mentionable items:

1. In the event that the Audit Committee encounters any of the following conditions during the course of its operations, a description of the date, term, the content of the proposed, the independent directors' objections, reservations or major recommendations, the result of the Audit Committee's resolution and the Company's response to the Audit Committee's opinion shall be provided.

(1) Conditions stipulated in Article 14-5 of the Securities and Exchange Act:

Meeting Date (Term)	Contents of Motions	Independent directors' objection, reservation or major proposal	Resolution Adopted by the Audit Committee	Action taken by the Company in Response to Opinion of the Audit Committee
12th Meeting (3rd Term) 2022/2/10	1. Approve the 2022 Business Report and Financial Statements 2. Approve the 2022 Surplus Earnings Distribution 3. Approve Deloitte & Touche CPA Mei Chen Tsai and Yu Feng Huang appointed accountants since 2022. Upon evaluation, CPA Mei Chen Tsai and Yu Feng Huang meet the independence and suitability auditor requirement 4. Approval amendments to Xintec's Corporate Governance Best Practice Principles 5. Approve amendments to Xintec's Sustainable Development Best Practice Principles 6. Approve Statement of internal control of 2022	None	Unanimously approved by all Independent Directors who were present	None
13th Meeting (3rd Term) 2022/4/15	1. Approve amendments to Xintec's Procedures for Acquisition or Disposal of Assets 2. Approve releasing the prohibition on directors from participation in competitive business	None	Unanimously approved by all Independent Directors who were present	None
2nd Meeting (4th Term) 2022/8/4	1. Approve the 2023 Second Quarter Financial Statements 2. Approve amendments to Xintec's Procedures for Internal Control and Internal Audit	None	Unanimously approved by all Independent Directors who were present	None

3th Meeting (4th Term) 2022/11/4	1. Approve Deloitte & Touche CPA Firm's accounting services fee for fiscal year 2023. Upon evaluation, CPA Mei Chen Tsai and Yu Feng Huang meet the independence and suitability auditor requirement. 2. Approve amendments to Xintec's Procedures for Handling Material Inside Information 3. Approve the Independent Director Wen-Yeu Wang to sign the Factory Lease Agreement with VisEra.	None	Unanimously approved by all Independent Directors who were present	None
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(2) Other resolutions not approved by the Audit Committee but passed by more than a two-thirds majority of all Board members: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs:

(1) The Company's chief internal auditor has communicated the result of the audit reports to the members of the Audit Committee periodically, and has presented the findings of all audit reports.

(2) The CPAs are required to communicate to the Audit Committee the findings for the financial reports, as well as those matters communication of which is required by law.

(3) To read the summary of communication between the Independent Directors, internal audit supervisor, and accountants, please visit the Company's website :

https://www.xintec.com.tw/chi/CSR_CG_Committees.aspx

3. Attendance of Supervisors at Board Meetings:

The Company had been established the Audit Committee on June 13, 2013, and abolished Supervisors.

4. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles and disclosed on the Company’s website and Taiwan Stock Exchange Market Observation Post System.	No major difference
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with	V V V V		(1)The Company has created the spokesman and deputy spokesman system to deal with shareholders’ suggestions, doubts and disputes. (2)The Company acquired the statement of shareholding changes from directors and shareholders holding more than ten percent of the total shares of the company to process the list of major shareholders of the actual control of the company. (3)The Company set up and implemented the internal control system and relevant rules. Internal auditors supervised the status of implement periodically. (4)The Company established the procedure for processing internal significant information against insiders trading with	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
undisclosed information?			undisclosed information and advocacy regularly of no trading of the Company's securities with undisclosed information.	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p>	V		<p>(1) The selection of directors of the company should consider the overall configuration of the board of directors. Board members should generally possess the knowledge, skills, and literacy needed to perform their duties, such as operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, leadership, and decision-making capabilities. In the selection of independent directors, it is advisable to consider whether the members possess such conditions as honesty, steadfastness, impartial judgment, professional knowledge, rich experience, and the ability to read financial statements. The qualifications and selection of independent directors of the company shall comply with the provisions of the "Measures for the Establishment of Independent Directors of Public Offering Companies and the Matters to Be Followed" and shall be handled in accordance with the provisions of Article 24 of the "Code of Practice for the Administration of Listed OTC Companies". The selection of directors of the company shall be conducted in accordance with the procedures for the nomination of candidates as stipulated in Article 192 of the Company Law.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>The composition of the board of directors should be considered for diversity. Except for the director who is also the manager of the company should not exceed one-third of the number of directors, and formulate an appropriate diversity policy for its own operation, operation type and development needs. The two major standards:</p> <p>a. Basic conditions and values: gender, age, nationality and culture.</p> <p>b. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience, etc.</p> <p>Board of directors diversification goal is to have more than half of the independent directors and at least one female director.</p> <p>Board Diversity Management Goals and Current Achievement</p> <p>The members of the board of directors have already met the requirements for diversity. The company will consider the long-term development goals and the complementarity of directors' professions in the future continuously or strengthen the training courses to meet the goal of diversification of board members.</p> <p>Implementation of Diversity of Board Members</p> <p>The board of directors is composed of five directors, three independent directors included. The board of directors is independent each other because the five directors do not have a relationship within the spouse or Second-class relatives. Mr. CH Chen, the chairman of the board of directors and the president of the company, also complies with the rule that the number of directors who concurrently serve as the manager of</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																																																						
	Yes	No	Abstract Illustration																																																							
			<p>the company should not exceed one-third of the board members. One of the five directors is female director. Additionally, the board members possess cross-industry and cross-field capabilities, demonstrating Board diversity and complementary support among board members. Directors also have their own skills and experiences in various professions, such as law, financial accounting, industrial knowledge, operation management, professional skills and industrial experience.</p> <p>Diversification of Board of Directors:</p> <table border="1"> <thead> <tr> <th></th> <th>Gender / Age</th> <th>Nationality</th> <th>Term</th> <th>business management</th> <th>Leadership decision</th> <th>industry knowledge</th> <th>Financial Accounting</th> <th>Legal</th> </tr> </thead> <tbody> <tr> <td>CH Chen</td> <td>Male 61-70</td> <td>R.O.C.</td> <td>3-6</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Y.J. Wan</td> <td>Male 51-60</td> <td>R.O.C.</td> <td>3-6</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Wen-Yeu Wang</td> <td>Male 61-70</td> <td>R.O.C.</td> <td>6-9</td> <td>✓</td> <td>✓</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Robert Hsieh</td> <td>Male 71-80</td> <td>R.O.C.</td> <td>6-9</td> <td>✓</td> <td>✓</td> <td></td> <td>✓</td> <td></td> </tr> <tr> <td>Stella Wen</td> <td>Female 61-70</td> <td>R.O.C.</td> <td>3-6</td> <td>✓</td> <td>✓</td> <td>✓</td> <td></td> <td></td> </tr> </tbody> </table>		Gender / Age	Nationality	Term	business management	Leadership decision	industry knowledge	Financial Accounting	Legal	CH Chen	Male 61-70	R.O.C.	3-6	✓	✓	✓			Y.J. Wan	Male 51-60	R.O.C.	3-6	✓	✓	✓			Wen-Yeu Wang	Male 61-70	R.O.C.	6-9	✓	✓			✓	Robert Hsieh	Male 71-80	R.O.C.	6-9	✓	✓		✓		Stella Wen	Female 61-70	R.O.C.	3-6	✓	✓	✓			
	Gender / Age	Nationality	Term	business management	Leadership decision	industry knowledge	Financial Accounting	Legal																																																		
CH Chen	Male 61-70	R.O.C.	3-6	✓	✓	✓																																																				
Y.J. Wan	Male 51-60	R.O.C.	3-6	✓	✓	✓																																																				
Wen-Yeu Wang	Male 61-70	R.O.C.	6-9	✓	✓			✓																																																		
Robert Hsieh	Male 71-80	R.O.C.	6-9	✓	✓		✓																																																			
Stella Wen	Female 61-70	R.O.C.	3-6	✓	✓	✓																																																				
(2) Does the company voluntarily establish other functional committees in addition to the Compensation Committee and the Audit Committee?		V	(2)The Company doesn't establish other functional committees, but it can supervise operation of the company by Board of directors and audit committees.																																																							

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually and report the results of the performance evaluation to the board of directors and apply them to individual directors' remuneration and nomination renewal ?	√		<p>(3) The company has a board performance appraisal mechanism.</p> <p>The board of directors approved the directors' performance evaluation method in February 2020. To enhance the Company's board functions, and to improve the operation efficiency of the board of directors. The performance evaluation of the board of directors include the following five aspects:</p> <p>A. Participation in the operation of the company; B. Improvement of the quality of the board of directors' decision making; C. Composition and structure of the board of directors; D. Election and continuing education of the directors; E. Internal control.</p> <p>The criteria for evaluating the performance of the board members include the following six aspects:</p> <p>A. Familiarity with the goals and missions of the company; B. Awareness of the duties of a director; C. Participation in the operation of the company; D. Management of internal relationship and communication; E. The director's professionalism and continuing education; F. Internal control.</p> <p>The appraisal is conducted at the beginning of each year, and the appraisal results are reviewed in the first season of directors. Report to the board of directors and use it as a reference for individual directors' remuneration and renewal.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?	V		<p>The performance evaluation results of the board of directors in 2022 are “good”. Self-evaluation result of directors is “Excellent”.</p> <p>(4) The company regularly evaluates the independence and suitability of certified accountants based on audit quality indicators (AQIs) every year. The Company acquired statement of independence of CPAs and filled the evaluation form of independent and suitable to check it. There is no other financial interest and business relationship between the accountant and the Company except for the audit fees and non-audit fees of the Company. The accountant's family members do not violate the requirements of independence. So CPAs meet the requirements of independence and suitability and approved by the audit committees and Board of directors.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the Company established with qualified and appropriate number of corporate governance personnel, and designated corporate governance supervisors, responsible for corporate governance related matters (including but not limited to furnish information required for business execution by directors, assist directors and supervisors to follow laws, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.	V		<p>The Board adopted a resolution to appoint Mr. C.T Chou as the Corporate Governance Officer on Aug. 4 2020. The main duties of Corporate Governance Officer are to assist Directors in complying with laws and regulations and to ensure well communication between the Board and management team.</p> <p>The Corporate Governance Officer has served as a supervisor in charge of legal affairs at public companies for more than 3 years. Xintec’s Chairman appointed the Vice President of Finance Organization to be the Board secretary. The Board secretary is responsible for assisting in related affairs, including furnishing information required for business decisions by Directors and corporate governance affairs.</p> <p>The corporate governance affairs as mentioned are:</p> <ol style="list-style-type: none"> 1. Handling matters relating to board meetings and shareholders meetings according to laws. 2. Producing minutes of board meetings and shareholders meetings. 3. Assisting in onboarding and continuous development of directors and independent directors. 	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons										
	Yes	No	Abstract Illustration											
			<p>4. Furnishing information required for business execution by directors and independent directors.</p> <p>5. Assisting directors and independent directors with legal compliance.</p> <p>6. To report to the board of directors the qualifications of independent directors complied with relevant laws and regulations at the time of nomination, election and term of office.</p> <p>7. Handle matters related to the change of directors.</p> <p>8. Other matters set out in the articles of corporation or contracts.</p> <p>The implementation of corporate governance business in 2022 is as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Handle matters related to meetings of the board of directors and shareholders' meeting according to law</th> <th>Assist directors to take office and complete continuous training hours</th> <th>Assist directors to follow laws and perform duties</th> <th>Company registration and change registration</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>6 Board meetings and 1 annual Shareholders meetings</td> <td>30 hours</td> <td>1. Quarterly assessment of internal procedures or approaches for compliance with regulatory requirements 2. Revise the "Sustainable Development Best Practice Principles", "Corporate Governance Best Practice Principles", "Procedures for Acquisition or Disposal of Assets", "Internal Control System", "Internal Audit System", "Procedures for handling material Inside Information" and " Rules and Procedures of Board of Directors Meetings"</td> <td>None</td> </tr> </tbody> </table> <p>Ranked in top 5% in Corporate Governance Evaluation in 2016~2021.</p>	Year	Handle matters related to meetings of the board of directors and shareholders' meeting according to law	Assist directors to take office and complete continuous training hours	Assist directors to follow laws and perform duties	Company registration and change registration	2022	6 Board meetings and 1 annual Shareholders meetings	30 hours	1. Quarterly assessment of internal procedures or approaches for compliance with regulatory requirements 2. Revise the "Sustainable Development Best Practice Principles", "Corporate Governance Best Practice Principles", "Procedures for Acquisition or Disposal of Assets", "Internal Control System", "Internal Audit System", "Procedures for handling material Inside Information" and " Rules and Procedures of Board of Directors Meetings"	None	
Year	Handle matters related to meetings of the board of directors and shareholders' meeting according to law	Assist directors to take office and complete continuous training hours	Assist directors to follow laws and perform duties	Company registration and change registration										
2022	6 Board meetings and 1 annual Shareholders meetings	30 hours	1. Quarterly assessment of internal procedures or approaches for compliance with regulatory requirements 2. Revise the "Sustainable Development Best Practice Principles", "Corporate Governance Best Practice Principles", "Procedures for Acquisition or Disposal of Assets", "Internal Control System", "Internal Audit System", "Procedures for handling material Inside Information" and " Rules and Procedures of Board of Directors Meetings"	None										

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has served as the spokesman and deputy spokesman of external communication channels. On the company website set up reporting system of violation of ethical behavior, providing customers, vendors or other interested parties to report the Company’s misconduct.	No major difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed Taishin International Commercial Bank Co., Ltd. Stock Transfer Agency Department to handle shareholders.	No major difference
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1)The company has set up the company website, and instructed relevant departments to maintain and disclose information about the company's financial and operation.	No major difference
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(2)The Company has appointed designated people to file financial or operational information periodically and important information in MOPS. The Company has created the spokesman and deputy spokesman system. The presentation materials, video files of investor conference be put on the Company website.	
(3) Does the company announces and declares the annual financial report within two months after the end of the fiscal year, and announces and	V		(3) The company's annual financial report is announced and declared within two months after the end of the fiscal year. The first, second, and third quarter financial reports and monthly operating conditions are announced early on the premise of	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
declares the first, second, and third quarter financial reports and the monthly operating conditions as early as the prescribed period?			the prescribed period.	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1)Regarding environmental protection, the Company is in compliance with regulations and requirements related to environmental protection, safety, green products, and other aspects of sustainable development. The Company constantly follows the latest trends of international environmental protection to reinforce a sense of eco-responsibility. To fulfill the duties of a member of the global community, the Company takes the initiatives to develop and implement various carbon footprint reduction programs, cutting electric energy consumption and reducing greenhouse-gas (GHG) emissions. These efforts help relieve the greenhouse effect.</p> <p>(2)Regarding labor rights and interests, the Company constantly works on improving its work environment and occupational safety and health management system to provide equal employment opportunity and to prevent injury accidents and occupational diseases.</p> <p>(3)Regarding employee rights aspect, forming of the Employee Welfare committee, implementing employee retirement pension plan, having employee organization insurance and holding periodic medical examination as well as providing various kinds of channels of employee training classes etc. for continuous education.</p>	No major difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(4) In terms of supplier management, the company has established a supplier assessment system to ensure that suppliers meet the quality and environmental requirements of the corporate policies. Besides, a supplier appraisal system is also established to ensure the conduct of supplier assessment and the effective communication with suppliers, so as to create a good upstream-downstream relationship and achieve the sustainable development of the industrial chain.</p> <p>(5) In terms of information confidentiality, we respect and do our best to protect the security of technical documents and materials of customers. With both the customers and the suppliers, the company will sign a confidentiality agreement with legally binding terms on the specific rights and obligations of different parties. Inside the company, a committee for protection of confidential information is specifically established, and we require our staff to comply with relevant confidentiality regulations and to implement security management policies, so that we can ensure confidentiality of the corporate information and of our customers' information.</p> <p>(6) The Company filed relevant information in accordance with the provisions of the Act to protect the rights of investors and other interested parties.</p> <p>(7) The company holds annual training courses for directors and has not mandated directors to study professional course but encourage them to participate according to individual needs.</p> <p>(8) The Company purchased liability insurance for the directors for</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			the implementation of corporate governance.	

9. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest half a year; propose the urgent matters and actions for the items not improved:

Xintec has participated in the corporate governance evaluation in 2022, and evaluation results ranked top 5% of the OTC companies. Planning to improve the items that did not score in 2022 as follows:

Priorities for strengthening:

Assessment indicator	Improvement action implementation
Has the company formulated a policy on the diversity of board members, and disclosed the specific management objectives and implementation of the diversity policy on the company website and annual report?	Xintec has implemented the diversification of the board of directors, and will disclose the specific management objectives and implementation status on the company website and annual report.
Does the company regularly conduct internal performance evaluations on functional committees (including at least the audit committee and the salary and remuneration committee) every year, and disclose the implementation status and evaluation results on the company's website or annual report?	The internal performance evaluation of the functional committee will be implemented in the next year, and the implementation status and evaluation results will be disclosed on the company website or annual report.

5. Composition, Responsibilities and Operations of the Compensation Committee or Nominating Committee:

Compensation Committee

(1) Composition: The Compensation Committee was established on Nov 11, 2011 and re-elected on May 26, 2022. It comprised of three independent directors by Wen-Yeu Wang (convener) 、 Robert Hsieh and Stella Wen.

Criteria		professional qualifications and experience	Independence Attribute	Number of other public companies in which the individual is concurrently serving as a member in Remuneration Committee
Title	Name			
Independent director and the initiator of Remuneration Committee	Wen-Yeu Wang	(Note 1)	(Note 1)	2
Independent director	Robert Hsieh	(Note 1)	(Note 1)	0
Independent director	Stella Wen	(Note 1)	(Note 1)	1

Note1: Refer to the attachment on page 11 – relevant contents of Data of Directors and Supervisors.

(2) Responsibilities:

- a. Set and regularly review the company's "Compensation Committee's Procedures" and proposed the suggestion to revise.
- b. Periodically assess and determine the overall remuneration policy.
- c. Periodically assess and determine the remuneration of the directors and managers.
- d. Set and regularly review the policies, regulations, standards and structures for evaluating the directors' and managers' performance and remuneration.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- a. Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, personal performance, and the Company's operational performance and future risk exposure.
- b. There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
- c. For directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.

(3) Operations of the Compensation Committee:

- a. Compensation Committee of the Company's has three members. The Compensation committee shall convene at least twice a year.

b. Tenure period: May 26, 2022 to May 25, 2025. A total of 4 (A) Compensation Committee meetings were held in 2022. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Convener	Wen-Yeu Wang	4	0	100%	
Committee Member	Robert Hsieh	4	0	100%	
Committee Member	Stella Wen	3	1	75%	
Other mentionable items:					
1. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.					
2. Resolutions of the compensation committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

(4) The discussion of the compensation and compensation committee and the outcome of the resolution, and the Company's handling of the members' opinions:

Date of Meeting	No.	Proposed Motions
9th Meeting (4th Term), 2022/2/10	1	Review the special bonus of September to December 2021 for manager with the identity of director and managers.
	2	Review employees' compensation the total amount in 2021 and request the board for decision.
	3	Review remuneration and compensation for directors of 2021 and 2022.
	4	Review the 2021 performance assessment, salary adjustment case of managers and director manager in 2022, and submit the resolution to the board of directors.
	5	Review the board with manager identity and manager of employee's compensation in 2021.
	6	Review the remuneration in 2021 and remuneration policy case of managers and director manager in 2022, and submit the resolution to the board of directors.
Decision of the remuneration committee: Apart from the number 3 case that each member has their own interest so has been avoiding, all other cases pass with all members' consents.		
Remuneration Committee members' opinion handling: Except for the 1st, the 4th, 5th and the 6th cases, due to Chairman CH Chen own matters of interest, he avoided the discussion and voting. All members of the 3th case have avoided their own matters of interest. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee.		

10nd Meeting (4th Term), 2022/5/5	1	Review the special bonus of 2022 for manager with the identity of director and mangers..
	Decision of the remuneration committee: unanimously approved by all members present in the meeting.	
	Remuneration Committee members' opinion handling: The case due to Chairman CH Chen own matters of interest, he avoided the discussion and voting. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee.	
1st Meeting (5th Term), 2022/5/26	1	The convener and chairman of the fourth salary and remuneration committee were elected.
	Decision of the remuneration committee: After discussion, all members present unanimously elected Wen-Yeu Wang as the convener and chairman of the fourth remuneration committee.	
	Remuneration Committee members opinion handling: The directors who attended the meeting unanimously agree.	
2nd Meeting (5th Term), 2022/11/4	1	Review the company's 2023 salary budget.
	2	Please review the case of the appointment and remuneration of the company's manager JW Ma.
	3	Please review the case of the promotion and remuneration of the company's manager Simon Lin.
	4	Please review the case of the promotion and remuneration of the company's manager CT Chou.
	5	Review the special bonus of the 2nd 2022 for manager with the identity of director and mangers.
	Decision of the remuneration committee: unanimously approved by all members present in the meeting.	
	Remuneration Committee members opinion handling: Except for the 5th case due to Chairman CH Chen own matters of interest, he avoided the discussion and voting. The entire proposal was passed unanimously by the directors present at the proposal of the Remuneration Committee.	

Nominating Committee: Not applicable

6. Sustainable Development Implementation Status and Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Whether the company has established a governance structure, set up a dedicated (part-time) unit, and the senior management authorized by the Board of Directors to handle, report the execution to the Board of Directors?	V		<p>The Company has established the Sustainable Development Committee (ESG Committee), which hold meetings quarterly. All representatives of ESG committee from various departments communicate with stakeholders by daily business, and collect feedback information to implement them. Execute various tasks related to sustainable development in the meeting and implement the commitment for promoting the balance between economy, environment and society and the practice of sustainable development of enterprises.</p> <p>The company has established an ESG policy to manage economic, environmental and social risks and impacts, so as to pursue the concept of enhancing the company's competitiveness, improving the quality of life of employees and giving back to the society, practice the social responsibility that the chairman of committee regularly report the management policy, strategy, goal and practical results to the board of directors every year. To reviewing the progress of strategy implementation, the board of directors will urge the management team to make adjustments when needed.</p> <p>Please visit the Company's website : https://www.xintec.com.tw/chi/CSR_CSR_Policy_Reports.aspx</p>	No major difference

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
2. Whether the company conducts risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		The company has established an ESG policy and committee, and established a risk management committee in 2010, which holds a meeting every quarter.	No major difference
3. Environmental issues				No major difference
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(1) The Company has built sound environmental management procedures and systems and has obtained ISO 14001 Environmental Management System Certification as of January 2005.	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2)The Company is devoted to improving the efficiency and recycling of resources and has formulated related resource management procedures and built an water management and recovery system. In 2022, a total of 25 water-saving and electricity-saving related measures have been implemented, all of which have been completed, with a saving benefit of NT\$36.39 million.	
(3) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to respond to climate-related issues?	V		(3) Strictly abide by laws and regulations, regularly implement environmental protection laws and regulations, check the latest regulations, implement environmental testing and pollution prevention measures in accordance with the law, while adopting the ISO 14001 environmental management system strategy, evaluate environmental considerations and formulate preventive measures. Audits and third-party reviews check whether they are consistent with the purpose of continuous improvement and enhance employees' awareness of environmental protection.	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		<p>Establish, implement, and maintain a greenhouse gas inventory management system by citing the international standard ISO / CNS 14064-1, in order to grasp the more accurate status of greenhouse gas emissions, effectively implement greenhouse gas reduction measures, and hope to implement environmental justice and fulfill the responsibility of global citizens to ensure sustainable development of the environment.</p> <p>In order to optimize the process and replace the energy-saving equipment year by year, the company has established various energy-saving specifications for the plant area and the office, forming a staff awareness of energy conservation and carbon reduction, and expects to reduce the total amount of greenhouse gas emissions.</p> <p>(4) In 2012, the company completed the GHG greenhouse gas emissions inventory, the carbon footprint of important products, and the verification of external certification agencies, Based on 2015 as the base year.</p> <p>The company continuously conducts inventory and verification of greenhouse gas emissions every year, The greenhouse gas emissions of the entire plant in 2020 and 2021 were 160,207 and 172,579 ton-CO₂e, respectively, and the emission intensity was 22.01 and 22.51 (ton-CO₂e/million revenue) ,and through continuous improvement of resource recycling, it reduces greenhouse gas emissions, waste generation, wastewater emissions, and use of chemicals to improve the ecological efficiency of the process. Projected to achieve Scope 1 GHG emissions reduction target of 80% by 2030 compared to the base year.</p>	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>4. Social issues</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	V		<p>The external water consumption (including tap water and well water) of the company's entire plant in 2021 and 2022 is 2,631,095 metric tons and 2,257,780 metric tons, respectively. The water intensity is 343.2metric tons/million revenue and 292.0 metric tons/ million revenue respectively, reducing water consumption by 14.9% per million revenue. In 2021 and 2022, the waste of the company's entire plant was 1,255 metric tons (806 metric tons of hazardous waste, 449 metric tons of non-hazardous waste) and 1,125 metric tons (573 metric tons of hazardous waste, 552 metric tons of non-hazardous waste). The waste density is 0.164 metric ton/million revenue and 0.146 metric ton/million revenue respectively, the waste reduction per million revenue is 11.0%.</p> <p>We are based on the ISO 14001 environmental management system and have adopted the "P-D-C-A" management model to promote our continuous progress in pollution prevention. Quantitative management goals of 1% carbon reduction, 2% waste reduction, and 3% water consumption reduction are achieved every year until a reasonable and feasible water level.</p> <p>(1) Xintec will establish a system, a wholesome organization, guarantee the employee’s lawful rights, specially in abiding the labor standard law and government related orders, Formulate human rights protection measures in accordance with the " Corporate Social Responsibility Best Practice</p>	No major difference

Evaluation Item	Implementation Status		Abstract Explanation	Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>Principles for TWSE/GTSM Listed Companies " and implement the "Responsible Business Alliance and its Code of Conduct". Formulate recruitment and employment policies as a basis for management and compliance of all colleagues. Recruitment, interview, employment, assessment, promotion, etc. of employees are not differentiated based on gender (except the work is only suitable for specific genders). The company shall not employ child labor; recruit employees without discrimination, select according to actual business needs, and strive for equal opportunity by means of open audition. New colleagues must first pass the interview or review, and then be formally hired after being approved by the company's new hire requirements. The company prohibits forced, mortgage, indentured or involuntary labor, all work must be voluntary, and employees have the right to leave freely based on due notice. The company is committed to creating a work environment that eliminates harassment and abuse. They must not threaten or subject their staff to harsh or inhuman treatment.</p> <p>The total trained participants are 1,623 with the total 3,246 training hours. (Implemented annual training about Responsible Business Alliance Code of Conduct including Business Integrity, Legal & Customer Requirements, Human Rights, No Improper Advantage, Fair Business, and Prohibition of Insider Trading training etc.)</p>	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company formulated and implemented reasonable employee welfare measures (including compensation, vacation and other benefits), and appropriately reflected the operating performance or results in employee compensation?	V		<p>(2) The company has formulated and implemented reasonable employee welfares and appropriately reflected operating performance or results in employee compensation. According to the company's articles of association, if the company makes a profit in the year, it should allocate no less than 1% as employee compensation, but if the company has accumulated losses, it should retain the compensation amount in advance, and then provide employee compensation according to the prescribed proportion.</p> <p>Remuneration of employee in company is based on personal working performance, contribution, position, and job grade. Those who are positively related to the business performance results are mainly including base salary, allowances, bonuses, employee remuneration and welfare. The based salary is set according to the position in other companies in same industry and company policy. Allowance is set according to working related matters. Bonuses and remuneration are set according to employee’s performance, goal achievement of department, and company managing performance. Welfare is set under the premise of agreeing with the law, and at the same time taking employee’s needs into consideration.</p> <p>The total number of females in Xintec is over 50%. The top manager of females is 12.5%. Xintec provide better annual leave program than the Labor Standard Act. Employees are eligible for annual leaves after the first 2-month service at</p>	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		Xintec, employees are able to schedule vacation of the year. Different leave types are given in compliance with related laws, and employees therefore can more flexibly arrange work and life. In addition, employees’ subsidy and allowance include marriage subsidy, funeral gift, 3 major holiday gift coupon, birthday gift coupon, and club compensation. (3) Xintec holds the employee health inspection activities yearly and provides the doctors and nurses in accordance with related law. We also implement health enhance activities and attend ESH monthly meeting to ensure personnel safety and reduce the impact of accidents.	
(4) Does the company provide its employees with career development and training sessions?	V		(4) Xintec not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs. Xintec’s annual training programs include managerial training and general training. In 2022, a total of 82 physical training courses were held.	
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and	V		(5) The company had established defect prevention mechanism and customer complaint response system, and detection checking mechanism from the entire supply chain upstream and downstream checked for customers and responded quickly. The company upholds the concept of integrity to treat customers, customers oriented, provides customers with the necessary technical, good quality and	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>appeal procedures?</p> <p>(6) Does the company formulate supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation</p>	V		<p>service.</p> <p>(6) The company has relevant regulations in the supplier's corporate social responsibility code of conduct. Contracts with suppliers should disclose the suppliers should be transparent, open, pay attention to shareholders' equity and strive to achieve social responsibility.</p>	
<p>5. Does the company refers to the internationally accepted reporting standards or guidelines to prepare reports that disclose non-financial information of the company, such as sustainability reports? Has the previous disclosure report obtained the assurance or assurance opinion of the third-party verification unit?</p>	V		<p>The company's ESG report is prepared in according with the Global Reporting Initiative (GRI) standards core option, and has obtained a third-party British Standards Institution (BSI) assurance to pass Type 1 of AA 1000 Assurance Standard.</p>	No major difference
<p>6. If the Company has established the Sustainable Development principles based on “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has formulated the “Sustainable Development Best-Practice Principles”, and all operations are handled in accordance with it.</p>				
<p>7. Other important information to help understand the implementation of sustainable development :</p> <ul style="list-style-type: none"> • To go green, use of disposable chopsticks has been substituted with reusable chopsticks, along with other eco-friendly policies including waste sorting and reduction, emission reduction, greening, recycling, water and electricity conservation. • Implement “1+1” disabled hiring program which is sponsored by government, and obtain award. • Hire disabled employees from Jhungli Special Education Training Center continuously and donate furniture, and obtain appreciation. 				

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<ul style="list-style-type: none"> • Donate over NT\$2,000,000 to landscape in Jhungli Standard Factory and sponsor a gardener every month since 2007. • Landscape around the Company and dormitory. Participate in landscape activity in 2009 which is held by Industrial Development Bureau, and obtain first in North Area and fourth in Taiwan. • Donate prizes to 2010 International Disabled Day which is held by Hsinchu County. • Be selected as a Chairman of Jhungli Standard Factory Management Committee in 2011. • Create job opportunities and conduct cooperative education with 6 senior high schools. • Participation in public activities irregularly. • Donate about NT\$1,000,000 for Typhoon Morakot in 2009. • Provide a safe working environment and strengthen employees’ awareness on environmental and safety. • Donate used clothing to Wan Hai Charity Foundation in 2012. • Donate about NT\$30,000 for Typhoon Haiyan in 2013. • Complies strictly with the Industrial Waste Disposal Plan and submits waste flow records online accordingly. Waste disposal and recycling practices are in compliance with applicable regulations. • The functions of the Volatile Organic Compound (VOC) emission treatment facilities at the Chungli factory are enhanced, resulting in a reduction efficiency of 90% and up in August, 2013 and achieving the goal of reducing carbon footprint and air pollutant emissions. • Donate about NT\$600,000 for Gas explosions in Kaohsiung in 2014. • Donate about NT\$1,000,000 for colored powder fire disaster in New Taipei in 2015. • Donate NT\$200,000 to KuanHsi Junior High School for popularizing baseball in 2016. • The Volunteer Association held a charity auction of NT\$71,623 to help disadvantaged groups in 2017. • We invited 18 charitable organizations such as the Eden Foundation to hold 3 charity sales and donated the total raised fund NT\$212,800 in 2018. • We invited Ruth society, Kind Garden, Autism Association, The Garden of Hope and Genesis Social Welfare foundation to participate in charity event and Arbor Day event. We have donated the total raised fund NT\$144,596 in 2019. • We collect goods that welfare organizations actual need in Taoyuan, initiate material collection and donation activities, and donate the goods to Lohas preschool, Mu Hsiang Sweet Home in 2019. 	

Evaluation Item	Implementation Status			Deviations from “the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<ul style="list-style-type: none"> • Hire visually impaired masseurs for continuous 9years. • Receive “Badge of Accredited Healthy Workplace” for continuous 10 years. • Have organized blood donation activities for continuous 7 years, encouraging colleagues to donate blood for saving people and participate in charity. • Hold coffee donation and raise in 2021 for supporting COVID prevention. Send 500 cups of coffee to hospitals, police stations, and fire departments in Taoyuan city. • Distribute total income from 6 donations and sales of goods for charity to PWS Association, Children Are Us Foundation, and Child Welfare League Foundation. • Hold 2 activities for donating diaper, milk powder, and sacrificial offerings such as rice, noodles, seasonings, and snacks. Donate all of the above items to the neighborhood LOHAS preschool and Mu Hsiang Sweet Home. • Responding sponsor activity of hundred-dollar club from Taiwan Fund for Children and Families, help/adopt 58 children monthly (\$116,000). • Donate 10 sets of computers to LOHAS preschool and Mu Hsiang Sweet Home for online lessons during the pandemic. • In 2022, we launched a material fundraising campaign to support the practical needs of social welfare organizations. We made regular material donations to nearby childcare institutions, participated in volunteer activities for charity sales, and subscribed to material donations from public welfare groups. In total, we raised NT\$1,244,503, all of which was donated to these causes. • In 2022, we adopted the Line B building located on Ziqiang 2nd road, Zhongli industrial park. As part of our efforts to beautify the area, we trimmed and planted trees along the pedestrian walkways in the surrounding vicinity. 	

Risk management strategy

Item	Risk Item	Description	Strategies
Company management	Social economy and legal compliance	Through establishing management group and internal control system, make sure all personnel operates with following the law.	Company assigns CT Chou from Department of Legal Affairs to be the management manager. HR is responsible for drafting, supervising, and conducting the Procedures for Ethical Management and Guidelines for Conduct, and report to the board of directors annually. Company offers “Corporate Governance Best Practice Principles” , “Corporate Social Responsibility Practice Principle”, and “Ethical Management Principle” for employees to follow. Regulated clearly in “Code of Work”, all employees should understand and obey the code of work ethics and individual integrity. Be honest, strict, and dedicated. Company would regularly or irregularly hold training related to employee integrity, set channel for internal appeal and external complaint, and encrypt the person who appeals or complains and the information.
Financial Risk	Foreign Exchange Volatility	The Company’s revenues were mainly denominated in US dollars, and some of the manufacturing costs were denominated in currencies other than NT dollars. Therefore, any significant fluctuation to its disadvantage in such exchange rates would have an adverse effect on the Company’s profit and loss.	The company mainly offsets accounts payable (foreign currency liabilities) generated by purchases and accounts receivable (foreign currency assets) generated by revenue to exert the effect of natural hedging to reduce the risk of exchange rate changes. At the same time, pay close attention to exchange rate trends, regularly review the changes in the positions of assets and liabilities denominated in non-functional currencies, use forward foreign exchange contracts and other derivative financial instruments or buy and sell spot foreign exchange to manage exchange rate risk, to reduce the impact of exchange rate fluctuations on profit or loss.
	Interest Rate Fluctuation	The impact of changes in interest rates on the company's profit and loss can be divided into two parts, the non-operating income component, the interest income of cash equivalents increases with interest rates increase, and interest expenses will increase due to interest rates increase.	In order to avoid higher interest rates in the future and increase the uncertainty of financing costs, the company continues to pay attention to interest rate trends. In the future, it will decide whether to sign interest rate exchange transactions with banks according to market conditions and mid-to-long-term liability positions, in order to partially avoid the risk of interest rate fluctuation, Reduce the adverse effects of interest rate hikes.
Operation Risk	Technology development	The rapid development of technology in the semiconductor industry, rapid changes in customer demand, fierce competition among peers, and the increasing demand for advanced processes.	In accordance with the market and the new product technology requirements of customers' sensors, we continue to develop new wafer-level process technologies and acquire related equipment for various biometric sensors, image sensors, ambient light sensor, and micro-electromechanical (MEMS) , Power field effect transistors and other products, providing technical services including wafer-level packaging and mid-end wafer-level manufacturing processes.
	Supplier Management	There is a single supplier of raw material suppliers and production equipment, which may cause the risk of material loss or instability in operating production.	Through the development of new suppliers and the audit of the production and quality systems of existing suppliers, the proportion of single suppliers is reduced, and at the same time, the risk of shortage of materials and unstable quality of existing suppliers is reduced.
	Business risk	Customers are too concentrated.	Actively develop diversified products and customer groups to diversify business concentration risks.

Item	Risk Item	Description	Strategies
	legal risk	Follow all applicable regulations and amendments to laws and regulations.	Each department must monitor the applicable laws and regulations within its business scope. The legal department will also download the latest laws and regulations of the applicable laws and regulations from the relevant website from time to time, and forward them to the relevant units for risk identification, assessment, set up strategy and make proper actions.
Environment Risk	Climate change	The impact of climate change cannot be underestimated. With the increasing greenhouse gas emissions in the world, the greenhouse effect has significantly increased leading to global warming, which has caused significant increases in global average surface temperature, ocean acidification, ice melting, and sea level rise. Environmental changes, affecting the ocean and land, and extreme climates caused by global warming have become more frequent in recent years. The first to bear the brunt is environmental and ecological damage, which may even affect social and economic activities and human security.	<ol style="list-style-type: none"> 1. Strictly abide by the laws and regulations, regularly implement the environmental protection laws and regulations, check the latest laws and regulations, implement environmental detection and pollution prevention countermeasures according to the law, and adopt the ISO 14001 environmental management system strategy to evaluate and develop preventive measures against environmental considerations Audit and third-party review to see if it meets the goal of continuous improvement and enhance employees' awareness of environmental protection. 2. Use the international standard ISO / CNS 14064-1 to establish, implement and maintain a greenhouse gas inventory management system to grasp the current status of more accurate greenhouse gas emissions, effectively implement greenhouse gas reduction measures, and to implement environmental justice and fulfill the responsibilities of global citizens To ensure sustainable development of the environment. 3. Assess the opportunities and risks that climate change may bring to the company, and incorporate climate change factors into the operational strategy planning and decision-making process; actively promote green processes and various environmental protection, energy conservation and carbon reduction measures, evaluate green power purchases, and upgrade exhaust gas reduction equipment. The installation rate, the annual replacement of energy-saving equipment, and the establishment of various energy-saving regulations in the factory area, to form staff awareness of energy conservation and carbon reduction, and to reduce the total amount of greenhouse gas emissions, so as to mitigate and adapt to the impact of climate change on operations.
	Water resources	Extreme climate causes water scarcity.	<ol style="list-style-type: none"> 1. Through the establishment and improvement of recycling equipment, increase the number of water recycling and reduce the amount of tap water. 2. Improve process water consumption and reduce water usage during production.
Social Risk	Employee recruitment	The growth and development of the company depends on the efforts and contributions of all colleagues. The immediate recruitment of appropriate and sufficient talents is an important part of operational development. In the fierce competition in the labor market, there is a risk that the demand for	In accordance with manpower planning and the business needs of each unit, regularly review the manpower supply and demand situation. If there is a talent demand, in addition to external recruitment, you can also conduct internal job rotation or education and training, followed by regular salary surveys to ensure the company operation is not affected by manpower shortage and is competitive to attract talent.

Item	Risk Item	Description	Strategies
	Labor safety	<p>labor cannot be met immediately.</p> <p>The company attaches great importance to labor safety, and believes that good safety and health management is the proper action to take care of employees and their families, and it is also a direct feedback to the community and social commitment.</p>	<ol style="list-style-type: none"> 1. All the company's factories have obtained the dual system certification of occupational safety and health management system (OHSAS 18001: 2007) and "Taiwan occupational safety and health management system (TOSHMS)", and will be updated to ISO 45001 in 2019 2. Through continuous improvement of the safety and health management system, based on the spirit of risk management, continuous improvement is made to eliminate foreseeable danger and loss control, and to achieve the goals of preventing accidents, promoting employee safety, health and protecting company assets.

7. Ethical Corporate Management and Deviations from “the Ethical Corporate Management Principles for TWSE/TPEX Listed Companies” :

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies approve by the board of directors and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Whether the company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the " Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies, and regularly review and revise the pre-disclosure plan?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) Xintec established 「 Integrity Operation Code 」 demanding that all employees must understand clearly and abide by the business code of ethics and individual integrity, and insisting on honesty, seriousness and having professional spirit in carrying out one’s job.</p> <p>(2) The company’s 「 Working Rule 」 regulates one cannot request, accept or give any kinds of donation and to be loyal to one’s job, or professionally judge gifts, entertainments or any forms of bribe.</p> <p>(3) Integrity is directly related to the company’s corporate culture and is the most important core value. It will be in the newcomer educational training and employee on-the-job training advocacy, and creation of a complete basis for rule violation punishment and complaint.</p>	No major difference

2. Implement integrity management			No major difference
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V	(1)The company evaluated business partners' ethical records before sign the contracts and include ethics-related clauses in business contracts.	
(2) Does the company set up a full-time unit affiliated with the board of directors to promote enterprise integrity management, and regularly (at least once a year) report to the board of directors on its integrity management policies and plans to prevent dishonesty, and to monitor its implementation ?	V	(2) To achieve sound ethical corporate management, Human Resources Div. is responsible for establishing and supervising the implementation of the ethical corporate management policies. Reports would be submitted to the Board regularly.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V	(3)The company has already establish in 「Working Rules」 clearly indicating that one must avoid any possible conflicts between individual interest and company's interest. The board committee's various suggested projects, when there is a conflict of interest, must in accordance to the principle of avoidance, not participate in the discussion, and be absent and not participate in the decision making.	
(4) Whether the company has established an effective accounting system and internal control system in order to implement honest management, and the internal audit unit draws up relevant audit plans based on the assessment results of dishonest behavior risks, and checks the compliance with the plan to prevent untrustworthy behavior, or Commission an accountant to perform the audit?	V	(4)The company standardizes the accounting system and internal control system, and regularly publicity to all personnel to implement the concept of integrity management. Internal auditors regularly check the compliance in the audit cycle, and no dishonest acts such as violations of integrity, illegality, or violations of fiduciary obligations have been found.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V	(5)The company will periodically hold Integrity Operation educational training to realize the value of integrity. And make a publicity DM for the key publicity matters, which should be paid attention to when the publicity is carried out by colleagues.	

<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>The company in its 「Working Rules」 have clearly indicate its punishment basis, and in the company's website has specify that if any people discover the company's employees or any people that may affect the company's interest who performs any suspicious or possible violation of the company's code of ethics behavior , please inform the company; this reporting action, will be submitted to the chairman of the board or other designated the executive who will directly carry out management, the person who report will be kept confidential, so that he will not encounter inappropriate handling.</p>	<p>No major difference</p>
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	<p>V</p>	<p>(1) The business philosophy of integrity, innovation, customer orientation has been disclosed on the company's website. The results of implementation of ethical corporate management disclose on the annual report.</p>	<p>No major difference</p>
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>The company has established the ethical corporate management policies and no differences between the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p>			
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.</p>			

8. Other Company-established corporate governance rules and regulations: Please refer to the Taiwan Stock Exchange Market Observation Post System or visit our website.

9. Other Important Corporate Governance Information: None.

10. Status of Implementation of Internal Control System

(1) Statement of internal control system:

Xintec Inc.

Statement of Internal Controls

Date: 2023/02/09

According to the examination on internal control system done by the Company itself in 2022, we hereby states as follows:

- (1) The Company's board of directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) The reliability, timeliness and transparency of the financial and related reports; and (c) The compliance of the relevant laws/regulations and company policies;
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2022 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability, timeliness and transparency of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies.
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act. 53.
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on 2023/02/09. Among the 5 attending Directors, no one raised any objection to the contents of this statement.

Xintec Inc.

Chairman and President: CH Chen

- (2) Those who entrust an accountant to conduct a special review of the internal control system shall disclose the report of the accountant's review: None.
11. Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: None.
12. Major Resolutions of Shareholders' Meeting and Board Meetings:
During the 2022 year and up to the date of this Annual Report, the Company held one annual stockholders' meeting and approved the resolutions and Implementation status as following:
- (1) Approved the proposal of 2021 Surplus Earnings Distribution.
The company's net income for the year of 2021 was NT\$1,877,082 thousand. After adding the re-measurement of the determined benefit plan of NT\$2,051 thousand the distributable surplus in the year was NT\$1,879,133 thousand. After appropriating the legal reserve of NT\$187,914 thousand, adding up the undistributed retained earnings from previous years of NT\$1,036,440 thousand, the undistributed surplus at the end of the period will be NT\$2,727,659 thousand. Considering the 2021 surplus earnings, the capital budget, the long-term operational planning and the Company's financial situation, the Company proposed profits distribution is NTD 814,093 thousand as cash dividend. Each common shareholder will be entitled to receive a cash dividend of NTD 3.0 per share. Its dividend base date is set as Jun 21, 2022.
- (2) Approved the revision of Articles of Incorporation: None.
- (3) Approved the 2021 Business Report and Financial Statements.
- (4) Re-elect directors: Fully re-elected five directors (including three independent directors). The list of candidates is as follows: CH Chen (Representative of TSMC), Y.J. Wan (Representative of TSMC), Wen-Yeu Wang (independent director), C.S. Hsu (independent director), Robert Hsieh, Stella Wen (independent director).
- (5) Other item: (1) Approve the revision of the "Procedures for Acquisition or Disposal of Assets" (2) Approve the removal of non-compete restrictions for new directors.

During the 2022 year and as of the date of this Annual Report, the Company held six Board Meetings and approved the following resolutions:

Approved the 2021 Business Report and Financial Statements; approved of 2021 employees cash compensation and directors compensation and remuneration; approved of 2021 earnings distribution plan; approved five directors to be elected (including three independent directors), and re-elected at the 2022 Annual General Meeting of Shareholders; approved reconvene a Shareholders' meeting of 2022; approved annual plan for 2022; approved special incentive bonus to manager with the identity of director and managers from September to December 2021 ; approved remuneration and compensation for directors of 2021 , remuneration and compensation policy for directors of 2022; approved performance evaluation of 2021

and salary adjustment of 2022 for manager with the identity of director and managers; approved employee compensation of 2021 for manager with the identity of director and manager; approved compensation of 2021 to manager with the identity of director and managers and salary policy of 2022; approved to appoint Mei Chen Tsai and Yu Feng Huang from Deloitte & Touche CPA Firm to apply for the company's financial statement visa since 2022, in order to meet the needs of internal rotation of the CPA firm; approved amendments to the "Code of Practice on Sustainable Development", approved amendments to the "Code of Practice on Corporate Governance"; approved Statement of Internal Controls of 2021; approved Mr. CH Chen and Mr. Y.J. Wan, the representatives appointed by the legal person shareholder TSMC, were nominated for the tenth session of the company's directors, and Ms. Stella Wen, Mr. Wen-Yeu Wang and Mr. Robert Hsieh were nominated as independent directors; approved the lifting of non-compete restrictions for new directors and their representatives; approved the revision of the company's "Procedures for Acquisition or Disposal of Assets"; approved to amend the reason for the convening of the company's 2022 annual general meeting of shareholders; approved Capital Expenditure Budget; approval of the company's financial statements for the first quarter of 2022; approved special incentive bonus to manager with the identity of director and managers of 2022 ; approved acquire bank credit lines; Mr. CH Chen was elected as the chairman of the board; approved the appointment of Mr. Wen-Yeu Wang, Ms. Stella Wen and Mr. Robert Hsieh as members of the fifth session of the remuneration committee of the company; approval of the company's financial statements for the second quarter of 2022; Approved to revised the company's "internal control system" and "internal audit system"; approval of the company's financial statements for the third quarter of 2022; approved the signing of the "factory building and factory facilities and office leasing contract" with VisEra; approved of the Accountants' Fees of 2023; approved the company's revision of "Internal Material Information Processing Procedures"; approval of the company's revision of the "Rules of Procedure for the Board of Directors"; approved the appointment of Mr. JW Ma as the company's Sr. Director; approved the promotion of Mr. Simon Lin, the manager of the company, to the Vice President; approved the promotion of Mr. CT Chou, the manager of the company, to the rank of 38 director; approved the second special incentive bonus to manager with the identity of director and managers of 2022 ; approved the company's audit plan of 2023; approved the 2022 Business Report and Financial Statements; approved of 2022 employees cash compensation and directors compensation and remuneration; approved of 2022 earnings distribution plan; approved the company to elect one more independent director, and handle the election at the 2023 shareholders' regular meeting; approved reconvene a Shareholders' meeting of 2023; approved the annual plan of 2023; Approved the company's revision of the "Performance Evaluation Method of the Board of Directors"; Approved the company's revision of the "Director's Compensation, Remuneration and carriage fee payment method"; approved remuneration and compensation for directors of 2022; approved remuneration and compensation policy for directors of 2023; approved the special bonus of Mr. CA Lin, the manager of the company; approved performance evaluation

of 2022 and salary adjustment of 2023 for manager with the identity of director and managers; approved compensation of 2022 to manager with the identity of director and managers; approved salary of 2022 and salary policy of 2023 to manager with the identity of director and managers; approved the revision of the "Corporate Governance Code of Practice" by the company; approved to assess certified accountants against Audit Quality Indicators (AQIs), after the assessment, Mei Chen Tsai and Yu Feng Huang accounted for the requirements of the independence and suitability; approved the company's revision of the "Sustainable Development Code of Practice"; approved Statement of Internal Controls of 2022.

13. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None
14. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit , Head of Corporate Governance and R&D: None

D. Information on Accountants' Fees

1. The audit fee and non-audit fee paid to certified CPA, certified Office of CPA and affiliated company accounts, non-audit content:

Unit: NT\$ thousands

Accounting firm	Name of CPA		Audit period	audit fee	non-audit fee	Total	Remarks
Deloitte & Touche	Mei Chen Tsai	Yu Feng Huang	2022.1.1~2022.12.31	2,280	540	2,820	

Note: Non-audit fee for 2022 was NT\$440 thousand for tax attestation, NT\$80 thousand for review annual report and NT\$20 thousand for Issue a full-time employee of non-supervisors salary information checklist.

2. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
3. The audit fee is reduced by over 10% compared with the previous year: None.

E. Information on Replacement of Accountants

1. About the former CPA:

Replacement Date	Not application		
Replacement reasons and explanations	Not application		
Descriptions whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status	Not application	
	Termination of appointment		
No longer accept (continued) appointed			
Other than unqualified issues in the audit reports within last two years	Not application		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None		✓
Descriptions		None	
Other Revealed Matters (Required to be disclosed by Accounting Standards Article 10 section 5 first paragraph item 4)	None		

2. About the Successor CPA:

Firm Name	Not application
CPA Name	Not application
Date of appointment	Not application
Consulting results regarding accounting methods or accounting principles to specific transactions or opinions on the financial statements before appointment	Not applicable
Successor CPA written disagreements to former CPA	Not applicable

3. Reply of the Previous Accountant : Not applicable.

F. Company Chairman, General Manager, Financial of Accounting Head has worked for Certifying Accounting Firm or Its Affiliate Business in the Past Year : None.

G. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders of 10% Shareholdings or More

1. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2022		As of March 31, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Taiwan Semiconductor Manufacturing Company, Ltd.	0	0	0	0
	Representative: CH Chen	0	0	0	0
	Representative: Y.J. Wan	0	0	0	0
Independent director	Wen-Yeu Wang	0	0	0	0
Independent director	Robert Hsieh	0	0	0	0
Independent director	Stella Wen	0	0	0	0
President	CH Chen	0	0	0	0
Vice President	CA Lin (Note1)	0	0	0	0
Vice President	MY Chu	0	0	0	0
Vice President	Simon Lin	0	0	0	0
Sr. Director	TY Liu	0	0	0	0
Sr. Director	CM Fan	0	0	0	0
Sr. Director	JW Ma (Note1)	0	0	0	0
Head of Department of Legal Affairs and Company Supervisor	CT Chou	0	0	0	0
Major shareholders	Taiwan Semiconductor Manufacturing Company, Ltd.	0	0	0	0

Note: Vice president CA Lin resigned on Feb. 10, 2023, and JW Ma was promoted to manager on Nov. 4, 2022.

2. Shares Trading with Related Parties: None

3. Shares Pledge with Related Parties: None

H. Top 10 shareholders relation

As of March 31, 2023; Unit: Thousand shares

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taiwan Semiconductor Manufacturing Company (Representative: Mark Liu)	111,282	41.01	0	0	0	0	None	None	
Cathay Life Insurance Inc. (Representative: Huang, Tiao-Kuei)	5,003	1.84	0	0	0	0	None	None	
He, Tsung-Han	2,900	1.07	0	0	0	0	None	None	
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	2,233	0.82	0	0	0	0	None	None	
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,103	0.77	0	0	0	0	None	None	
Chuang, Ming-Lang	1,742	0.64	0	0	0	0	None	None	
Norges Bank	1,649	0.61	0	0	0	0	None	None	
Tang, Wen-Wan	1,619	0.60	0	0	0	0	None	None	
iShares Core MSCI Emerging Markets ETF	1,582	0.58	0	0	0	0	None	None	
Merrill Lynch International-Main Trading	1,329	0.49	0	0	0	0	None	None	

I. Long-Term Investment Ownership: Not applicable.

IV. Information on Implementation of The Company Funds Utilization Plans

A. Source of Capital

Unit: NT\$ Thousand; Thousand shares, As of March 31, 2023

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
9/1998	10	64,000	640,000	28,000	280,000	Foundation 216,000	technology 64,000	9/11/1998 Jing Shang Tzu No.087127301
7/1999	10	64,000	640,000	43,250	432,500	Cash injection 152,500	None	7/26/1999 Jing Shang Tzu No.088127212
9/2000	10	64,000	640,000	55,000	550,000	Cash injection 117,500	None	9/20/2000 Jing Shang Tzu No.089134667
8/2002	12	64,000	640,000	64,000	640,000	Cash injection 90,000	None	8/19/2002 Jing Shou Shang Tzu No.09101336780
3/2003	12	88,000	880,000	73,000	730,000	Cash injection 90,000	None	3/19/2003 Jing Shou Shang Tzu No.09201078970
4/2003	11	88,000	880,000	83,000	830,000	Cash injection 100,000	None	4/30/2003 Jing Shou Shang Tzu No.09201130010
9/2003	15	120,000	1,200,000	103,000	1,030,000	Cash injection 200,000	None	9/1/2003 Jing Shou Shang Tzu No.09201260090
12/2003	20	120,000	1,200,000	115,000	1,150,000	Cash injection 120,000	None	12/4/2003 Jing Shou Shang Tzu No.09201327560
4/2006	10	120,000	1,200,000	120,000	1,200,000	Cash injection 50,000	None	4/10/2006 Jing Shou Shang Tzu No.09501063960
7/2006	-	180,000	1,800,000	120,000	1,200,000	Authorized Capital change	None	7/4/2006 Jing Shou Shang Tzu No.09501131570
2/2007	15	260,000	2,600,000	210,526	2,105,260	Private placement 905,260	None	2/16/2007 Jing Shou Shang Tzu No.09601036790
8/2007	-	260,000	2,600,000	215,739	2,157,391	Capital increase 27,368 by earnings Capital increase 24,763 by Profit sharing in stock	None	8/6/2007 Jing Shou Shang Tzu No.09601184170
7/2008	-	260,000	2,600,000	221,279	2,212,794	Capital increase 21,574 by earnings Capital increase 33,829 by Profit sharing in stock	None	7/24/2008 Jing Shou Shang Tzu No.09701180530
11/2008	-	260,000	2,600,000	221,909	2,219,091	Exercise of Employee Stock Options 6,297	None	11/27/2008 Jing Shou Shang Tzu No.09701302390
3/2009	-	260,000	2,600,000	222,225	2,222,251	Exercise of Employee Stock Options 3,160	None	3/30/2009 Jing Shou Shang Tzu No.09801056560
6/2009	-	260,000	2,600,000	222,660	2,226,601	Exercise of Employee Stock Options 4,350	None	6/26/2009 Jing Shou Shang Tzu No.09801127190
7/2009	-	260,000	2,600,000	224,629	2,246,289	Capital increase 11,111 by earnings Capital increase 8,577 by Profit sharing in stock	None	7/22/2009 Jing Shou Shang Tzu No.09801153270
9/2009	-	260,000	2,600,000	225,533	2,255,327	Exercise of Employee Stock Options 9,038	None	9/9/2009 Jing Shou Shang Tzu No.09801206430
12/2009	-	260,000	2,600,000	225,766	2,257,657	Exercise of Employee Stock Options 2,330	None	12/18/2009 Jing Shou Shang Tzu No.09801290970

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
4/2010	-	260,000	2,600,000	226,529	2,265,287	Exercise of Employee Stock Options 7,630	None	4/8/2010 Jing Shou Shang Tzu No.09901068120
7/2010	-	260,000	2,600,000	227,275	2,272,746	Exercise of Employee Stock Options 7,459	None	7/16/2010 Jing Shou Shang Tzu No.09901144980
9/2010	-	260,000	2,600,000	227,367	2,273,666	Exercise of Employee Stock Options 920	None	9/2/2010 Jing Shou Shang Tzu No.09901200650
12/2010	-	260,000	2,600,000	227,968	2,279,684	Exercise of Employee Stock Options 6,018	None	12/6/2010 Jing Shou Shang Tzu No.09901271820
4/2011	-	260,000	2,600,000	228,561	2,285,607	Exercise of Employee Stock Options 5,923	None	4/11/2011 Jing Shou Shang Tzu No.10001069460
7/2011	-	260,000	2,600,000	229,026	2,290,265	Exercise of Employee Stock Options 4,658	None	7/1/2011 Jing Shou Shang Tzu No.10001142280
8/2011	-	260,000	2,600,000	233,256	2,332,557	Capital increase 22,883 by earnings Capital increase 19,410 by Profit sharing in stock	None	8/10/2011 Jing Shou Shang Tzu No.10001184920
9/2011	-	260,000	2,600,000	233,396	2,333,962	Exercise of Employee Stock Options 1,405	None	9/6/2011 Jing Shou Shang Tzu No.10001207740
12/2011	-	260,000	2,600,000	233,579	2,335,794	Exercise of Employee Stock Options 1,831	None	12/2/2011 Jing Shou Shang Tzu No.10001274670
4/2012	-	260,000	2,600,000	233,581	2,335,811	Exercise of Employee Stock Options 17	None	4/2/2012 Jing Shou Shang Tzu No.10101055600
6/2012	-	260,000	2,600,000	233,785	2,337,846	Exercise of Employee Stock Options 2,035	None	6/27/2012 Jing Shou Shang Tzu No.10101120250
7/2012	-	260,000	2,600,000	236,121	2,361,209	Capital increase 23,363 by earnings	None	7/30/2012 Jing Shou Shang Tzu No.10101155880
9/2012	-	260,000	2,600,000	236,153	2,361,526	Exercise of Employee Stock Options 317	None	9/13/2012 Jing Shou Shang Tzu No.10101188740
12/2012	-	260,000	2,600,000	236,205	2,362,046	Exercise of Employee Stock Options 520	None	12/12/2012 Jing Shou Shang Tzu No.10101253820
4/2013	-	260,000	2,600,000	236,208	2,362,079	Exercise of Employee Stock Options 33	None	04/01/2013 Jing Shou Shang Tzu No.10201058510
8/2013	-	260,000	2,600,000	236,267	2,362,667	Exercise of Employee Stock Options 588	None	08/06/2013 Jing Shou Shang Tzu No.10201152570
8/2013	-	260,000	2,600,000	236,290	2,362,896	Exercise of Employee Stock Options 229	None	08/30/2013 Jing Shou Shang Tzu No.10201179150
12/2013	-	260,000	2,600,000	236,371	2,363,714	Exercise of Employee Stock Options 818	None	12/11/2013 Jing Shou Shang Tzu No.10201249330
3/2014	-	260,000	2,600,000	236,402	2,364,019	Exercise of Employee Stock Options 305	None	03/28/2014 Jing Shou Shang Tzu No.10301053810
7/2014	-	260,000	2,600,000	236,474	2,364,739	Exercise of Employee Stock Options 720	None	7/8/2014 Jing Shou Shang Tzu No.10301136750
9/2014	-	260,000	2,600,000	236,481	2,364,814	Exercise of Employee Stock Options 75	None	9/4/2014 Jing Shou Shang Tzu No.10301184300
12/2014	-	260,000	2,600,000	238,051	2,380,508	Exercise of Employee Stock Options 15,694	None	12/5/2014 Jing Shou Shang Tzu No.10301253830
3/2015	-	260,000	2,600,000	238,121	2,381,207	Exercise of Employee Stock Options 699	None	3/6/2015 Jing Shou Shang Tzu No.10401033070

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
4/2015	42	300,000	3,000,000	268,121	2,681,207	Cash injection 300,000	None	4/15/2015 Jing Shou Shang Tzu No.10401064200
6/2015	-	300,000	3,000,000	268,427	2,684,265	Exercise of Employee Stock Options 3,059	None	6/8/2015 Jing Shou Shang Tzu No.10401105400
12/2015	-	300,000	3,000,000	268,768	2,687,680	Exercise of Employee Stock Options 3,414	None	12/2/2015 Jing Shou Shang Tzu No.10401254910
3/2016	-	300,000	3,000,000	268,876	2,688,761	Exercise of Employee Stock Options 1,082	None	3/3/2016 Jing Shou Shang Tzu No.10501040250
5/2016	-	300,000	3,000,000	269,195	2,691,948	Exercise of Employee Stock Options 3,187	None	5/31/2016 Jing Shou Shang Tzu No.10501108730
11/2016	-	300,000	3,000,000	269,590	2,695,901	Exercise of Employee Stock Options 3,953	None	11/30/2016 Jing Shou Shang Tzu No.10501277360
3/2017	-	300,000	3,000,000	269,853	2,698,534	Exercise of Employee Stock Options 2,633	None	3/16/2017 Jing Shou Shang Tzu No.10601032450
3/2017	-	300,000	3,000,000	271,353	2,713,534	Issue restricted employee stocks 15,000	None	3/30/2017 Jing Shou Shang Tzu No.10601037310
6/2017		300,000	3,000,000	272,149	2,721,493	Exercise of Employee Stock Options 7,959	None	6/2/2017 Jing Shou Shang Tzu No. 10601069300
8/2017		300,000	3,000,000	272,109	2,721,093	Exercise of Employee Stock Options 1,480 Cancel restricted employee stocks 1,880	None	8/17/2017 Jing Shou Shang Tzu No. 10601111270
11/2017		300,000	3,000,000	271,919	2,719,193	Cancel restricted employee stocks 1,900	None	11/28/2017 Jing Shou Shang Tzu No. 10601158830
2/2018		300,000	3,000,000	271,695	2,716,949	Cancel restricted employee stocks 2,244	None	2/22/2018 Jing Shou Shang Tzu No. 10701019760
8/2018	20	300,000	3,000,000	271,795	2,717,949	Exercise of Employee Stock Options 1,000	None	8/22/2018 Jing Shou Shang Tzu No. 10701106860
3/2019	20	300,000	3,000,000	271,744	2,717,441	Exercise of Employee Stock Options 2,000, Cancel restricted employee stocks 2,508	None	3/15/2019 Jing Shou Shang Tzu No. 10801026540
6/2019	-	400,000	4,000,000	271,744	2,717,441	Change Authorized capital	None	6/18/2019 Jing Shou Shang Tzu No. 10801072960
8/2019	-	400,000	4,000,000	271,723	2,717,225	Cancel restricted employee stocks 216	None	8/26/2019 Jing Shou Shang Tzu No. 10801115200
3/2020	-	400,000	4,000,000	271,364	2,713,643	Cancel restricted employee stocks 3,582	None	3/12/2020 Jing Shou Shang Tzu No. 10901031500

Unit: Shares, As of March 31, 2023

Share Type	Authorized Capital			Un-issued Shares	Total Shares
	Issued Shares				
	Listed	Non-listed	Total		
Common Stock	271,364,316	-	271,364,316	128,635,684	400,000,000

B. Shareholder Structure

Unit: Shares, As of March 31, 2023

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	17	110	38,861	145	39,137
Shareholding	1,039,315	2,376,632	119,264,172	124,921,666	23,762,531	271,364,316
Percentage	0.38%	0.88%	43.95%	46.03%	8.76%	100.00%

C. Distribution Profile of Shareholder Ownership

Unit: Shares, As of March 31, 2023

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	5,889	1,050,503	0.39
1,000 ~ 5,000	29,066	53,109,484	19.57
5,001 ~ 10,000	2,430	18,898,681	6.96
10,001 ~ 15,000	638	8,214,444	3.03
15,001 ~ 20,000	385	7,119,673	2.62
20,001 ~ 30,000	279	7,153,059	2.64
30,001 ~ 40,000	128	4,640,986	1.71
40,001 ~ 50,000	81	3,801,378	1.40
50,001 ~ 100,000	114	7,939,254	2.93
100,001 ~ 200,000	71	10,129,006	3.73
200,001 ~ 400,000	33	9,468,621	3.49
400,001 ~ 600,000	7	3,406,000	1.25
600,001 ~ 800,000	2	1,263,574	0.47
800,001 ~ 1000,000	3	2,593,000	0.95
1,000,001 of over	11	132,576,653	48.86
Total	39,137	271,364,316	100.00

D. Major Shareholders

Unit: Shares, As of March 31, 2023

Major shareholder's Name	Shares held	Share holdings
Taiwan Semiconductor Manufacturing Company , Ltd. (Representative: Mark Liu)	111,281,925	41.01
Cathay Life Insurance Inc. (Representative: Huang, Tiao-Kuei)	5,003,000	1.84
He, Tsung-Han	2,900,000	1.07
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	2,233,225	0.82
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	2,102,714	0.77
Chuang, Ming-Lang	1,742,000	0.64
Norges Bank	1,649,000	0.61
Tang, Wen-Wan	1,619,000	0.60
iShares Core MSCI Emerging Markets ETF	1,582,000	0.58
Merrill Lynch International-Main Trading	1,328,789	0.49

E. Market Price, Net Worth, Earnings and Dividends per Common Share

Unit: NT\$; Stocks, in thousands

Item		Year		
		2021	2022	Current year to March 31, 2023
Market price per share	Highest	219.00	152.50	113.50
	Lowest	116.00	85.10	96.00
	Average	171.91	123.84	106.97
Equity per share	Before distribution	22.91	27.23	-
	After distribution	19.91	24.23(Note1)	-
Earnings per share	Weighted average shares	271,364	271,364	-
	Earnings per share	6.92	7.31	-
Dividends per share	Cash dividends	3.0	3.0(Note1)	-
	Stock dividends	-	-	-
		-	-	-
	Accumulated undistributed dividends	-	-	-
Investment return analysis	Price/ earning ratio	24.84	16.94	-
	Price/ dividend ratio	57.30	41.28(Note1)	-
	Cash dividend yield rate	1.75	2.42(Note1)	-

Note1: Subject to shareholders' meeting resolution.

F. Dividend Policy

1. Dividend policy in Articles of Incorporation:

According to article 27 of the Company's Articles of Incorporation:

If there is any profit after annual closing, it should be first deducted for income tax and accumulated deficits. Then appropriate 10% as legal reserve until the accumulated legal reserve equals the Company's paid-in capital, and appropriate (or reverse) the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining balance together with any un-appropriated earnings shall be allocated according to the proposal of the board of directors and the resolution of the shareholders' meeting.

According to article 27-1 of the Company's Articles of Incorporation:

The dividend distribution policy of the Corporation, based on the capital budget, middle and long-term operation plan and financial condition, shall be distributed upon the resolution of Board Meeting by following the rules below:

(1) The Corporation shall distribute all divisible surplus based on the considerations of finance, business and operation factors. The surplus distribution shall be by stock dividend or cash dividend. However, the Corporation is in the operation growth period. When distributing the divisible surplus, the proportion of cash dividend shall be no less than 50% of the total dividend.

(2) If the Corporation has no surplus to be distributed, or the surplus balance is far lower than that distributed in the last years, it shall distribute all or a part of the reserve pursuant to the requirements of laws or competent authority based on

the consideration of finance, business and operation factors.

2. Distribution of stock dividends at this shareholders' meeting:

The Company's appropriations of earnings for 2022 had been approved for NT\$814,092,948(NT\$3.0 per share) in the meeting of the Board of Directors held on February 9, 2023.

G. Stock Dividend Distribution : Not applicable.

H. Employee, Directors and Supervisors Compensation :

1. According to article 27 of the Company's Articles of Incorporation:

The Corporation shall set aside not less than 1% of its annual profit as profit sharing bonus to its employees and not more than 2% as compensation to its directors. Directors who also serve as executive officers of this Corporation are not entitled to receive compensation to directors. Employees' profit sharing bonuses and compensation to directors are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting. The Corporation shall have reserved a sufficient amount to offset its accumulated losses and then set aside profit sharing bonuses to employees and compensation to directors in accordance with a predetermined ratio.

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

The Company accrued NT\$324,207 thousand employee compensation and NT\$1,680 thousand compensation to directors and NT\$2,520 thousand remuneration to directors based on a percentage of net profit before employee and director compensation. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

On February 9, 2023, the board of directors approved of NT\$324,207 thousand for employees compensation, NT\$1,680 thousand for directors compensation and NT\$2,520 thousand for directors remuneration, which is not different from the annual estimated amount of recognized expenses.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. Actual distribution of employee compensation, remuneration of directors / supervisors in the previous year:

The Company paid NT\$285,941 thousand for employees compensation, NT\$1,680 thousand for directors compensation in 2021. The Company's actually distributed number does not differ from the recognized one.

I. Share Buyback : None.

J. Issuance of Corporate Bond, Preferred Stock, Depositary Shares Issuance : None.

K. Status of Employee Stock Option Plan : None.

L. Status of Restricted Employee Shares : None.

M. Status of Mergers and Acquisitions : None.

N. Fund Plan Implementation : None.

V. Operational Highlights

A. Business Content

1. Business Scope

(1) The main content of the business service and the proportion

Unit: NT\$ Thousand

Item	Total sales in Year 2022	(%) of Total Sales
Wafer level package	5,484,537	70.94
Wafer Test	1,528,126	19.76
Wafer level PPI	616,837	7.98
Others	102,297	1.32
Total	7,731,797	100.00

(2) The Company's Off-the-Shelf Services

a. Current Service Items:

(a) Wafer Level Chip Scale Packaging

- Image Sensor
- Optical sensor
- Inertial sensor (IMU)
- New biometric sensor

(b) Wafer Level Post Passivation Interconnection

- 3D Post Passivation Interconnection
- Finger Print Sensor
- Micro- Electro-Mechanical Systems (MEMS)

(c) Wafer Level Chip Probing Test

- 300mm Wafer CP Testing

b. New Services Planned to Be Developed:

(a) Development of new wafer-level packaging technology applied to mobile phones, notebook computers, personal mobile electronic devices, wearable devices, advanced driver assistance systems, automotive surround view safety, reversing images, safety monitoring devices, medical, health technology and Optical image sensors, AR/VR devices , etc.

(b) Supply wafer-level packaging and testing technology and resources, which are applied to various thin and light consumer electronics, computers, communications, information electronics, optical components, various

micro-electro-mechanical systems, environment, air pressure component manufacturing and I o T.

(c) Apply wafer level packaging technology to provide packaging services for micro-electromechanical systems, radio frequency components, power components, fingerprint readers, and new biometric readers.

2. Overall Economic Environment

Even it approaching the end of the pandemic, the overall economy did not come to calm after a storm, but entered a series of turmoil. The loose monetary policies implemented by various countries due to the epidemic caused high inflation in Europe and the United States. In order to curb inflation, the US Federal Reserve (Fed) has raised interest rates rapidly since March, resulting in the "Inverted yield curve of US bond yields ". Major international forecasting agencies believe that in the second half of 2023, the economy may enter a recession. The hiking interest rate also causes the price falling of U.S. bonds, the plummeted assets of U.S. and European banks, and the poor liquidity, which led to a series of bank runs and the global financial market unstable.

The industrial supply chain has begun to be reorganized because of the continued geopolitics of the Russia-Ukraine war and the competition between the United States and China. It further deepens the instability of the global economic outlook.

3. Industrial Overview

(1) Current status and development of the industry

Semiconductor Industry Analysis and Opportunities in the Post- epidemic Era

a. 2023 Semiconductor Market Forecast

According to IC Insights, a market research agency, the global semiconductor market size will decrease by 5% annually in 2023 to only US\$604.2 billion due to the impact of global inflation and overall economic uncertainty, as well as the obvious drop in Memory prices.

The global semiconductor inventory in 2022 Q3 reached a record high of 127 days, so the market estimates that terminal demand depends on the inventory adjustment of the manufacturing industry, and it is generally estimated that the inventory adjustment will continue until 2023 H2.

Research firm Gartner estimates that semiconductor revenue in 2023 will be revised down from US\$618 billion in 2022 to US\$596 billion, a decrease of 3.6 % . Among them, the weak consumer market is mainly due to the decline in consumer disposable income resulted from inflation and rising interest rate. In addition, consumer spending is prioritized travel and entertainment. Enterprise-driven markets such as enterprise networking, computing, industrial, medical and commercial transportation have been relatively with tenacity despite the overall economic slowdown.

Semiconductor Revenue Forecast, Worldwide, 2021-2023 (Millions of U.S. Dollars)

	2021	2022	2023
Revenue	595	618	596
Growth (%)	26.3	4.0	-3.6

Source: Gartner (November 2022)

b. Wafer foundry and Professional packaging & testing penetrate the automotive market

Since the automotive supply chain has high requirements on product reliability and stability, and the product takes a long time to be certified. Therefore the automotive supply chain is more closed than consumer electronics supply chain. Automotive semiconductor manufacturers also mostly use the IDM production model to supply car factories wafers required. In addition, the closely coordinated upstream and downstream supply chains can operate stably under the JIT (Just In Time) production mode of the OEM, but the biggest risk is that once any problem occurs in the upstream of the industrial chain, it will lead to The entire downstream industrial chain lacks the flexibility to adjust in real time and leads to shut down.

For IDMs, the quickest way to fill the gap in production capacity is to seek wafer foundries and professional packaging and testing factories. Therefore, the automotive semiconductor market, which was originally occupied by a small number of IDMs, has been reduced due to the epidemic. Under the influence of the epidemic, the door of cooperation has been opened, and long-term contracts or close cooperation have been signed with wafer foundries and professional packaging and testing factories to avoid losing market opportunities if the production capacity cannot meet customer needs. As a result, the previously closed production model of the automotive semiconductor industry has also changed. The production model of wafer foundry plus professional packaging will have the opportunity to continue to expand the penetration rate of the professional division of labor in the automotive semiconductor market.

The Industrial Technology Research Institute stated that in the future, manufacturers in the automotive field will no longer be limited to the traditional automotive supply chain. While vehicles become more intelligent and electrified, automotive semiconductors will also be in rapid growth due to the following factors: A large number of sensors are continuously introduced into the cockpit to monitor the driver's status to ensure driving safety; games will be introduced for passenger entertainment, so that drivers can relax more thoroughly while waiting for charging; through the car system connected to the home system, Let the two places of home and car be interactively controlled and seamlessly connected to help manage time.

The degree of autonomous driving will continue to increase, and it can be expected that the maturity of related technologies and the plan to introduce them into the commercial market will be revealed in the near future.

c. The third-generation semiconductor market is ready to go

With the rapid penetration of the mobile communication market, gallium arsenide (GaAs) and other materials are widely used in new fields such as satellite communication, mobile communication, optical communication, and photoelectric sensors. With the vigorous development of 5G communication and the electric vehicle market, driven by trends such as the Internet of Things, artificial intelligence (AI), autonomous driving, and electrification, higher-frequency, high-voltage-resistant RF components and power components have become the focus of manufacturers. The research on the application of new materials such as silicon carbide (SiC) and gallium nitride (GaN) in the field of wide bandgap semiconductors has become popular.

Today, the governments of major countries around the world are investing resources to support the research of third-generation compound semiconductors, attracting wafer material factories, wafer foundries, IDMs and LED manufacturers to deploy through independent research and development or mergers and acquisitions, and have successively developed Alternative products that can be used to replace traditional silicon process components. It is expected to be adopted in major application markets such as automobiles, communications, and power supply. According to statistics from OMDIA, the wide-bandgap compound semiconductor application market, including silicon carbide power components, gallium nitride radio frequency components, and gallium nitride power components, till 2025, it will grow to US\$7.5 billion annually, and the compound annual growth rate between 2021 and 2025 will reach 43.7%, making it the fastest growing field in the overall semiconductor market.

d. Under the trend of heterogeneous integration, wafer manufacturing extends the demand for wafer performance improvement

The development of Moore's Law in the early days relied on the shrinking technology of the wafer production process to achieve the purpose of reducing the size of the chip and improving the performance. In the post-Moore's Law era, advanced packaging technology is an important method to continue the performance of the chip. Through the three-dimensional packaging technology of heterogeneous integration, chips with different properties, different materials or different functions can be integrated on another semiconductor material using system-level three-dimensional packaging technology. In addition to increasing performance and reducing power consumption, heterogeneous integrated packaging can also speed up the speed of IC design. However, in order to communicate between chips with

different functions and different materials, it is necessary to rely heavily on the strong technical integration capabilities of wafer manufacturers.

Challenges faced by the development of the semiconductor industry:

a. Changes in the electronics industry and the impact of extreme climate in the post-epidemic era

According to the research of the Industrial Technology International Strategic Development Institute of the Industrial Technology Research Institute , the post- epidemic era accelerates digital transformation and promotes business opportunities in 5G, AI and high-performance computing. The semiconductor industry continues to become the focus of global attention. Due to the reduction in shipments of terminal devices such as PCs and smartphones, the proportion of semiconductors for communication and computing will drop significantly, but they will still be the two major semiconductor applications in the world. In 2026, automotive semiconductors will leap to the third largest application. It is estimated that the average annual compound growth rate of automotive semiconductors will be 13.8% from 2021 to 2026.

Intelligentization and electrification are important trends in vehicles. The intelligent trend of vehicle networking, such as autonomous driving and ADAS, will push automobiles into a new generation of vehicles that carry many applications in life, and also increase the number of chips per vehicle. The cost of semiconductors is rising at an annual growth rate of 8% to 10%. In 2020, the average cost of semiconductors per vehicle will be US\$489, and by 2025 it will exceed US\$716. In addition to car use, another major driving force comes from the Metaverse. Since all data and images from the terminal to the cloud require chip processing, semiconductors are the core foundation of the seven major markets in the Metaverse. However, the scope of the metaverse is huge, and involves the vertical distribution of markets in various industries. At present, the global metaverse is still in the stage of individual development and multi-party attempts, and it still needs a long-term layout.

b. The geopolitical effects caused by the US-China trade war have increased the layout risk of the semiconductor industry chain

The U.S.-China trade war and technology war are at a deadlock. On the one hand, the U.S. imposes an embargo on key equipment, exports of key technologies, investment in advanced manufacturing capacity, and supply of chip products to mainland China and specific manufacturers. On the other hand, it also strongly promotes the independent semiconductor industry chain, and invites leading foundry manufacturers from Taiwan and South Korea to set up factories.

This move has also made countries around the world realize the importance of local production and supply of wafers, and they have strongly invited fabs to set up

factories. Under this trend, fabs must change from the previous operation mode of centralized production and global sales to a production system of regional layout, local production and nearby supply. The local re-establishment will also increase the production cost of the fab.

With rising global geopolitical risks, if you rely heavily on customers from specific countries, specific manufacturers may be blocked due to bans or technologies, resulting in large fluctuations in revenue. How to achieve a balance and diversify risks among customers from different countries in the world has become a must for the semiconductor industry important topic.

c. Rising prices of raw materials and the impact of war

As the global epidemic slows down and the economic system gradually resumes normal operation, due to the expansion of demand for electricity and transportation, the prices of raw materials such as oil, coal, and natural gas have continued to rise, and power shortages have emerged in various parts of the world.

The world's key technological materials are in the hands of a few countries. For example, China holds 50% of the world's mined rare earths, and produces and exports 90% of the world's rare earths. It has a high degree of say in the price of rare earths and will affect the production of rare earths as materials. The price of semi-finished products or finished products, such as polishing fluid and target materials in wafer production materials; the proportion of rare earth used in compound semiconductors is higher. If China mainland further controls the export of rare earth in the future, the cost of wafer materials will increase.

In addition, the Russia-Ukraine war has not ended since 2022. In addition to raising European security issues to unprecedented tensions, both countries are major suppliers of semiconductor -related gases and raw material targets. Russia also supplies more than 40% of Europe's natural gas quantity. According to the Techcet survey, there are three major raw materials for semiconductors from Russia and Ukraine, namely neon (Ne), hexafluorobutadiene (C₄F₆) and palladium (Pd). Among of them, neon is used to make lasers for chips, mainly for DUV (Deep ultraviolet light) excimer laser, it is estimated that more than 90% of the neon used in semiconductor grades in the United States comes from Ukraine; hexafluorobutadiene is used in the etching process, Japan is the largest, and most of the raw gases come from Russia; Palladium is used in the bonding process of packaging, and Russia's exports account for 30% of the world's exports. If there is a supply problem caused by the Russia-Ukraine war, the supply crisis of neon is the biggest among the three gases, followed by hexafluorobutadiene, and finally palladium (Pd). Overall, the global semiconductor supply chain has been affected by long-term factors such as the Sino-US trade war and the new crown epidemic in

recent years. Semiconductors have become inseparable from geopolitics. Coincidentally, conflicts between Ukraine and Russia and the United States and China are just the tip of the geopolitical iceberg. The market worrying about Russia opening Pandora's box, military competition, economic gap, political wrestling, etc. can all become excuses for protectionism, which in turn will affect the demand and cost of the overall economy and cause the economy to slow down.

Conclusion

The National Development Committee of the Executive Yuan believes that in 2023, the global economy will still face severe challenges, including: the war between Russia and Ukraine, the threat of inflation, geopolitical risks, the direction of the Chinese economy, the dispute between the United States and China, and uncertainties such as climate change. International institutions all predict that the global economic growth rate this year will be lower than last year. The performance in the first quarter was poor, and it will gradually improve in the future. Observing Taiwan's prosperity, several leading indicators have faintly shown signs of bottoming out. IMF The World Economic Outlook forecast released on January 30th, 2023 pointed out that although global economic growth will continue to be weak this year, it is not as pessimistic as it was predicted in October last year, and global economic growth is expected to bottom out and rebound. According to the survey data of domestic manufacturers, in December 2022, the ratio of manufacturing manufacturers' optimism about the next six months of prosperity and the index of new export orders continued to rise, showing that the bottom signal is looming. At the same time, the consumer confidence index in January 2023 turned upward, indicating that the public's perception of the economy has improved.

According to KSP Information Service's comprehensive outlook for 2023, the semiconductor industry environment will still be affected by many external forces. The semiconductor supply chain continues to evolve under the changes of the epidemic and the competition between the United States and China, which has changed the landscape of industrial competition and cooperation. In particular, the United States is actively leading the formation of Taiwan, the United States, Japan and South Korea. Alliance, the regional supply chain situation may also bring more unpredictable changes to the semiconductor industry. In terms of technology development, 2.5/3D advanced packaging has become the key core technology of heterogeneous integrated packaging in response to the needs of multi-functional integration, but it also requires IC design, semiconductor manufacturing process, EDA tools, heat flow simulation, materials, and equipment to form a complete cross-domain ecosystem to cooperate. The development of the automobile industry will follow the 2030 vision of net zero carbon emissions. In order to promote environmental protection and carbon reduction, automakers will develop solid-state

batteries that are safer and more environmentally friendly. In addition, due to the evolution of semiconductor technology and the advancement of automotive software, automotive software will become the mainstream development direction, further promoting high-speed computing capabilities and equipment communication capabilities for vehicles. Facing the 6G vision, global broadband network operators, mobile communication operators, telecom equipment vendors and even satellite operators will all accelerate the deployment of 5G network infrastructure.

(2) Industry Upstream, Midstream and Downstream Associations

The upstream of the semiconductor industry chain is IP design and IC design, the midstream is IC manufacturing, wafer manufacturing, related production process testing equipment, photomasks, chemicals, etc., and the downstream is IC packaging testing, related production process testing equipment, components (Such as substrates, lead frames), IC modules, IC pathways and other industries. Taiwan has the most complete semiconductor industry settlement and professional division of labor in the world. After the product design is completed, the IC design company is entrusted by a professional wafer foundry or IDM factory (integrated semiconductor factory, from IC design, manufacturing, packaging, testing to final sales) All are handled by one hand) to make semi-finished wafers, after the front-end test, they are transferred to professional packaging factories for cutting and packaging, and finally the professional testing factory conducts back-end testing, and the finished products after testing are sold to system manufacturers through sales channels for assembly and production into systems product.

In the post-Moore's Law era, the complexity of IC products has been difficult to achieve by a single semiconductor technology node. For IC design industry, not every IP can shrink the technology node. IP or designs of different technology nodes should be used in a mixed manner, such as System On a Chip (SOC) is one of the methods. But sometimes due to the different maturity of different nodes, integrating circuits of different technologies on the same chip is not only not cost-effective, but also affects the yield rate; system-in-package (SiP) came into being to solve this problem. The product owner can use SiP to integrate ICs designed by different specialty design houses into the same package. The flexibility of this integration can not only cross technology nodes, but even cross platforms, integrating silicon-based ICs with non-silicon-based components (such as III-V or passive components), creating unlimited possibilities.

The rise of this kind of packaging has expanded the mid-end (Mid-End) process platform between the front-end (Front-End) and back-end (Back-End)

processes , in addition to the previously known wafer bumping technology (Wafer Bumping) , Wafer Level Package (Wafer Level Package), such as Fan-out Wafer Level Package (FOWLP) , Wafer Level Chip Scale Package (WLCSP) , 3D WLP, WL In addition to technology types such as Optics and 3D IC , these technologies can also be mixed to customize various forms of SiP . The company is a leader in professional WLP and the first company to commercialize 3D WLP technology.

3D WLP technology can be applied to various market segments, including consumer electronics, communications, portable computers and automobiles. Product applications include image sensors, optical sensors, power management integrated circuits, power discrete components, analog integrated circuits, mixed signal integrated circuits, MEMS sensors, various biometric chips (such as: fingerprint reader) and integrated passive components, etc.

According to the needs of high-end packaging processes, such as Flip Chip BGA or Flip Chip CSP, Wafer Level CSP, Cu Wire Bond, Cu Pillar , etc. Especially in the future when 2.5D/3D ICs integrate Through Silicon Via (TSV) technology, wafer-level packaging services will continue to play a key role in various related application products.

(3) Competition Situation

The company's main services items are for image sensors, new biometric devices, fingerprint readers, micro-electromechanical devices and wafer-level packaging of power control components. At present, the main competitors are as follows:

Major Products	Primary Competitors in Wafer Level Packaging
Image sensor / Fingerprint sensor	WLCSP, HuaTian Technology

4. Research and Development

(1) Research and development expense for recent years

Unit: NT\$ Thousand

Item	Year	
	2022	As of March 31, 2023
R&D expense	321,463	82,154
Revenues	7,731,797	1,314,856
R&D expense to revenue (%)	4.16%	6.25%

(2) Technical and R&D Overview

- a. TSV (through-silicon via Package) packaging technology: successfully imported CIS (CMOS Image Sensor) mass production, and other related applied MEMS

- packaging process has been completed and verified the package into volume production.
- b. CIS-CSP process improvement technology: imported vehicle regulations imaging packages, package verification has been completed vehicle regulations into mass production.
 - c. Introducing special optical glass coating and applied to a variety of advanced optical sensor.
 - d. Development of thick copper process, successfully applied to the integrated passive components products and RF components products.
 - e. Application of infrared glass coating, glass coating and applied to the import of advanced infrared optical sensor element mobile phones.
 - f. A new generation of improved through-silicon via packaging (TSV CSP) wafer-level packaging technology research and development.
 - g. Development GaN package process and delivery samples to customer.
 - h. Development and production of new-generation biometric sensor.
 - i. Development of Si-cap for IR sensor application.
 - j. Make use of TSV core technology to develop the package combining Cu RDL route continuously on 12". Focus on the application of CIS, MEMS in future.
 - k. Taiwan has achieved 266 patents, 202 China patents, 8 Japanese patents, 1 Germany patent and 261 US patents. In 2022, the number of new patents obtained by the company is: 3 patents in Taiwan, 4 patents in China, 7 patents in the United States, 1 patent in Japan.

(3) Successful development of the technology or product in recent years

Year	Item	Main function/Benefit
2021	Development of 12" CIS IR glass module assembly, passed customer verification already	Apply for automotive market combining encapsulation and wire bond process by module house.
2022	<ol style="list-style-type: none"> a. Development of Next generation MEMS product. It passed customer verification and migrate into sample trial run. b. Development of ambient light sensor package by TSV with Cu route 	<ol style="list-style-type: none"> a. Apply for microphone and speaker market combining encapsulation and wire bond process by module house. b. Product applies for watch, cell phone market by ambient light source detection

5. Long-term and short-term business development plans

In response to the rapid changes in the market and the increasing pressure of domestic and foreign peer competition, the company has formulated long-term and short-term plans as follows:

(1) Short-term plan:

- a. Establish customer-oriented professional packaging services to enhance customer satisfaction; improve the trustworthy high-quality service of the company's customers; meet the needs of customers with faster and better technology and services; and provide more diverse packaging technologies on the wafer-level process platform to meet the needs of diversified products.
- b. Strengthen cooperation in the upstream, midstream and downstream industrial chains.

The demand for advanced manufacturing processes is getting higher and higher, and the cooperation and integration of upstream, midstream, and downstream are the key to the success of advanced high-end manufacturing processes. Fine Material Technology is committed to strategic alliances with wafer foundry manufacturers and major test companies, and international integration. The technical cooperation and development of major component manufacturers is committed to becoming a leading manufacturer of advanced wafer-level packaging technology services.

- c. Improve the company's operating system, take functions as the core of cultivation, and improve management and operating performance

To achieve the company's business strategy goals through education and training, to improve management and technical expertise as the appeal, to effectively function as the core of training, and to improve work effectiveness as the guide, to further improve employee work efficiency, so that the company can respond to rapid changes in the environment and constant changes challenge.

(2) Medium and long term plan:

- a. Pay attention to the long-term cooperative development relationship between customers and suppliers.

Emphasizes long-term cooperation with upstream and downstream manufacturers; In the trend of industrial division of labor, the company will become a packaging factory trusted by customers; providing quality and service that customers need; establishing good cooperative relations with suppliers..

- b. Strengthen R&D and innovation capabilities

Committed to the research and development of derivative processes and new processes, such as the application of advanced 3D wafer layer stacking, the application of new biometric products, the carrier board for silicon wafer connection, the application of various micro-electromechanical products , etc. The categories of products will expand from consumption, automobiles, computers, etc. to monitoring, medical and other electronic industries.

B. Market and Production and Sales Overview

1. Market Analysis

(1) Sales region

Unit: NT\$ Thousand

Region \ Year	2022	
	Amount	%
Asia	6,023,165	78
United States	1,634,665	21
Europe	73,967	1
Total	7,731,797	100

(2) Advanced packaging market analysis and market share

Due to physical limitations and manufacturing costs, the logic of achieving higher economic value through transistor scaling is gradually becoming no longer valid. And it turns out that building large systems out of smaller functional modules is more competitive.

From the perspective of technological development, when the process node evolves from 16/12nm to 3nm and 2nm, and even crosses the nanometer threshold, whether advanced logic technology can continue to provide the energy efficiency required by future computing systems has become the focus of industry concern. From the perspective of market trends, in the past ten years, the development of data computing volume has exceeded the sum of the past forty years. Cloud computing, big data analysis, artificial intelligence (AI), AI inference, mobile computing, and even self-driving cars are all needed massive calculations.

Therefore, an IC technology development route that is no longer a straight line and the market's demand for innovative solutions have pushed packaging, especially advanced packaging technology, to the forefront of innovation.

According to the latest report of Yole Group, the advanced packaging market will grow at a compound annual growth rate (CAGR) of 9.6% between 2021 and 2027. By 2027, the advanced packaging market will reach US\$65 billion. At present, among various advanced packaging technologies, Flip-Chip has the highest revenue market share, reaching 70%, but between 2021 and 2027, the technologies with the strongest growth momentum will be Embedded Die (ED), 2.5D/3D and fan-out package (Fan-Out), its CAGR is 24%, 14% and 11% respectively.

Currently, there are three types of players in the advanced packaging market. In addition to professional packaging and testing houses (OSATs), integrated device manufacturers (IDMs) and foundries are also important

advanced packaging players. However, Yole Group’s report pointed out that SEMCO, Unimicron and AT&S and other chip carrier and PCB manufacturers, with the advantage of mastering the know-how of carrier manufacturing, have also begun to provide panel-level fan-out packaging and organic carrier ED services . These carrier and PCB manufacturers will also become important suppliers in the field of advanced packaging.

The company's current service items include wafer-level size packaging, wafer-level back-coat packaging, etc., all of which belong to the advanced packaging market category. Follow-up will cooperate with front-end wafer process scaling and customer application integration development to respond to new packaging and processes, and continue to expand advanced packaging market share.

(3) The future supply and demand situation of the market and various development trends of products

AI, 5G, Internet of Things, Industry 4.0, autonomous driving and other new multiple applications are all opportunities for the development of semiconductors driven by the trend of AIOT in the future. The global professional packaging and testing industry comes from the output value of advanced applications and packaging processes. It will still be an important driving force to drive the growth of output value. The company's main services are wafer-level packaging foundry services, and its application products include mobile devices, 5G communications, automotive electronics, and wearable devices. The supply and demand situation and growth analysis of its main application fields are as follows:

a. 3D Sensing

Since modern electronic devices need to process a large amount of image information, the scalability of applications ,such as mobile phones, automobiles and AR, has become higher and higher. Moving from 2D to 3D is a major trend in the development of sensors in the future.



According to market research firm Yole Development, the global 3D/depth

sensing market will be valued at US\$6.8 billion in 2021 and will grow at a compound annual growth rate (CAGR) of 15%, and is expected to reach US\$15 billion in 2026 scale. Among them, the market size of automotive 3D sensing technology will grow four times in the next five years.

b. CMOS Image sensor

What exactly is a CIS chip?

It is not an exaggeration to call the CIS chip the protagonist of the lens. Through CIS, the optical signal can be converted into digital image information. That is to say, the captured picture is converted into digital image. The CIS image sensor is in the form of a module, combining the light source, self-focusing lens, sensing substrate and housing, etc. Compared with the CCD (Charge Coupled Device) where the parts were separated in the past, it is easier to assemble, and more cost advantage. There are also some differences, such as light sensitivity, signal acquisition, etc. So each application category has its own advantages and disadvantages.

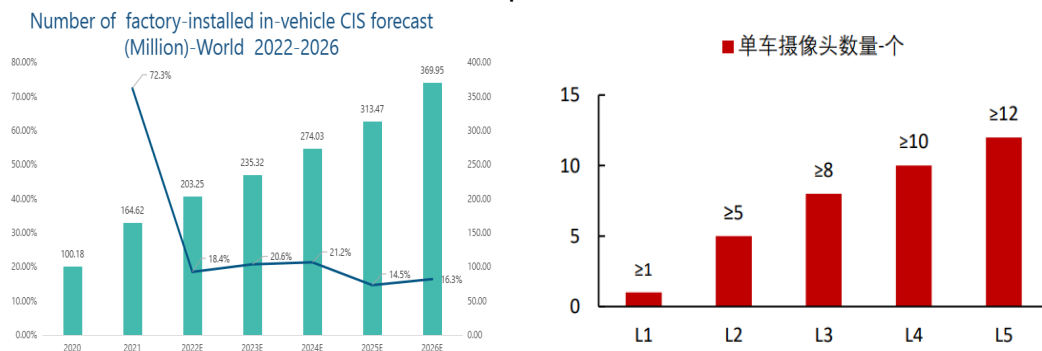
Since the epidemic bursts out, the CMOS image sensor (CIS) market has developed rapidly. Total global sales are estimated to increase by 19% to \$228 billion in 2021. This will be the tenth consecutive global sales record since 2010. However, due to the influence of many factors such as the epidemic, the conflict between Russia and Ukraine, global inflation, and the strict epidemic control policy in China , in coming post- epidemic era , the latest report from the research institute IC Insights pointed out that the CIS market size which in 2022 is the largest in the past 13 years, slips in the first time. Many Taiwan CIS supply chains admit frankly that this wave of inventory adjustment may last to the first half of 2023, and they are conservative about the company's operations and prosperity. The growth of new applications such as vehicles is accelerating, and we are still optimistic about the long-term demand for CIS. According to IC Insights estimates, the sales of the CIS market in 2022 will drop by 7% to US\$18.6 billion, the first decline in 13 years, mainly due to the impact of weak sales of smartphones and notebooks, and the cooling of the global economy. However, the CIS market has the opportunity to experience a moderate recovery in 2023 and reach a new high of US\$21.7 billion in 2024. It is expected that the compound growth rate will still reach 6% from 2022 to 2026.



(Source : IC Insights)

Yole Intelligence estimates that the global CIS market will grow at a compound annual growth rate (CAGR) of 6.7% from 2021 to reach USD 31.4 billion by 2027. Among them, the CAGR of the largest mobile device field is only 6.4%, and it will reach a scale of 19.5 billion US dollars by 2027, while the CAGR of the medical field will reach 19.2%, the automotive use will be 11.2%, and the security monitoring will be 10.8% , national defense is 10.4%, and industrial use is 9.1%.

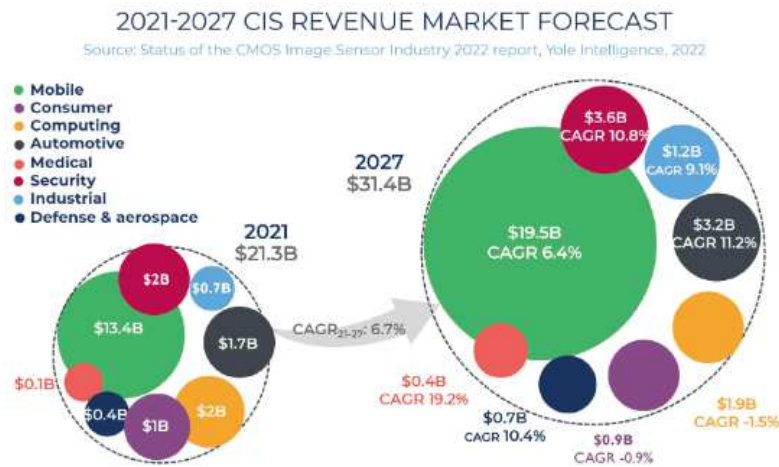
However, from the long-term trend of CIS, since 2021 , with the increase in the number and penetration rate of Level 2 smart driving vehicles , the number of on-board cameras will increase rapidly. In 2021, the penetration rate of vehicles above L2 will reach 28.62% . The number reached 19.5294 million, an increase of 80.34% compared with 2000; L2 -class passenger cars are equipped with 5 cameras on average, and only L2 -class passenger cars are equipped with 97.347 million cameras. In 2021, the total number of CIS configurations in the world will be 164 million, and it is expected to be 370 million in 2026.



Moreover, as the level of smart driving increases, the performance and quality requirements of the camera will change. For example, L1 passenger cars

are equipped with 1 to 2 cameras on average. The basic performance requirements are Display level, and the resolution between less than 2 million is enough. But when it comes to L2 passenger cars, cameras with ADAS functions are required. On average, 2 out of 5 cameras are equipped with ADAS functions, and the unit price is more than double that of Display functions. At the L4 and L5 levels, it is necessary to configure a camera with full autonomy, and the unit price will rise again.

Vehicle cameras have driven the growth of CIS demand. In another ICV report “Automotive Camera Market Research Report 2022 H1”, analysts pointed out global vehicle camera shipments in the first half of 2022 will be about 133.2 million units, and this number will continue to rise in the future. As to the automotive CIS market, global automotive CIS sales in the first half of 2022 will reach US\$ 1.81 billion, an increase of about 10% over the same period last year. Thanks to the accelerated development of autonomous driving, automotive-grade CIS chips are ushering in a fast-growing market. ICV analysts predict that the market size of automotive CIS will reach US\$ 7.4 billion in 2027.



c. Micro-Electro-Mechanical Sensors (MEMS)

According to the MEMS industry status report released by Yole Intelligence in 2022, it is estimated that by 2027, the MEMS market will reach US\$22.3 billion, with a compound growth rate of about 9%.

In addition, according to GII market research analysis, the global MEMS market is expected to grow at a compound annual growth rate of 8.7% during the forecast period. Wearable devices are an important step in the development of the Internet of Things and a new application area for MEMS sensors. MEMS for such products utilize thin and flexible printed circuit boards to achieve better form factors. Standard form factors still use consumer MEMS devices, requiring MEMS suppliers to further reduce sensor package height and footprint. This will

make the final product look better and add functionality.

And according to GSMA, by 2025, the number of industrial connected devices will exceed that of consumer connected devices. In the automotive industry currently undergoing a technological transformation, the use of electronic components to improve passenger safety, comfort and entertainment is a major focus. This presents ample opportunity for MEMS pressure sensors. With the increasing number of sensors installed in vehicles, the automotive industry is expected to account for a large share of MEMS demand in the coming years. Since MEMS sensors can be miniaturized and are highly cost-effective, various sensors based on MEMS technology have been developed, such as accelerometers, gyroscopes, radiation sensors, temperature sensors, and pressure/vibration sensors. These sensors are embedded in various applications and are expected to see the highest adoption in the automotive segment. Important applications in the automotive sector include vehicle stability enhancement systems, navigation systems, and airbag deployment. Rising demand for safety and security of automotive passengers and support personnel is one of the major factors driving the market growth. According to the World Health Organization (WHO), more than 1.55 million people die in traffic accidents and about 50 million people are injured every year in the worldwide. MEMS sensors play an important role in improving vehicle safety.

In addition, MEMS also plays an important role in the field of automation industry. MEMS technology offers reliability, sensitivity, scalability, and cost-effective designs. This opens up more opportunities in the field of automation. Industries rely on these technologies to achieve higher throughput and productivity in less time. MEMS accelerometers and gyroscopes are ideal for a variety of industrial automation applications. With their small size, high reliability, and low power consumption, MEMS sensors can play an important role in almost any industrial automation machine.

d. 5G communication: GaN components

According to DIGITIMES research, the development of third-generation semiconductors has become one of the issues that the global semiconductor industry has paid attention to in recent years. Compared with the vast number of silicon-process semiconductor components, its overall share is still quite low. The ferment of applications in the automotive and basic energy industries has made the industry mostly optimistic about the future development of third-generation semiconductors.

The third-generation semiconductors are mainly two different power components, SiC (silicon carbide) and GaN (gallium nitride), and GaN itself is

formed through the combination of SiC substrates to form GaN on SiC wafers. It is developed for RF components which are dedicated to national defense and wireless communication, in response to more high-frequency and high-speed wireless network applications.

RF GaN components:

According to the research report of DIGITIMES, with the continuous improvement of the process and epitaxy technology of gallium nitride (GaN) communication components, the current better heat dissipation GaN on SiC (GaN on SiC) structure will move towards the upcoming trial production of GaN on GaN and GaN-on-Si architecture with improved epitaxy quality are developed to support subsequent 6G network communication applications in low-orbit satellites and smart phones.

Power GaN components:

The charging requirements of automobile electrification and portable electronic products, as well as high-wattage, high-power power supplies will drive GaN power devices to gradually replace traditional silicon power devices. Driven by demand in the power supply market, the gallium nitride market will grow steadily.

Since GaN power components have higher frequency characteristics than traditional Si power components, the use of passive components can be reduced in terms of circuit topology design optimization, and the volume and weight of products can be reduced simultaneously, and the field of 3C products, servers and vehicles can be improved by efficiency performance in energy conversion..

(4) Favorable and unfavorable factors and countermeasures for competitive niches and development prospects

a. Competitive Niche

(a) Improve production efficiency, reduce costs and enhance competitive advantage

In recent years, we have actively accelerated equipment automation and production line process optimization to improve productivity and capacity utilization. We have also integrated resources and utilized the flexible allocation of production capacity in various factories to provide products and services quickly and gain long-term and stable trust from customers..

(b) Technology leadership and product application diversification

Xintec Technology is deeply involved in the wafer-level packaging market,

and is committed to technology research and development and expanding service product applications. In addition to excellent quality, fast delivery, and good after-sales service, it is deeply trusted by customers. The marketing and R&D teams have established complete new technology patents, and developed a variety of advanced wafer-level packaging to meet customer product needs, and obtained qualified suppliers certified by international brand manufacturers.

(c) Group Consolidation

The company is a transfer investment company of TSMC. It not only uses its own technology and marketing capabilities to establish a strong customer base, but also combines TSMC's semiconductor manufacturing technology with the company's downstream wafer-level packaging expertise to provide in the semiconductor supply chain. Complete one-stop customer service (Turn-key service), form a long-term partnership with customers, and continue to circulate positively.

(d) Advantages of international division of labor

The development of Taiwan's packaging industry acts as a partner in the supply chain of the global semiconductor industry. With the help of advanced technology development strategies and the integration of overall logistics advantages in quality, cost, delivery, production capacity and service, it creates an overall competitive position in the international division of labor system. The company is a provider of advanced wafer-level packaging services. It not only provides packaging services for domestic and foreign customers, but also provides a complete supply and production chain system by cooperating with wafer foundry companies to solve related issues derived from the production process.

b. Favorable factors for development prospects

(a) Growth of Advanced Wafer Level Packaging

In response to the demand of end products, the development of wafer-level packaging process continues to advance. At present, the process goals pursued by packaged products include: size reduction, power reduction, function and bandwidth increase, in order to surpass Moore's Law, and hope to combine semiconductor components and modules. Functionality and integration are maximized. From the context of technological development, it can be found that the semiconductor packaging industry is constantly pursuing 3D stacked packaging technology that can reduce chip thickness and material costs, improve chip performance, and reduce electromagnetic interference

and power consumption. Faced with the market opportunities driven by the trend of wafer-level packaging, Taiwan has the advantage of ecological development of wafer-level packaging due to its complete semiconductor industry chain. It is expected that the application field of wafer level packaging technology will be very broad in the future.

(b) Develop new niche applications and continue to invest in medium and long-term business opportunities

In view of the rapid changes in industry demand, the company continues to expand the development of new customers and new niche services, such as expanding 5G GaN communication high-frequency power component processing services and new customers, customized micro-electromechanical component processing services, continuous development of component thin With optimized manufacturing process and innovative module technology, we assist customers in creating new product requirements and continue the 12-inch wafer testing business.

(c) Independent research and development of key technologies

Xintec keeps strengthening RD capacity, PPI service and wafer-level size packaging related to automotive electronics . Due to the excellent product quality, it has obtained qualified suppliers from many international brand manufacturers and automobile manufacturers. In addition, in recent years, the company has also developed a variety of micro-electromechanical sensors, fingerprint recognition sensors, wafer-level backcoat packaging and wafer-level size packaging technologies for new biometric sensing components. It is of great help to the lightweight of emerging mobile devices and wearable devices.

c. Unfavorable factors and countermeasures for development prospects

(a) Smartphones tend to be saturated, and the replacement cycle of consumers is prolonged

The smartphone market is facing unfavorable factors such as product maturity, reduced product differentiation, high market penetration rate, and emerging market procurement momentum supporting growth, which makes the operation of the mobile phone industry relatively difficult.

Countermeasures:

In response to the constant changes in the electronic industry and semiconductor industry market and its technology, the company's competitive niche is to continuously develop advanced manufacturing processes and new

derivative technologies and meet the needs of emerging applications, strengthen cooperation with key customers and integrate leading technologies in upstream industries to provide customers with high-quality products, value-added packaging solutions, and to ensure that customers' products are published to the market immediately, and continuous improvement of manufacturing management to improve productivity and reduce operating costs.

(b) Sino-US trade war and geopolitics affect the semiconductor industry

The recent changes in the international situation and the intensification of global trade barriers have added variables to trade agreements and regional competition, and have also increased the uncertainty of the development of the semiconductor industry. If the US-China trade war continues, it will affect the global IC industry in the long run, and logic, analog, and memory wafer semi-finished products and modules will be the most affected.

Countermeasures:

Focus on the development of advanced wafer level packaging, in response to various functional applications to achieve product differentiation, introduce automation equipment, improve productivity and quality, and effectively reduce costs. Turn into niche application markets, including medical, automotive, monitoring electronics and other fields. There is a high demand for chips such as analogs and sensors, and a strong patent map is deployed to enhance and widen the differentiation of competitiveness. At the same time, we will strengthen the integration of Taiwan-US industrial supply chains, strengthen the economic and trade partnership between the two sides, and develop a diversified international market.

2. Usage and manufacturing processes for the company's main products

(1) Usage for the company's main products

Product	Main purpose	Main application
Wafer Level Chip Scale Packaging	Image sensors, environmental sensors	Phone, tablet, notebook, computers, automotive, medical
Wafer Level Post Passivation Interconnection	Fingerprint sensors, actuators sensors, micro-electromechanical components, power, analog and RF components	Phone, tablet, notebook computers, cars

(2) Manufacturing processes for the company's main products

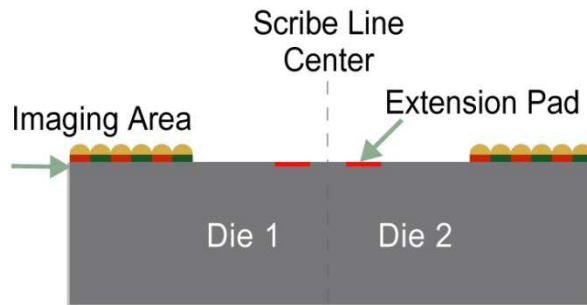
a. Wafer level CSP packaging technology manufacturing processes:

That has not been carried out before cutting the wafer, the entire wafers complete the package via a film, yellow and etching the wafer process, and finally cut into a single IC, this process can be seen as extending front semiconductor fab process. The biggest advantage is in the process of packaging, the whole piece by way of a wafer manufacturing process, but at the same time the individual IC package complete packaging process to reduce expenditures. The basic step of the packaging process, such as the following:

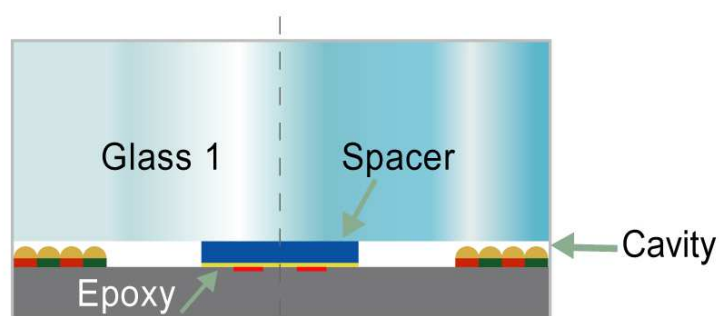
- (a) With a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) Grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package after. And of etching the wafer scribe the back of the silicon material removal, so the dolphin independent IC produced on the adhesive protective sheet of glass.
- (c) The protective layer of glass affixed to the back of the wafer, in order to achieve the protective effect completely covered the IC.
- (d) In the glass surface ready to make welding points (Solder Joint) is covered with a layer of organic material as an insulating buffer layer.
- (e) Cutting between individual IC exposed pad sectional then sputtered metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pad sectional communicating.
- (f) On the metal line covered with a protective layer.
- (g) BGA form of printing element places a manner where the solder paste is printed on the entire wafer chip solder joints, after reflow (Reflow) the formation of solder balls.
- (h) Cutting the wafer become single package complete IC.

Wafer Level CSP –Shell 3D Process Flow

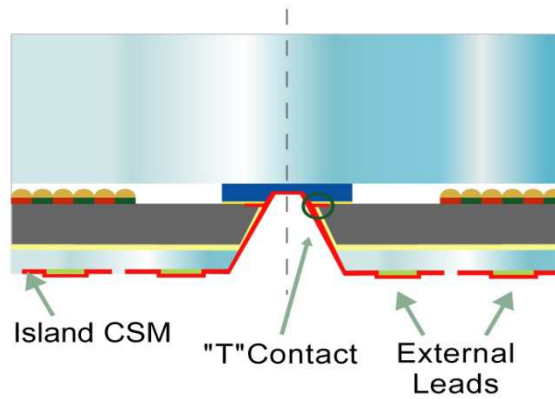
Step A: Passivation and Pad Extension Layers



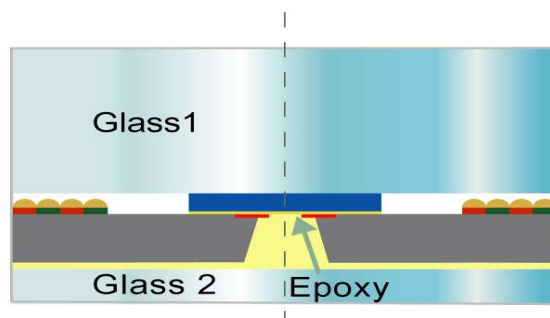
Step B: Glass 1 Attachment



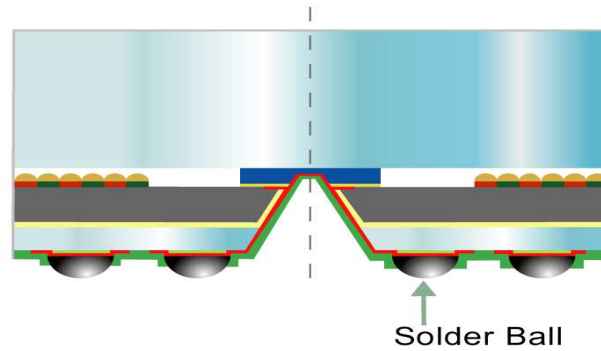
Step C: Etching and Glass-2 bonding



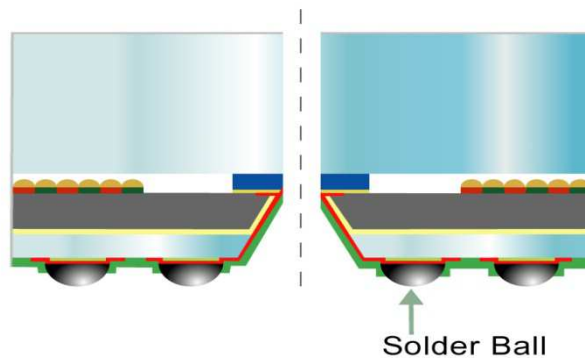
Step D: Barrier deposition and T-contact formation



Step E: Passivation coating and BGA formation



Step F: Dicing and Final inspection

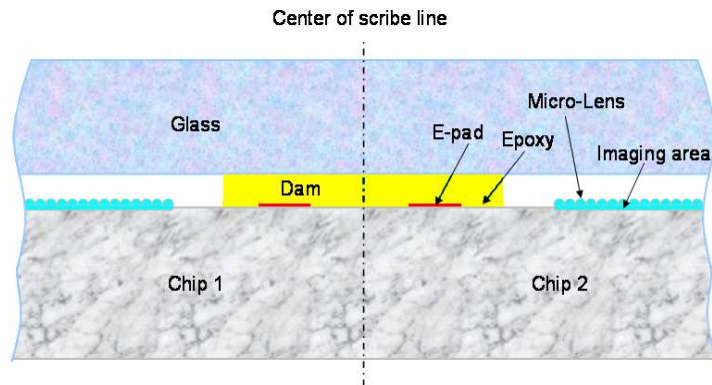


b. TSV (through-silicon via packaging) technology step description:

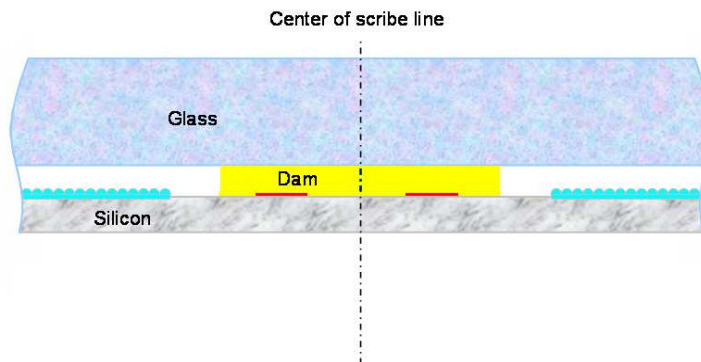
- (a) In a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) After grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package.
- (c) Perform TSV etching as the hole RDL line connection.
- (d) In the surface of the wafer is coated with a silicon dioxide as the insulating layer.
- (e) Sputtering surface of the wafer on the metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pads sectional communicated.
- (f) On the metal line covered with a protective layer.
- (g) BGA type printing element places manner solder paste printed on the entire wafers weld position where, after reflow (Reflow) the formation of solder balls. Finally, the wafer is diced into single pieces to complete the package of IC.

TSV Wafer Level Package – Process Flow

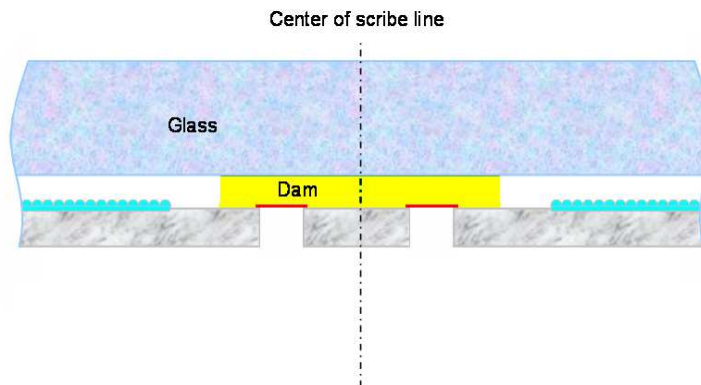
Step A: Glass attachment



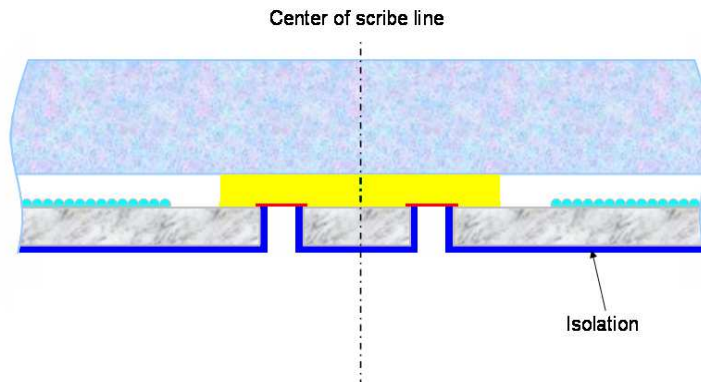
Step B: Wafer thin down



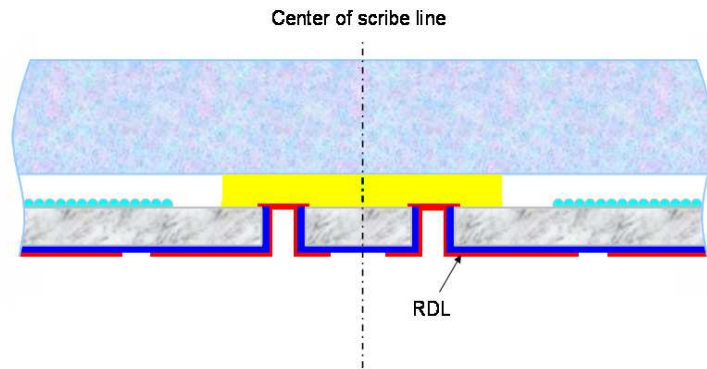
Step C: TSV formation



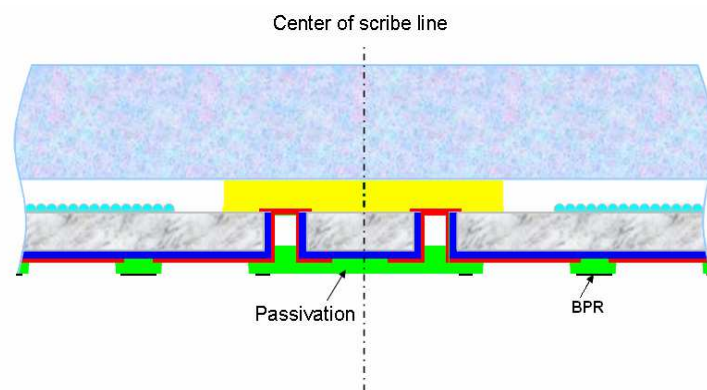
Step D: Isolation formation



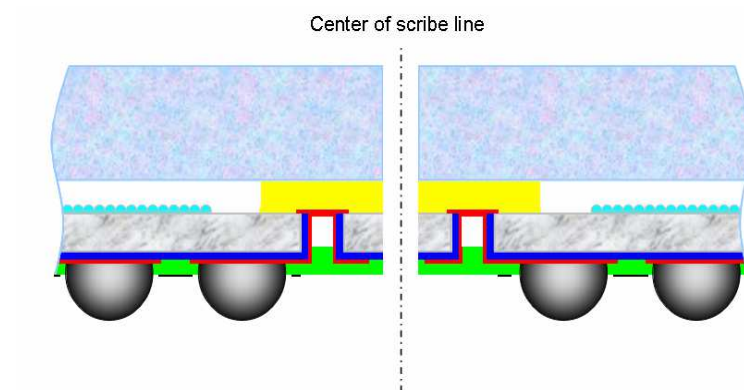
Step E: RDL process



Step F: Passivation process

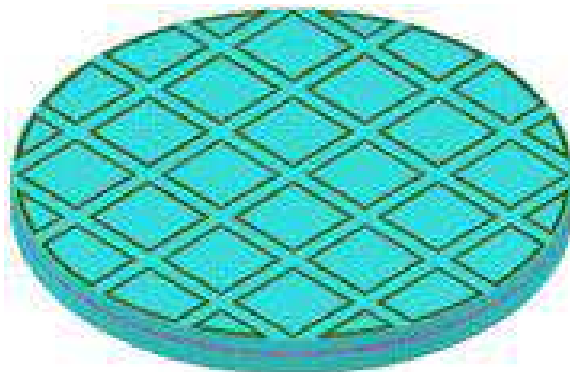


Step G: BGA & Dicing processes

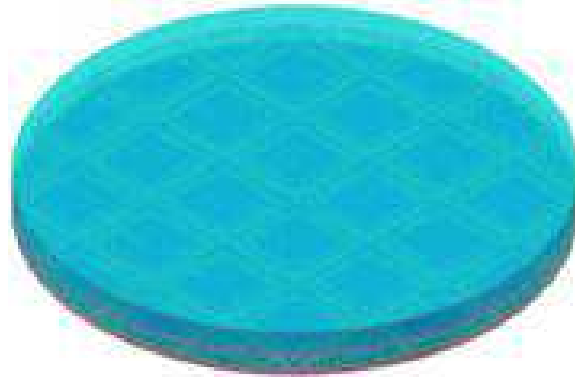


c. CIS IR glass module assembly flow

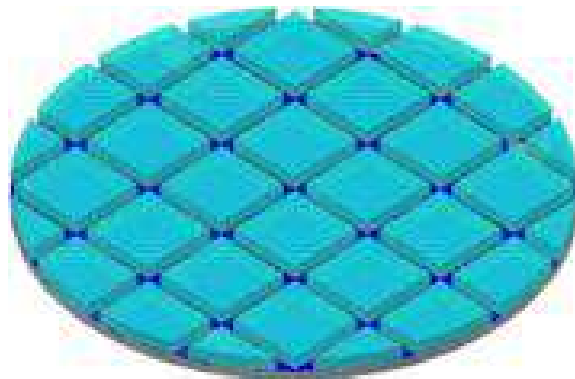
A. IR glass modulize by blade cutting



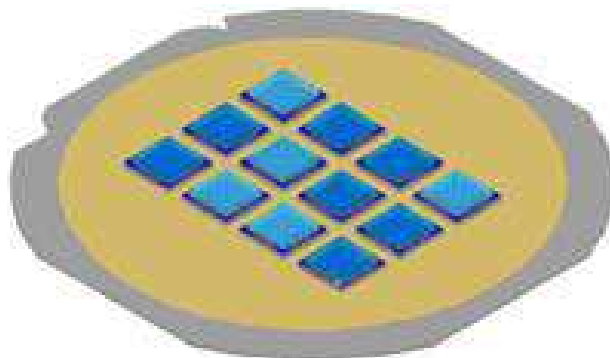
B. Si device and IR glass bond



C. Si device thin down and blade cutting



D. Pick and place (Re-distribution) and packing delivery by frame type



c. Future development plans:

To fulfill the market and customer demand for new product technologies, we continue to develop wafer-level new process technologies for diverse biometric sensors, image sensors, ambient light sensors, and micro-electromechanical systems (MEMS), MOSFETs and other products. To provide technical services including wafer-level packaging and wafer-level processes at backend market.

3. Supply situation for the company's major raw materials

Major Raw Materials	Supply Name	Foreign	Domestic	Supply Situation
Thin Glass	SCHOTT · NEG	✓		Good
Target	Umicore · Grikin · Materion Taiwan co,Ltd		✓	Good
Slury	AGC ELECTRONICS TAIWAN CO., LTD., HOPERSONIC Inc Company		✓	Good
OPC Muden Gold	OKUNO	✓		Good
Rough Etch	SAN FU CHEMICAL CO.LTD.		✓	Good

4. Major Suppliers and Clients:

(1) A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years:

Unit: NT\$ Thousand

Item	2021				2022			
	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer
1	NIPPON ELECTRIC GLASS CO., LTD.	202,843	16	None	NIPPON ELECTRIC GLASS CO., LTD.	193,856	18	None
	Others	1,029,914	84		Others	827,524	82	
	Net Purchaes	1,232,757	100		Net Purchase	1,021,380	100	

(2) A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years:

Unit: NT\$ Thousand

Item	2021				2022			
	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer
1	Company A	5,597,445	73	Investors that have significant influence over the Company	Company A	5,772,030	75	Investors that have significant influence over the Company
2	Company B	1,249,709	16	None	Company B	1,346,116	17	None
	Others	820,189	11		Others	613,651	8	
	Net Sales	7,667,343	100		Net Sales	7,731,797	100	

5. Production in the last two years:

Unit: NT\$ Thousand, Thousand piece (8 inch equivalent wafer)

Output	Year	2021			2022		
		Capacity	Output	Amount	Capacity	Output	Amount
Major Products							
Wafer Level Chip Scale Packaging		357	294	3,718,161	372	248	3,379,399
Wafer Level Post Passivation Interconnection		484	299	578,896	488	260	330,076
Wafer Testing and Others		606	461	951,903	645	484	1,052,052
Total				5,248,960			4,761,527

Note: The output and capacity of Wafer Level Chip Scale packaging and Wafer Level Post Passivation Interconnection are 1,000 pieces equivalent to eight-inch wafers. Wafer testing is 1,000 pieces 12-inch wafers.

6. Shipment and net revenue in the last two years:

Unit: NT\$ Thousand, Thousand piece (8 inch equivalent wafer)

Year Shipemet & Revenue Major Products	2021				2022			
	Domestic		Export		Domestic		Export	
	Quantity	Net revenue	Quantity	Net revenue	Quantity	Net revenue	Quantity	Net revenue
Wafer Level Chip Scale Packaging	148	4,070,662	145	1,467,888	111	3,943,757	136	1,540,780
Wafer Level Post Passivation Interconnection	143	489,536	155	159,333	129	441,031	131	175,806
Wafer Testing and Others	461	1,469,231	0	10,693	484	1,621,240	0	9,183
Total		6,029,429		1,637,914		6,006,028		1,725,769

Note: The shipment quantity of Wafer Level Chip Scale packaging and Wafer Level Post Passivation Interconnection are 1,000 pieces equivalent to eight-inch wafers. Wafer testing is 1,000 pieces 12-inch wafers.

C. Personnel Structure

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	954	894	857
	Indirect Labor	591	625	616
	Total	1,545	1,519	1,473
Average Age (years)		38	38	38
Average Years of Service (years)		7.6	8.0	8.3
Education	Ph.D.	13	16	17
	Masters	262	276	274
	Bachelor's Degree	838	828	792
	Senior High School	390	361	353
	Below Senior High School	42	38	37

D. Environmental Protection Measures

1. The loss or penalty caused by environmental pollution:
2021 and 2022: None.
2. Countermeasures: NA.

Besides operating and maintaining waste water and air pollutant treatment facilities as well as conducting waste sorting pursuant to environmental regulations, as a member of the global community, the Company constantly follows the latest trends of international environmental protection and is dedicated to developing and implementing various carbon footprint reduction programs. By means of the above actions, the Company hopes to conserve electric energy and reduce greenhouse gas (GHG) emissions in order to

alleviate greenhouse effect and global warming.

The Company has obtained Environmental and Safety/health Management System certifications such as ISO 14001 and ISO 45001 for many years. However, it still constantly promotes and improves the environment and safety/ health system as well as the culture of its factories every year. It has further adopted measures to meet the requirements of the Taiwan Occupational Safety and Health Management System (TOSHMS) and has obtained the certification. Additionally, it has passed the Greenhouse Gas Inventory Assessment and the carbon footprint assessment of the main products. The Company is dedicated to its Environment, Health and Safety Policies (Customers' highest satisfaction, zero accidents, and sustainable environmental development).

E. Labor Relations

1. List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

(1) Employee Benefit Programs

- a. According to "Employee Welfare Fund Ordinance", Xintec has organized the Employee Welfare Committee for employee benefits and bonuses.
- b. All employees will be participating in the national health insurance, labor insurance and group insurance. Each employee can apply the insurance benefits.
- c. Xintec's compensation program includes year-end bonuses. When annual settlement, after paying taxes, making up a deficit, reserving dividends and fund, if have any surplus, Xintec will pay compensation in according to related regulations.
- d. Xintec has performance management system. Depending on the operating results, the President can decide whether to grant special incentive bonus.

(2) Training & Development

In Xintec, we treat our employees as the most important assets. We focus on personal effectiveness, technical, or managerial training program to strengthen and broaden employees' view and competencies for employees' career.

In 2022, a total of 82 physical training courses were held, with a total training time of 256.75 hours and a total of 1,418 participants. In addition, a total of 86 professional technical e-courses were recorded and reproduced, with a total of 28.6 hours. Xintec's training programs include:

a. New Employee Training

Provide basic knowledge and ESH training for new employees.

b. Personal Effectiveness

Provide personal effectiveness training courses to have our employees equipped to work efficiently and effectively. The course includes time management, presentation skill, how to hold the meeting, confrontation management, and so on.

c. Technical Training

Align internal and external experts to develop technical training courses to

strengthen our competitiveness.

d. On-the-Job Training

Provide technical and professional training required by different functions within the Company.

e. Managerial Training

According to required manager's competencies, provide different level managerial training courses to enhance manager's managerial skills.

f. Specific Qualification

According to related regulations or their performance, implement certificate training for upgrading the product quality by means of improving the competencies and skills of the employees.

(3) Retirement Policy:

According to the related laws and regulations, Xintec contributes an amount equal to 2% of salaries paid each month to employees' respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan. According to the related laws and regulations, implement pension payment program. As of the end of 2022, company welfare program contains total \$NTD 57,281 thousands. Since July 1, 2005, according to the Labor Pension Act, Xintec has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. In 2022, the total amount of recognized expense is \$NTD 51,009 thousands.

(4) Labor-Management relationship:

Xintec has established the related regulations for recruitment, promotion, retirement, pension and other benefits to enhance Labor-Management relationships.

(5) Working Environment and Employee Safety Protection:

Xintec's ESH policy is focused on establishing a safe working environment, preventing occupational injury and illness, keeping employees healthy, enhancing every employee's awareness and sense of accountability to ESH. The entrances to the company are equipped with access control device; the gym and nursing room with an emergency pressure deduction; the main entrance and public areas have 24 hours security guards to protect the personal safety.

Health promotion activities for employees include fitness programs, body weight control programs, health examination, health lecture, provide the visually-impaired massage station and health care professionals provide health services.

Participate in government activities and obtain "Badge of Accredited Healthy Workplace" from the Ministry of Health and Welfare National Health Agency.

2. List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: None.

F. Information Security Management:

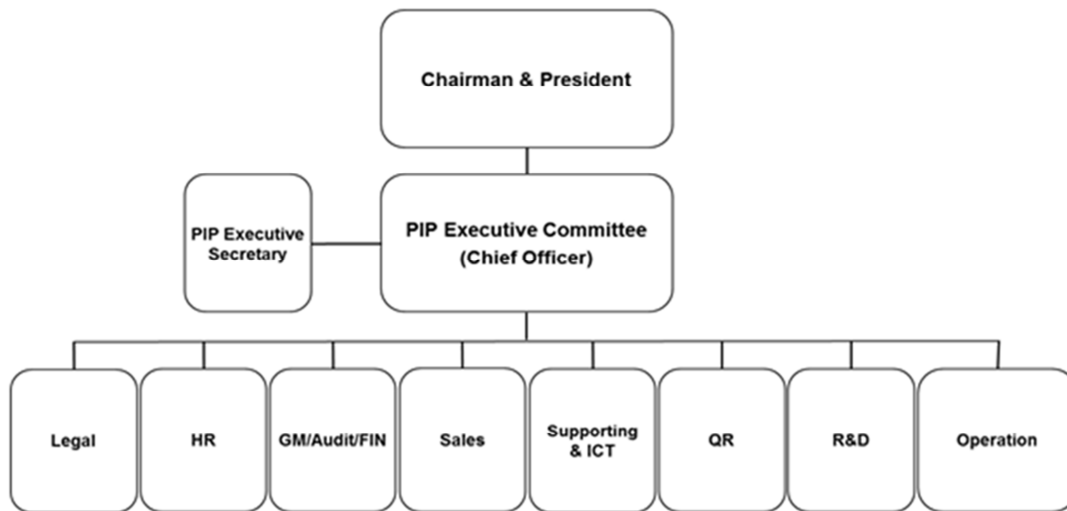
1. Xintec has established Proprietary Information Protection Committee (PIP Committee) since January, 2008 to protect company and customer's confidential information. PIP Committee is responsible for managing and supervising the control of confidential information, and also they enact "Confidential Information Protection Policy" and "Confidential Information Protection Management Regulation" which clearly list management policies, procedures, and specifications of confidential information protection. Xintec's Information security objective is to build a complete information security system and comprehensive security defensive ability to ensure information security. Identify risks, prevent and improve weakness through various security technologies. Make employees have correct concept and awareness on information protection, and reduce the risks from information leakage and cyber-attacks. Maintain company's competitive advantages.

5 main goals; fulfill PDCA Cycle:

- (1) Build and fulfill confidential information and information security management system.
- (2) Comply with requests from the laws and contractual obligations related to information security.
- (3) Indeed give education and propaganda about confidential information protection and information security to employees and related groups.
- (4) Assess and identify risks. Set a goal for improving and control measures.
- (5) Improve information security management system through internal audit.

PIP Committee's duty is to manage, plan, supervise, and promote departments for information security. PIP Committee and IT department would together build a complete system and comprehensive defensive ability. Meetings would be held seasonally by the Committee members to check information security policy and its result. Annually, PIP Committee would make report to the board, letting the board understand situations of implementing information security.

- (1) PIP Committee: It is composed of representatives assigned by each department head. Duty: Discuss, establish, audit, and promote confidential information security controls.
- (2) PIP Executive Department: Plan, supervise, and promote confidential information security controls
- (3) IT: Build and manage information security system. Assist in evaluating, setting up and managing software and hardware based on PIP Committee's decision and requirement. Conduct abnormal data of communication and information storage analysis. If there is any abnormality, notify PIP Committee.



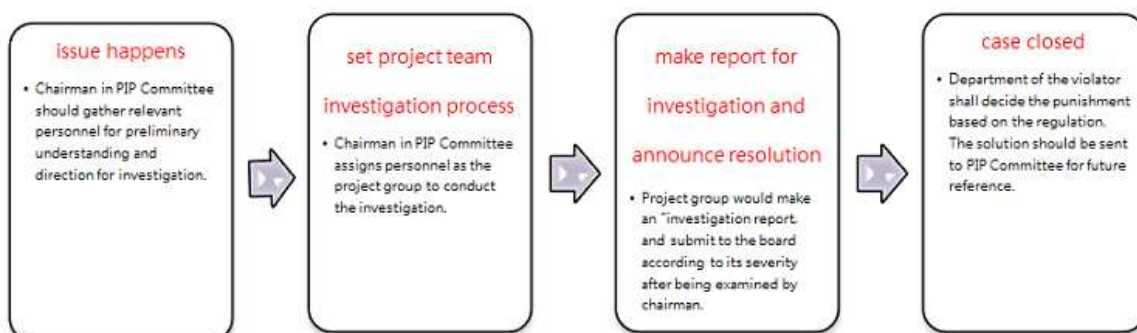
Risks Management and Resources

- (1) Strengthen information security defense, evaluate and improve the weaknesses of external services through the third-party security risk management platform.
- (2) Make emergency response plan and drill. Clearly enact Recovery Time Objective (RTO) and Recovery Point Objective (RPO) of the main business. Settle proper backup system and backup plan.
- (3) Regularly hold hazard identification, risk assessment, and improvement operation.
- (4) Set up a Security Operation Center (SOC) to control real-time information security status, focus on relative events, manage the rising alarm, and become the command center when any issue happens.
- (5) Social Engineering – Phishing email, drill and cases propaganda.
- (6) Regularly hold propaganda and conduct audit to check the implementation of confidential information protection
- (7) Indeed conduct training for employees to enhance employees' information security awareness and capacity.

2022 Training and Audit

- (1) Total 11 PIP management meetings and 2 PIP Committee meetings.
- (2) All employees in company completed 2 PIP trainings and audits in 2022.
- (3) IT personnel, total 21 trainings, 44 participants, and 55 hours were done in 2022

Information Security Incident Response Flow:



2. Losses due to major information security incidents in the recent year:

There was no loss due to major information security incidents in the recent year.

G. Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease agreement	Ministry of economic affairs	05/2003~05/2023	Zhongli Industrial Park (A5-3)	The contract shall not be subleased, lended or for others to use.
		10/2003~10/2023	Zhongli Industrial Park (A1-3,A1-4, A2-4)	
		4/2021~4/2027	Zhongli Industrial Park (A4-1,A4-2, A4-3)	
		01/2013~10/2026	Zhongli Industrial Park (C7-1,C7-2)	
		01/2013~11/2027	Zhongli Industrial Park (C9-1,C9-2)	
		03/2012~02/2028	Zhongli Industrial Park (C10-1,C10-2)	
		05/2010~04/2030	Zhongli Industrial Park (A5-4、A7-2、A8-3)	
		01/2021~08/2032	Zhongli Industrial Park (A1-1)	
	Unice E-O services Inc.	11/2020~12/2030	Zhongli Industrial Park (A3-3, A3-4)	
Innovative AI Lab, Inc.	04/2023~03/2026	Zhongli Industrial Park (C2-2)		
Borrowing contracts	Far Eastern International Bank	06/2019~12/2024	Working capital	None
Backend service contract	TSMC	06/2013~(Note1)	Backend packing service	Duty of confidentiality
Equipment Consignment Agreement	TSMC	10/2019~10/2020 (Note 2)	Consign equipment for back-end service	Duty of confidentiality
Collaboration Agreement	TSMC	11/2019~11/2024 (Note 3)	Backend wafer testing service	Duty of confidentiality Duty of compensation

Note 1: The contract is still valid except with the consent of the parties to terminate.

Note 2: Unless otherwise specified, the agreement will be renewed automatically every year for successive one (1) year period.

Note 3: The contract shall commence on the Effective Date and continue for five (5) years, and renew automatically every year for successive one (1) year periods, unless earlier terminated.

VI. Operational Highlights

A. Most Recent 5-Year Concise Financial Information

1. Most Recent 5-Year Concise Balance Sheet and Statement of Comprehensive Income

(1) Concise Balance Sheet

Unit: NT\$, in thousands

Item \ Year	2018	2019	2020	2021	2022	
Current assets	2,300,458	2,189,356	3,152,343	3,881,788	5,299,966	
Net property, plant and equipment	3,940,619	3,439,913	4,054,174	3,892,324	3,853,333	
Intangible assets	38,758	23,341	48,073	38,118	31,263	
Others assets	214,913	516,171	500,596	360,390	287,224	
Total asstes	6,494,748	6,168,781	7,755,186	8,172,620	9,471,786	
Current liabilities	Befor Distribution	1,253,376	1,276,369	1,987,204	1,400,533	1,535,022
	After Distribution	1,253,376	1,276,369	2,665,615	2,214,626	(Note 2)
Non-current liabilities	2,143,338	1,601,603	752,526	555,909	546,587	
Total Liabilities	Befor Distribution	3,396,714	2,877,972	2,739,730	1,956,442	2,081,609
	After Distribution	3,396,714	2,877,972	3,418,141	2,770,535	(Note 2)
Equity attributable to shareholders of parent company	3,098,034	3,290,809	5,015,456	6,216,178	7,390,177	
Capital stock	2,717,597	2,713,643	2,713,643	2,713,643	2,713,643	
Capital surplus	1,613,146	396,424	396,424	396,424	396,424	
Retained earnings	Befor Distribution	(1,228,208)	181,206	1,905,389	3,106,111	4,280,110
	After Distribution	(1,228,208)	181,206	1,226,978	2,292,018	(Note 2)
Other equity	(4,501)	(464)	-	-	-	
Treasury stock	-	-	-	-	-	
Non-controlling interests	-	-	-	-	-	
Total equity	Befor Distribution	3,098,034	3,290,809	5,015,456	6,216,178	7,390,177
	After Distribution	3,098,034	3,290,809	4,337,045	5,402,085	(Note 2)

Note 1: Numbers were audited by CPA.

Note 2: Subject to change after shareholders' meeting resolution.

(2) Concise Statement of Comprehensive Income

Unit: NT\$, in thousands

Item	Year				
	2018	2019	2020	2021	2022
Operating revenue	4,714,446	4,653,180	7,277,589	7,667,343	7,731,797
Gross profit	9,512	547,628	2,214,992	2,587,215	2,867,100
Operating income (loss)	(1,304,492)	233,537	1,762,948	2,207,924	2,458,701
Non-operating income and expense	(47,459)	(51,559)	(35,503)	(9,208)	42,297
Income (loss) before income tax	(1,351,951)	181,978	1,727,445	2,198,734	2,500,998
Profit (loss) from continuing operations	(1,351,951)	181,978	1,727,445	2,198,734	2,500,998
Loss from discontinuing operations	-	-	-	-	-
Net income (loss)	(1,351,951)	181,978	1,727,445	1,877,082	1,983,736
Other comprehensive income (loss)	(2,972)	(772)	(3,262)	2,051	4,356
Total comprehensive income (loss)	(1,354,923)	181,206	1,724,183	1,879,133	1,988,092
Net income (loss) attributable to owner of the corporation	(1,351,951)	181,978	1,727,445	1,877,082	1,983,736
Net income (loss) attributable to non-controlling interests	-	-	-	-	-
Comprehensive income (loss) attributable to owner of the corporation	(1,354,923)	181,206	1,724,183	1,879,133	1,988,092
Comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-
Earnings (loss) per share	(4.99)	0.67	6.37	6.92	7.31

Note 1: Numbers were audited by CPA.

2. CPAs and Their Opinions for Most Recent 5-Years

Year	Name of CPA	Auditor's Opinion
2018	Yu Feng Huang Cheng Chih Lin	An Unqualified Opinion
2019	Mei Chen Tsai Cheng Chih Lin	An Unqualified Opinion
2020	Mei Chen Tsai Cheng Chih Lin	An Unqualified Opinion
2021	Mei Chen Tsai Cheng Chih Lin	An Unqualified Opinion
2022	Mei Chen Tsai Yu Feng Huang	An Unqualified Opinion

B. Most Recent 5-Year Financial Analysis

1. Financial Analysis

Item		Year				
		2018	2019	2020	2021	2022
Capital Structure Analysis	Debts Ratio (%)	52.30	46.65	35.33	23.94	21.98
	Long-term Fund to Property, Plant and Equipment (%)	133.01	142.22	142.27	173.99	205.97
Liquidity Analysis	Current Ratio (%)	183.54	171.53	158.63	277.17	345.27
	Quick Ratio (%)	163.34	138.51	131.34	225.63	313.44
	Times Interest Earned (Times)	(31.60)	6.03	72.05	307.10	566.96
Operating Performance Analysis	Average Collection Turnover (Times)	4.56	5.05	5.79	5.84	6.63
	Average Collection Days	80.04	72.27	63.03	62.50	55.05
	Average Inventory Turnover (Times)	23.71	21.65	26.36	20.84	17.72
	Average Payment Turnover (Times)	13.95	14.39	17.72	18.24	23.55
	Average Inventory Turnover Days	15.39	16.85	13.84	17.51	20.59
	Property, Plant and Equipment Turnover (Times)	1.00	1.26	1.94	1.93	2.00
	Total Assets Turnover (Times)	0.64	0.72	1.05	0.96	0.88
Profitability Analysis	Return on Total Assets (%)	(17.89)	3.25	25.09	23.64	22.53
	Return on Total Equity (%)	(35.81)	5.70	41.59	33.42	29.16
	Pre-tax Income to Paid-in Capital Ratio (%)	(49.75)	6.71	63.66	81.03	92.16
	Net Margin (%)	(28.68)	3.91	23.74	24.48	25.66
	Basic Earnings Per Share (NT\$)	(4.99)	0.67	6.37	6.92	7.31
Cash flow	Cash Flow Ratio (%)	66.56	74.63	118.61	219.81	195.86
	Cash Flow Adequacy Ratio (%)	69.96	90.16	126.04	172.15	208.05
	Cash Flow Reinvestment Ratio (%)	5.35	5.98	13.73	12.92	10.79
Leverage	Operating Leverage	(1.63)	10.25	2.44	2.15	2.01
	Financial Leverage	0.97	1.18	1.01	1.00	1.00

The reasons for all financial ratio changes within the most recent two years are as follows (if less than 20% are exempt from analysis):

1. Current Ratio increased was due to current assets increased.
2. Quick Ratio increased was due to quick assets increased.
3. Times interest earned increased was mainly due to income before income tax increased and interest expense decreased.
4. Average Payment Turnover increased was due to average account payment decreased.
5. Cash flow adequacy ratio increased was mainly due to five-year sum of net cash generated from operating activities increased.

Formula :

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

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

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 and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover (Times) = Net Sales / Average Trade Receivables

(2) Average Collection Days = $365 / \text{Average Collection Turnover}$

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

(4) Average Payment Turnover (Times) = Cost of Sales / Average Trade Payables

(5) Average Inventory Turnover Days = $365 / \text{Average Inventory Turnover}$

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

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

4. Profitability Analysis

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

(2) Return on Total Equity = Net Income / Average Total equity

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share = $(\text{Net Income Attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

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

(2) Cash Flow Adequacy Ratio = $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$

(3) Cash Flow Reinvestment Ratio = $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$

6. Leverage

(1) Operating Leverage = $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$

(2) Financial Leverage = $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements, and Proposal for the earnings distribution plan. The CPA firm of Deloitte & Touche was retained to audit Xintec's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and the earnings distribution plan Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Xintec Inc. According to Article 14-4, 14-5 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Xintec Inc.

Chairman of the Audit Committee: Robert Hsieh

February 9, 2023

D. Financial Statements and Independent Auditors' Report

Xintec Inc.

**Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Xintec Inc.

Opinion

We have audited the accompanying financial statements of Xintec Inc. (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021, and the 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 Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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 the Standards on Auditing of 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. 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.

The key audit matter of the Company's financial statements for the year ended December 31, 2022 is stated as follows:

Revenue recognition

The Company's main source of revenue is packaging service revenue and testing service revenue, which has a significant impact on the financial statements. Refer to Notes 4, 5 and 18 to the accompanying financial statements for details of the accounting policies and information related to the revenue recognition. For customers whose sales this year have grown significantly compared with the previous year, we identified the risk of recognizing revenue in advance without actual shipment as a key audit matter.

The audit procedures we performed in respect of the revenue recognition of wafer testing included the following:

1. We understood and tested the design and implementation effectiveness of the main internal controls related to the recognition of operating revenue.
2. We selected appropriate samples from the sales receipts and checked the customer's purchase order, the signed factory release form or export declaration form, and uniform invoice or commercial invoice, and checked whether the actual amount received and the remittance certificate are consistent with the amount recognized as revenue; For customers that have not yet made payment, we checked whether those payments are still within the credit period, if not, we made a further understanding of whether there are any abnormal situations.

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 the IFRS, IAS, IFRIC, and 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 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Mei Chen Tsai and Yu Feng Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 9, 2023

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.

XINTEC INC.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021		LIABILITIES AND EQUITY	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 3,510,150	37	\$ 2,112,281	26	Financial liabilities at fair value through profit or loss (Note 7)	\$ 5,174	-	\$ 18	-
Financial assets at fair value through profit or loss (Note 7)	4,551	-	7,006	-	Accounts payable	173,781	2	239,304	3
Contract assets (Notes 18 and 29)	160,721	2	397,927	5	Salary and bonus payable	136,865	2	165,414	2
Accounts receivable, net (Note 8)	247,702	3	312,880	4	Accrued employees' compensation and remuneration of directors (Note 25)	325,887	3	287,621	4
Receivables from related parties, net (Notes 8 and 29)	1,047,375	11	725,261	9	Payables to contractors and equipment suppliers	21,004	-	154,336	2
Inventories (Notes 5 and 9)	273,986	3	275,184	3	Income tax payable (Note 23)	407,697	4	118,496	1
Other financial assets	1,640	-	2,612	-	Lease liabilities - current (Notes 11 and 27)	33,157	-	39,187	-
Other current assets (Notes 13 and 29)	53,841	-	48,637	1	Accrued expenses and other current liabilities (Notes 15 and 29)	431,457	5	396,157	5
Total current assets	5,299,966	56	3,881,788	48	Total current liabilities	1,535,022	16	1,400,533	17
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Property, plant and equipment (Notes 10 and 30)	3,853,333	41	3,892,324	48	Provisions (Note 14)	368,483	4	339,703	4
Right-of-use assets (Note 11)	208,108	2	253,949	3	Lease liabilities - non-current (Notes 11 and 27)	178,104	2	216,206	3
Intangible assets (Note 12)	31,263	-	38,118	-	Total non-current liabilities	546,587	6	555,909	7
Deferred income tax assets (Note 23)	60,383	1	91,714	1	Total liabilities	2,081,609	22	1,956,442	24
Refundable deposits	11,868	-	12,871	-	EQUITY (Note 17)				
Net defined benefit assets (Note 16)	6,865	-	1,856	-	Capital stock - common stock	2,713,643	29	2,713,643	33
Total non-current assets	4,171,820	44	4,290,832	52	Capital surplus	396,424	4	396,424	5
					Retained earnings				
					Appropriated as legal reserve	378,452	4	190,538	2
					Unappropriated earnings	3,901,658	41	2,915,573	36
						4,280,110	45	3,106,111	38
					Total equity	7,390,177	78	6,216,178	76
TOTAL	\$ 9,471,786	100	\$ 8,172,620	100	TOTAL	\$ 9,471,786	100	\$ 8,172,620	100

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

XINTEC INC.

STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 5, 18 and 29)	\$ 7,731,797	100	\$ 7,667,343	100
OPERATING COSTS (Notes 9, 25 and 29)	<u>4,864,697</u>	<u>63</u>	<u>5,080,128</u>	<u>66</u>
GROSS PROFIT	<u>2,867,100</u>	<u>37</u>	<u>2,587,215</u>	<u>34</u>
OPERATING EXPENSES (Note 25)				
Sales and marketing	55,896	1	53,822	1
General and administrative	133,126	1	124,082	1
Research and development	<u>321,463</u>	<u>4</u>	<u>283,673</u>	<u>4</u>
Total operating expenses	<u>510,485</u>	<u>6</u>	<u>461,577</u>	<u>6</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 19, 25 and 29)	<u>102,086</u>	<u>1</u>	<u>82,304</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>2,458,701</u>	<u>32</u>	<u>2,207,942</u>	<u>29</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 20)	19,040	-	3,051	-
Finance costs (Note 21)	(4,419)	-	(7,183)	-
Other gains and losses (Note 22)	<u>27,676</u>	<u>1</u>	<u>(5,076)</u>	<u>-</u>
Total non-operating income and expenses	<u>42,297</u>	<u>1</u>	<u>(9,208)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,500,998	33	2,198,734	29
INCOME TAX EXPENSE (Note 23)	<u>(517,262)</u>	<u>(7)</u>	<u>(321,652)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>1,983,736</u>	<u>26</u>	<u>1,877,082</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 16)	<u>4,356</u>	<u>-</u>	<u>2,051</u>	<u>-</u>
Other comprehensive income for the year	<u>4,356</u>	<u>-</u>	<u>2,051</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,988,092</u>	<u>26</u>	<u>\$ 1,879,133</u>	<u>25</u>
EARNINGS PER SHARE (Note 24)				
Basic earnings per share	<u>\$ 7.31</u>		<u>\$ 6.92</u>	
Diluted earnings per share	<u>\$ 7.21</u>		<u>\$ 6.86</u>	

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

XINTEC INC.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	<u>Capital Stock - Common Stock</u>		Capital Surplus	Legal Reserve	<u>Retained Earnings</u>		Total Equity
	Stock (In Thousands)	Amount			Unappropriated Earnings	Total	
BALANCE AT JANUARY 1, 2021	271,364	\$ 2,713,643	\$ 396,424	\$ 18,120	\$ 1,887,269	\$ 1,905,389	\$ 5,015,456
Legal reserve	-	-	-	172,418	(172,418)	-	-
Cash dividends to shareholders	-	-	-	-	(678,411)	(678,411)	(678,411)
Net income for the year ended December 31, 2021	-	-	-	-	1,877,082	1,877,082	1,877,082
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	2,051	2,051	2,051
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	1,879,133	1,879,133	1,879,133
BALANCE AT DECEMBER 31, 2021	271,364	2,713,643	396,424	190,538	2,915,573	3,106,111	6,216,178
Legal reserve	-	-	-	187,914	(187,914)	-	-
Cash dividends to shareholders	-	-	-	-	(814,093)	(814,093)	(814,093)
Net income for the year ended December 31, 2022	-	-	-	-	1,983,736	1,983,736	1,983,736
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	4,356	4,356	4,356
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,988,092	1,988,092	1,988,092
BALANCE AT DECEMBER 31, 2022	<u>271,364</u>	<u>\$ 2,713,643</u>	<u>\$ 396,424</u>	<u>\$ 378,452</u>	<u>\$ 3,901,658</u>	<u>\$ 4,280,110</u>	<u>\$ 7,390,177</u>

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

XINTEC INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,500,998	\$ 2,198,734
Adjustments for:		
Depreciation	777,171	843,002
Amortization	14,470	18,160
Expected credit loss (reversed) recognized on accounts receivable	(68)	63
Finance costs	4,419	7,183
Interest income	(19,040)	(3,051)
Gain on disposal of property, plant and equipment, net	(31,926)	(31,564)
Gain on modifications of lease arrangements	(128)	(107)
Reversal of provisions	(8,602)	-
Loss (gain) on foreign exchange, net	656	(2,481)
Changes in operating assets and liabilities:		
Derivative financial instruments	7,611	3,199
Contract assets	237,214	(122,919)
Accounts receivable, net	65,238	(84,786)
Receivables from related parties, net	(322,114)	633,363
Inventories	1,198	(62,879)
Other current assets	(3,006)	4,317
Other financial assets	2,445	(2,451)
Accounts payable	(65,523)	(78,425)
Accrued employees' compensation and remuneration of directors	38,266	27,231
Salary and bonus payable	(28,549)	454
Accrued expenses and other current liabilities	35,300	(176,305)
Net defined benefit assets/liabilities	(653)	(1,971)
Cash generated from operations	3,205,377	3,168,767
Income tax paid	(198,928)	(90,187)
Net cash generated from operating activities	<u>3,006,449</u>	<u>3,078,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(796,482)	(841,824)
Proceeds from disposal of property, plant and equipment	31,953	32,768
Refundable deposits paid	(2,964)	(8,115)
Refundable deposits refunded	3,550	4,964
Acquisitions of intangible assets	(7,615)	(8,205)
Interest received	<u>17,567</u>	<u>2,927</u>
Net cash used in investing activities	<u>(753,991)</u>	<u>(817,485)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	-	(438,889)
Repayments of the principal portion of lease	(36,700)	(39,566)
Cash dividends paid	(814,093)	(678,411)
Interest paid	<u>(3,796)</u>	<u>(4,935)</u>
Net cash used in financing activities	<u>(854,589)</u>	<u>(1,161,801)</u>

(Continued)

XINTEC INC.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	2022	2021
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 1,397,869	\$ 1,099,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,112,281</u>	<u>1,012,987</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,510,150</u>	<u>\$ 2,112,281</u>

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

(Concluded)

XINTEC INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL INFORMATION

Xintec Inc. (the “Company”) was incorporated on September 11, 1998. The Company is a dedicated subcontractor of advanced packaging services in the semiconductor industry and engages mainly in wafer level chip scale packaging (CSP), wafer level post passivation interconnection services (PPI) and wafer testing services. The Company’s stock has been listed on the Taipei Exchange since March 30, 2015. The address of its registered office and principal place of business is 9F, No.23, Jilin Road, Jhongli District, Taoyuan City 32062, Taiwan.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors for issue on February 9, 2023.

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 material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company shall recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and the Company shall recognize the cumulative effect of initial application in retained earnings at that date. The Company shall apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022. The Company shall restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the

classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The 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.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets, as explained in the accounting policies below.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. 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:

- a. Liabilities held primarily for the purpose of trading;
- b. 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
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Foreign Currencies

In preparing the financial statements, 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. Such exchange differences are recognized in profit or loss in the year 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 on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currencies are not retranslated.

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, 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 necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. 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.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Buildings	3 to 32 years
Machinery and equipment	3 to 8 years
Office equipment	3 to 11 years
Leased improvements	3 to 16 years
Other equipment	3 to 11 years

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 estimates accounted for on a prospective basis. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal

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

Intangible Assets

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 using the straight-line method over the following estimated useful lives:

Technical expertise	20 years
Software	3 years
Patents	2 years
Others	2 to 5 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 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 company 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 reverses, 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 on 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.

Financial Instruments

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

Financial assets and financial liabilities are initially recognized at fair values. 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 fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss/included in the initially recognized amount of the financial assets or financial liabilities. Fair value is determined in the manner described in Note 28.

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis for which financial assets were classified in the same way, respectively.

a. Category of financial assets and measurement

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost.

1) Financial assets at fair value through profit or loss

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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 measured at amortized cost and other receivables) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

b. Impairment of financial assets and contract assets

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

The Company always recognizes lifetime ECL for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For the purposes of internal credit risk management, it is judged that the following conditions represent a default on financial assets without considering the collateral held:

- 1) Internal or external information indicates that the debtor is no longer able to settle the debt.
- 2) Overdue for more than 90 days, unless there is reasonable and corroborative information showing that a delayed basis of default is more appropriate.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c. Derecognition of financial assets

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

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.

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rates.

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.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Revenue Recognition

Packaging Service Revenue

The Company identifies the contract with the customers and recognizes revenue when performance obligations are satisfied.

The revenue from packaging service is generated during the manufacturing of customer-specific goods. If the customer controls the customized goods when they are in packaging process, revenue is recognized over time. Packaging service revenue is measured at the fair value of the consideration received or receivable. Packaging service revenue is reduced for estimated customer returns, rebates and other similar allowances.

Testing Service Revenue

The Company satisfies the performance obligation in the contract for testing services because the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company has the right to collect payment for the portion of testing services that have been satisfied, and the revenue from testing services is recognized over time.

Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, the payment terms granted to customers are 30 days to 60 days from the end of the month when the invoice is issued, and 30 days from the end of the month of when the invoice is issued for some customers. Due to the short-term nature of the receivables from packaging and testing service revenue with

the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Leases

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

a. The Company 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.

b. The Company as lessee

The Company 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, which comprise fixed payments, in-substance fixed payments and variable lease payments which depend on an index or a rate. 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 Company 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 Company 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 balance sheets.

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

Employee Benefits

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 service rendered by employees.

Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service 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), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company'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.

Share-based Payment Arrangements

The Company elected to take the optional exemption under IFRS 1, "First-time Adoption of International Financial Reporting Standards" for the share-based payment transactions granted and vested before the date of transition to IFRSs.

Employee stock options that were granted after January 1, 2012 are measured at the fair value of the stock options at the grant date. The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee stock option. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from original estimates. It is recognized as an expense in full at the grant date if vesting immediately.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and should be returned, they are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

Taxation

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

Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earning 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.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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, unused loss carryforwards, and unused tax credits from purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 assets 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 profits 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 year in which the liability is settled or the asset is 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred taxes 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 Company's accounting policies, which are described in Note 4, the 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 Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow, growth rate, discount rate, profitabilities, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revisions affect only that year or in the period of the revisions and future periods if the revisions affect both current year and future periods.

Critical Accounting Judgements

a. Revenue recognition

For each contract, the Company determines whether its performance obligations are satisfied over time or at a point in time based on the conditions in the contract and applicable regulations described in Note 4. The Company also records a refund liability for estimated future returns and other allowances in the same period when performance obligations are satisfied. Estimate of sales returns and other allowances is generally made and adjusted based on historical experience and the varying contractual terms that would significantly affect the allowance, and management periodically reviews the adequacy of the percentage used.

Key Sources of Estimation Uncertainty

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Company has to use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash and deposits in banks	\$ 3,466,150	\$ 1,832,281
Repurchase agreements collateralized by corporate bonds	<u>44,000</u>	<u>280,000</u>
	<u>\$ 3,510,150</u>	<u>\$ 2,112,281</u>

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Derivative financial assets</u>		
Forward exchange contracts	<u>\$ 4,551</u>	<u>\$ 7,006</u>
<u>Derivative financial liabilities</u>		
Forward exchange contracts	<u>\$ 5,174</u>	<u>\$ 18</u>

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2022</u>		
Sell US\$/Buy NT\$	January 2023-March 2023	US\$46,070/NT\$1,414,325
<u>December 31, 2021</u>		
Sell US\$/Buy NT\$	January 2022-March 2022	US\$49,910/NT\$1,388,197

8. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2022	2021
<u>Unrelated parties</u>		
Accounts receivable	\$ 247,922	\$ 313,160
Less: Allowance for impairment loss	<u>(220)</u>	<u>(280)</u>
Accounts receivable, net	<u>247,702</u>	<u>312,880</u>
<u>Related parties</u>		
Accounts receivable	1,047,375	725,261
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Accounts receivable, net	<u>1,047,375</u>	<u>725,261</u>
	<u>\$ 1,295,077</u>	<u>\$ 1,038,141</u>

In principle, the payment term granted to customers is due 30 days to 60 days from the end of the month when the invoice is issued, and 30 days from the end of the month of when the invoice is issued for some customers. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with factors of historical loss ratios and customers' current financial conditions and business outlook (such as economic outlook of the industries in which the customer operate and future changes in purchasing requirements during a certain period, etc.). For accounts receivable past due over 90 days without collaterals or guarantees, the Company recognizes loss allowance at full amount.

Except for those impaired, for the rest of the accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Accounts receivable include amounts that are past due but for which the Company has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of accounts receivable, net

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Neither past due nor impaired	\$ 1,294,632	\$ 1,038,141
Past due within 30 days	<u>445</u>	<u>-</u>
	<u>\$ 1,295,077</u>	<u>\$ 1,038,141</u>

Movements of the loss allowance for accounts receivable:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Balance on January 1	\$ 280	\$ 241
(Reversal) recognition of expected credit loss	<u>(60)</u>	<u>39</u>
Balance on December 31	<u>\$ 220</u>	<u>\$ 280</u>

9. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw materials	<u>\$ 273,986</u>	<u>\$ 275,184</u>

The cost of inventories recognized as cost of goods sold consisted of the following:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Inventory write - downs	<u>\$ (4,978)</u>	<u>\$ (6,589)</u>
Revenue from sale of scraps	<u>\$ 1,930</u>	<u>\$ 1,382</u>

10. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Assets used by the Company	\$ 3,789,034	\$ 3,823,630
Assets leased under operating leases	<u>64,299</u>	<u>68,694</u>
	<u>\$ 3,853,333</u>	<u>\$ 3,892,324</u>

a. Assets used by the Company

	Land	Buildings	Machinery and Equipment	Office Equipment	Leased Improvement	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 789,515	\$ 3,138,349	\$ 8,984,834	\$ 262,952	\$ 667,293	\$ 1,450,295	\$ 231,622	\$ 15,524,860
Additions	6,382	84,903	150,496	25,247	10,497	27,980	396,903	702,408
Disposals or retirements	-	(1,141)	(156,466)	-	(14,500)	(6,303)	-	(178,410)
Balance at December 31, 2022	<u>\$ 795,897</u>	<u>\$ 3,222,111</u>	<u>\$ 8,978,864</u>	<u>\$ 288,199</u>	<u>\$ 663,290</u>	<u>\$ 1,471,972</u>	<u>\$ 628,525</u>	<u>\$ 16,048,858</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2022	\$ -	\$ 1,428,622	\$ 8,647,590	\$ 217,505	\$ 571,146	\$ 836,367	\$ -	\$ 11,701,230
Depreciation	-	292,147	222,921	16,760	42,248	160,786	-	734,862
Disposals or retirements	-	(1,141)	(156,439)	-	(12,385)	(6,303)	-	(176,268)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 1,719,628</u>	<u>\$ 8,714,072</u>	<u>\$ 234,265</u>	<u>\$ 601,009</u>	<u>\$ 990,850</u>	<u>\$ -</u>	<u>\$ 12,259,824</u>
Carrying amount at December 31, 2022	<u>\$ 795,897</u>	<u>\$ 1,502,483</u>	<u>\$ 264,792</u>	<u>\$ 53,934</u>	<u>\$ 62,281</u>	<u>\$ 481,122</u>	<u>\$ 628,525</u>	<u>\$ 3,789,034</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 780,851	\$ 2,942,057	\$ 9,291,221	\$ 249,643	\$ 661,631	\$ 1,200,782	\$ 152,358	\$ 15,278,543
Additions	8,664	196,933	83,460	13,742	5,662	253,223	79,264	640,948
Disposals or retirements	-	(641)	(389,847)	(433)	-	(3,710)	-	(394,631)
Balance at December 31, 2021	<u>\$ 789,515</u>	<u>\$ 3,138,349</u>	<u>\$ 8,984,834</u>	<u>\$ 262,952</u>	<u>\$ 667,293</u>	<u>\$ 1,450,295</u>	<u>\$ 231,622</u>	<u>\$ 15,524,860</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 1,154,865	\$ 8,737,088	\$ 201,009	\$ 523,384	\$ 692,753	\$ -	\$ 11,309,099
Depreciation	-	274,398	299,145	16,929	47,762	147,324	-	785,558
Disposals or retirements	-	(641)	(388,643)	(433)	-	(3,710)	-	(393,427)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,428,622</u>	<u>\$ 8,647,590</u>	<u>\$ 217,505</u>	<u>\$ 571,146</u>	<u>\$ 836,367</u>	<u>\$ -</u>	<u>\$ 11,701,230</u>
Carrying amount at December 31, 2021	<u>\$ 789,515</u>	<u>\$ 1,709,727</u>	<u>\$ 337,244</u>	<u>\$ 45,447</u>	<u>\$ 96,147</u>	<u>\$ 613,928</u>	<u>\$ 231,622</u>	<u>\$ 3,823,630</u>

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 18 to 32 years, 7 to 11 years and 10 to 11 years, respectively. The significant part of the Company's machinery and equipment includes etching machines and sputters, and the related depreciation is calculated using the estimated useful lives of 3 to 8 years.

b. Assets leased under operating leases

	Buildings	Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2022 and December 31, 2022	<u>\$ 155,399</u>	<u>\$ 2,009</u>	<u>\$ 21,909</u>	<u>\$ 179,317</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2022	\$ 90,291	\$ 1,987	\$ 18,345	\$ 110,623
Depreciation	<u>2,683</u>	<u>22</u>	<u>1,690</u>	<u>4,395</u>
Balance on December 31, 2022	<u>\$ 92,974</u>	<u>\$ 2,009</u>	<u>\$ 20,035</u>	<u>\$ 115,018</u>
Carrying amount at December 31, 2022	<u>\$ 62,425</u>	<u>\$ -</u>	<u>\$ 1,874</u>	<u>\$ 64,299</u>

(Continued)

	Buildings	Equipment	Other Equipment	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 155,399	\$ 2,009	\$ 21,584	\$ 178,992
Additions	<u>-</u>	<u>-</u>	<u>325</u>	<u>325</u>
Balance on December 31, 2021	<u>\$ 155,399</u>	<u>\$ 2,009</u>	<u>\$ 21,909</u>	<u>\$ 179,317</u>
<u>Accumulated depreciation</u>				
Balance at January 1, 2021	\$ 77,653	\$ 1,888	\$ 14,721	\$ 94,262
Depreciation	<u>12,638</u>	<u>99</u>	<u>3,624</u>	<u>16,361</u>
Balance on December 31, 2021	<u>\$ 90,291</u>	<u>\$ 1,987</u>	<u>\$ 18,345</u>	<u>\$ 110,623</u>
Carrying amount at December 31, 2021	<u>\$ 65,108</u>	<u>\$ 22</u>	<u>\$ 3,564</u>	<u>\$ 68,694</u> (Concluded)

The Company leased certain buildings to VisEra Technology Company Ltd. (“VisEra”) under operating lease agreement. The lease term and rental were both determined in accordance with mutual agreements with lease terms between 1 and 2 years. The lessees have extension options during the lease periods. The rental payments were received on a monthly basis and depreciation of such leased assets were included in other operating income and expenses. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. Based on the lease contract, the lease payment could be adjusted according to the actual production capacity.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2022	2021
No later than 1 year	\$ 81,528	\$ 69,350
Later than 1 year but no later than 5 years	<u>70,275</u>	<u>-</u>
	<u>\$ 151,803</u>	<u>\$ 69,350</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives of 2 to 5 years.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Buildings	<u>\$ 208,108</u>	<u>\$ 253,949</u>

	For the Year Ended December 31	
	2022	2021
(Reductions) additions to right-of-use assets	<u>\$ (7,927)</u>	<u>\$ 33,600</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 37,914</u>	<u>\$ 41,083</u>

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 33,157</u>	<u>\$ 39,187</u>
Non-current	<u>\$ 178,104</u>	<u>\$ 216,206</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Buildings	0.84%-2.25%	0.84%-2.25%

c. Material lease-in activities and terms

The Company leases certain buildings for the use of plants and offices with lease terms of 5 to 15 years. The adjustment of buildings' rental in Zhongli Industrial depends on the Consumer Price Index. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The Company shall not sublease or transfer all or one of the buildings without the consent of the lessor.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to low-value asset leases	<u>\$ 9,097</u>	<u>\$ 4,063</u>
Total cash outflow for leases	<u>\$ 48,579</u>	<u>\$ 47,017</u>

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

12. INTANGIBLE ASSETS

	Technical Expertise	Software	Patents and Others	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 113,340	\$ 87,225	\$ 200,476	\$ 401,041
Additions	<u>-</u>	<u>3,840</u>	<u>3,775</u>	<u>7,615</u>
Balance at December 31, 2022	<u>\$ 113,340</u>	<u>\$ 91,065</u>	<u>\$ 204,251</u>	<u>\$ 408,656</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 113,340	\$ 82,330	\$ 167,253	\$ 362,923
Additions	<u>-</u>	<u>3,014</u>	<u>11,456</u>	<u>14,470</u>
Balance at December 31, 2022	<u>\$ 113,340</u>	<u>\$ 85,344</u>	<u>\$ 178,709</u>	<u>\$ 377,393</u>
Carrying amount at December 31, 2022	<u>\$ -</u>	<u>\$ 5,721</u>	<u>\$ 25,542</u>	<u>\$ 31,263</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 113,340	\$ 82,950	\$ 196,546	\$ 392,836
Additions	<u>-</u>	<u>4,275</u>	<u>3,930</u>	<u>8,205</u>
Balance at December 31, 2021	<u>\$ 113,340</u>	<u>\$ 87,225</u>	<u>\$ 200,476</u>	<u>\$ 401,041</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 109,089	\$ 79,844	\$ 155,830	\$ 344,763
Additions	<u>4,251</u>	<u>2,486</u>	<u>11,423</u>	<u>18,160</u>
Balance at December 31, 2021	<u>\$ 113,340</u>	<u>\$ 82,330</u>	<u>\$ 167,253</u>	<u>\$ 362,923</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ 4,895</u>	<u>\$ 33,223</u>	<u>\$ 38,118</u>

The above items of intangible assets were not used as collateral.

13. OTHER CURRENT ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Prepaid expenses	\$ 41,252	\$ 40,334
Prepayments to suppliers	6,196	2,314
Temporary payment	4,195	5,989
Tax receivable	<u>2,198</u>	<u>-</u>
	<u>\$ 53,841</u>	<u>\$ 48,637</u>

14. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current portion</u>		
Decommissioning costs	<u>\$ 368,483</u>	<u>\$ 339,703</u>
		Decommissioning Cost
<u>For the year ended December 31, 2022</u>		
Balance at beginning of year		\$ 339,703
Recognition		39,497
Write-off		(2,115)
Reversal		<u>(8,602)</u>
Balance at end of year		<u>\$ 368,483</u>
<u>For the year ended December 31, 2021</u>		
Balance at beginning of year		\$ 323,902
Recognition		20,225
Write-off		<u>(4,424)</u>
Balance at end of year		<u>\$ 339,703</u>

Decommissioning cost represents provision for cost of disassembly and removal of leased equipment and restoration of the location. Such amount of provision is measured using the estimated discounted cash flows to settle future obligation. The estimated decommissioning cost is assessed and adjusted reasonably at the end of each reporting period.

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Subcontracting expenses payables	\$ 110,549	\$ 114,584
Refund liabilities	45,600	23,033
Utilities payables	38,069	32,892
Insurance payables	31,947	29,668
Pension expenses payables	15,607	14,653
Pollution prevention expenses payables	9,602	10,930
Rentals payables	2,461	1,448
Others	<u>177,622</u>	<u>168,949</u>
	<u>\$ 431,457</u>	<u>\$ 396,157</u>

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (LPA) is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's

monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$51,009 thousand and NT\$52,296 thousand in the statements of comprehensive income for the years ended December 31, 2022 and 2021, respectively.

b. Defined benefit plans

The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the "Fund"), which are administered by the Labor Pension Fund Supervisory Committee (the "Committee") and deposited in the Committee's name in the Bank of Taiwan.

Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); as such, the Company has no right to influence the investment policy and strategy. In accordance with Article 5 of the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds, the Company has ceased making contributions to the Fund.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 50,416	\$ 51,048
Fair value of plan assets	<u>(57,281)</u>	<u>(52,904)</u>
Net defined benefit assets	<u>\$ (6,865)</u>	<u>\$ (1,856)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 51,048</u>	<u>\$ (52,904)</u>	<u>\$ (1,856)</u>
Net interest expense (income)	<u>355</u>	<u>(374)</u>	<u>(19)</u>
Recognized in profit or loss	<u>355</u>	<u>(374)</u>	<u>(19)</u>
Remeasurement			
Return on plan assets	-	(4,039)	(4,039)
Actuarial gain - changes in demographic assumptions	(10)	-	(10)
Actuarial gain - changes in financial assumptions	(909)	-	(909)
Actuarial loss - experience adjustments	<u>602</u>	<u>-</u>	<u>602</u>
Recognized in other comprehensive income	<u>(317)</u>	<u>(4,039)</u>	<u>(4,356)</u>
Contributions from the employer	<u>-</u>	<u>(634)</u>	<u>(634)</u>
Benefits paid	<u>(670)</u>	<u>670</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 50,416</u>	<u>\$ (57,281)</u>	<u>\$ (6,865)</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 52,804</u>	<u>\$ (50,638)</u>	<u>\$ 2,166</u>
Net interest expense (income)	<u>184</u>	<u>(180)</u>	<u>4</u>
Recognized in profit or loss	<u>184</u>	<u>(180)</u>	<u>4</u>
Remeasurement			
Return on plan assets	-	(711)	(711)
Actuarial loss - changes in demographic assumptions	181	-	181
Actuarial loss - changes in financial assumptions	859	-	859
Actuarial gain - experience adjustments	<u>(2,380)</u>	<u>-</u>	<u>(2,380)</u>
Recognized in other comprehensive income	<u>(1,340)</u>	<u>(711)</u>	<u>(2,051)</u>
Contributions from the employer	<u>-</u>	<u>(1,975)</u>	<u>(1,975)</u>
Benefits paid	<u>(600)</u>	<u>600</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 51,048</u>	<u>\$ (52,904)</u>	<u>\$ (1,856)</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2022	2021
General and administrative expenses	<u>\$ (19)</u>	<u>\$ 4</u>

Through the defined benefit plans under the Labor Standards Law, the Company 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 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 plan assets and defined benefit obligations were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2022	2021
Discount rate	1.35%	0.70%
Expected rate of salary increase	3.00%	2.50%
Turnover rate	0.39%	0.40%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2022	2021
Discount rate		
0.25% increase	<u>\$ (1,386)</u>	<u>\$ (1,515)</u>
0.25% decrease	<u>\$ 1,441</u>	<u>\$ 1,578</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 1,414</u>	<u>\$ 1,546</u>
0.25% decrease	<u>\$ (1,367)</u>	<u>\$ (1,492)</u>
Turnover rate		
10% increase	<u>\$ (42)</u>	<u>\$ (56)</u>
10% decrease	<u>\$ 42</u>	<u>\$ 57</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	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ -</u>	<u>\$ 1,710</u>
The average duration of the defined benefit obligation	11 years	12 years

The maturity analysis of undiscounted pension benefits is as follows:

	December 31	
	2022	2021
Less than 1 year	\$ 467	\$ 693
Later than 1 year and not later than 5 years	7,601	5,971
Later than 5 years	<u>50,718</u>	<u>48,665</u>
	<u>\$ 58,786</u>	<u>\$ 55,329</u>

17. EQUITY

a. Capital stock

	December 31	
	2022	2021
Authorized stock (in thousands)	<u>400,000</u>	<u>400,000</u>
Authorized capital	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid stock (in thousands)	<u>271,364</u>	<u>271,364</u>
Issued capital	<u>\$ 2,713,643</u>	<u>\$ 2,713,643</u>

A holder of issued common stock with par value of NT\$10 is entitled to vote and to receive dividends.

The authorized stock included 12,000 thousand stocks allocated for the exercise of employee stock options.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Additional paid-in capital - ordinary shares	<u>\$ 396,424</u>	<u>\$ 396,424</u>

Note: Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing special reserve in accordance with the laws and regulations until the accumulated legal reserve equals the Company's paid-in capital. Any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

For the policy on the profit sharing bonus for employees and compensation for directors, refer to Note 25.

The policy on the appropriation of dividends shall take the following factors into account: The Company's capital budget, intermediate and long term operational planning, and financial position. The following principles shall be followed and earnings shall be allocated according to the resolution of the shareholders in the shareholders' meeting:

- 1) The Company shall consider financial, business and operating factors when distributing profits. The profits may be distributed by way of cash dividend and/or stock dividend. However, due to the Company's business growing stage at present, the proportions of dividends that will be distributed depend on future expansion plans and capital budget needs. The proportion of cash dividends shall not be lower than 50% of the total dividends.
- 2) If there is no profit or the distributable profit is far lower than the previous year's amounts distributed, or in consideration of financial, business and operating factors, the appropriation for capital reserve shall be in accordance with relevant laws or regulations or as requested by the authorities in charge.

Any appropriations of the profits are subject to shareholders' approval in the following year.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity, such as gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The Company's appropriation of earnings for 2020 was approved in the shareholders' meeting held on August 13, 2021 as follows:

	<u>Appropriation of Earnings</u> For Fiscal Year 2020
Balance of unappropriated earnings, beginning of year	\$ 163,086
Remeasurement of defined benefit plans	(3,262)
Net income in 2020	1,727,445
Legal reserve	(172,418)
Cash dividend to shareholders	<u>(678,411)</u>
Balance of unappropriated earnings at end of year	<u>\$ 1,036,440</u>
Cash dividends per share (NT\$)	<u>\$ 2.5</u>

The Company's appropriation of earnings for 2021 was approved in the shareholders' meeting held on May 26, 2022 as follows:

	<u>Appropriation of Earnings</u> For Fiscal Year 2021
Balance of unappropriated earnings at beginning of year	\$ 1,036,440
Remeasurement of defined benefit plans	2,051
Net income in 2021	1,877,082
Legal reserve	(187,914)
Cash dividend to shareholders	<u>(814,093)</u>
Balance of unappropriated earnings at end of year	<u>\$ 1,913,566</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The Company's appropriation of earnings for 2022, which was proposed by the board of directors on February 9, 2023, was as follows:

	<u>Appropriation of Earnings</u> For Fiscal Year 2022
Balance of unappropriated earnings at beginning of year	\$ 1,913,566
Remeasurement of defined benefit plans	4,356
Net income in 2022	1,983,736
Legal reserve	(198,809)
Cash dividend to shareholders	<u>(814,093)</u>
Balance of unappropriated earnings at end of year	<u>\$ 2,888,756</u>
Cash dividends per share (NT\$)	<u>\$ 3</u>

The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 29, 2023.

18. OPERATING REVENUE

- a. The analysis of the Company's net revenue

Wafer level chip scale packaging (CSP) and wafer level post passivation interconnection services (PPI)

The revenue from packaging service is generated during the manufacturing of customer-specific goods. If the customer controls the customized goods when they are in packaging process, packaging service revenue is recognized over time.

Wafer testing

The Company satisfies the performance obligation in the contract for testing services because the customer simultaneously receives and consumes the benefits provided by the Company's performance. The Company has the right to collect payment for the portion of testing services that have been satisfied, and the revenue from testing services is recognized over time.

- b. Disaggregation of revenue from contracts with customers

Production	For the Year Ended December 31	
	2022	2021
Wafer level CSP	\$ 5,484,537	\$ 5,538,550
Wafer testing	1,528,126	1,390,701
Wafer level PPI	616,837	648,869
Others	<u>102,297</u>	<u>89,223</u>
	<u>\$ 7,731,797</u>	<u>\$ 7,667,343</u>

Region	For the Year Ended December 31	
	2022	2021
Asia	\$ 6,023,165	\$ 6,066,027
America	1,634,665	1,536,767
Europe	<u>73,967</u>	<u>64,549</u>
	<u>\$ 7,731,797</u>	<u>\$ 7,667,343</u>

Customer Type	For the Year Ended December 31	
	2022	2021
Foundry companies	\$ 5,772,030	\$ 5,597,445
IC design house	<u>1,959,767</u>	<u>2,069,898</u>
	<u>\$ 7,731,797</u>	<u>\$ 7,667,343</u>

Application Type	For the Year Ended December 31	
	2022	2021
Consumer	\$ 6,523,185	\$ 6,587,452
Automotive	<u>1,208,612</u>	<u>1,079,891</u>
	<u>\$ 7,731,797</u>	<u>\$ 7,667,343</u>

c. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
<u>Unrelated parties</u>			
Contract assets	\$ 61,018	\$ 68,440	\$ 44,105
Less: Allowance for impairment loss	<u>(60)</u>	<u>(68)</u>	<u>(44)</u>
Contract assets, net	<u>60,958</u>	<u>68,372</u>	<u>44,061</u>
<u>Related parties</u>			
Contract assets	99,763	329,555	230,971
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>	<u>-</u>
Contract assets, net	<u>99,763</u>	<u>329,555</u>	<u>230,971</u>
	<u>\$ 160,721</u>	<u>\$ 397,927</u>	<u>\$ 275,032</u>

The changes in the contract assets balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The Company (reversed) recognized expected credit loss of NT\$(8) thousand and NT\$24 thousand for the years ended December 31, 2022 and 2021, respectively.

Movements of the loss allowance for contract assets:

	<u>For the Year Ended December 31</u>	
	2022	2021
Balance at January 1	\$ 68	\$ 44
Add: Net remeasurement of loss allowance	<u>(8)</u>	<u>24</u>
Balance at December 31	<u>\$ 60</u>	<u>\$ 68</u>

d. Partially completed contracts

The transaction price allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as below:

	<u>For the Year Ended December 31</u>	
	2022	2021
Packaging service		
For the three months ended March 31, 2023	<u>\$ 160,721</u>	<u>\$ -</u>
For the three months ended March 31, 2022	<u>\$ -</u>	<u>\$ 397,927</u>

19. OTHER OPERATING INCOME AND EXPENSES, NET

	For the Year Ended December 31	
	2022	2021
Income (expenses) of leased assets		
Rental income	\$ 79,752	\$ 78,900
Depreciation of leased assets	(4,395)	(16,361)
Others	<u>(13,927)</u>	<u>(12,278)</u>
	61,430	50,261
Gain on disposal of property, plant and equipment, net	31,926	31,564
Others	<u>8,730</u>	<u>479</u>
	<u>\$ 102,086</u>	<u>\$ 82,304</u>

20. INTEREST INCOME

	For the Year Ended December 31	
	2022	2021
Interest income		
Bank deposits	<u>\$ 19,040</u>	<u>\$ 3,051</u>

21. FINANCE COSTS

	For the Year Ended December 31	
	2022	2021
Interest expense		
Interest on lease liabilities	\$ 4,419	\$ 5,089
Bank loans	-	393
Others	<u>-</u>	<u>1,701</u>
	<u>\$ 4,419</u>	<u>\$ 7,183</u>

22. OTHER GAINS AND LOSSES

	For the Year Ended December 31	
	2022	2021
Foreign exchange gain (loss), net	\$ 135,117	\$ (11,478)
Net (loss) gain arising on financial instruments designated as at FVTPL	(109,397)	4,997
Others	<u>1,956</u>	<u>1,405</u>
	<u>\$ 27,676</u>	<u>\$ (5,076)</u>

23. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 450,609	\$ 156,254
Income tax on unappropriated earnings	41,156	-
Adjustments for prior year	(5,834)	27,668
Deferred income tax		
The origination and reversal of temporary differences	31,331	45,675
Income tax credits and loss carryforwards	<u>-</u>	<u>92,055</u>
Income tax expense recognized in profit or loss	<u>\$ 517,262</u>	<u>\$ 321,652</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 2,500,998</u>	<u>\$ 2,198,734</u>
Income tax expense calculated at the statutory rate	\$ 500,199	\$ 439,747
Tax effect of adjusting items:		
Deductible items in determining taxable income	(31,331)	(47,411)
Additional income tax on unappropriated earnings	41,156	43,815
Investment tax credits and loss carryforwards used	(18,259)	(90,698)
Unrecognized loss carryforwards	-	(97,144)
Recognition and reversal of temporary differences	31,331	45,675
Adjustment for prior year's tax	<u>(5,834)</u>	<u>27,668</u>
Income tax expense recognized in profit or loss	<u>\$ 517,262</u>	<u>\$ 321,652</u>

b. Deferred income tax balance

The analysis of deferred income tax assets in the balance sheets is as follows:

	December 31	
	2022	2021
Temporary differences		
Depreciation	\$ 37,659	\$ 77,718
Refund liabilities	9,120	4,607
Unrealized loss on inventories	7,961	6,965
Others	<u>5,643</u>	<u>2,424</u>
	<u>\$ 60,383</u>	<u>\$ 91,714</u>

Movements of deferred income tax assets were as follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Balance at End of Year
<u>For the year ended December 31, 2022</u>			
Temporary differences			
Depreciation	\$ 77,718	\$ (40,059)	\$ 37,659
Refund liabilities	4,607	4,513	9,120
Unrealized loss on inventories	6,965	996	7,961
Others	<u>2,424</u>	<u>3,219</u>	<u>5,643</u>
	<u>\$ 91,714</u>	<u>\$ (31,331)</u>	<u>\$ 60,383</u>
<u>For the year ended December 31, 2021</u>			
Loss carryforwards	\$ 92,055	\$ (92,055)	\$ -
Temporary differences			
Depreciation	118,657	(40,939)	77,718
Refund liabilities	11,334	(6,727)	4,607
Unrealized loss on inventories	5,648	1,317	6,965
Others	<u>1,750</u>	<u>674</u>	<u>2,424</u>
	<u>\$ 229,444</u>	<u>\$ (137,730)</u>	<u>\$ 91,714</u>

c. Income tax examination

The tax authorities have examined income tax returns of the Company through 2020. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

24. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 7.31</u>	<u>\$ 6.92</u>
Diluted earnings per share	<u>\$ 7.21</u>	<u>\$ 6.86</u>

Earnings per share is computed as follows:

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income available to common shareholders	\$ 1,983,736	271,364	<u>\$ 7.31</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>3,604</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 1,983,736</u>	<u>274,968</u>	<u>\$ 7.21</u>

(Continued)

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to common shareholders	\$ 1,877,082	271,364	\$ <u>6.92</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>2,207</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 1,877,082</u>	<u>273,571</u>	<u>\$ 6.86</u> (Concluded)

The Company may settle the obligation by cash or by issuing stocks; therefore, the profit sharing bonus for employees will be settled in stocks and the resulting potential stocks will be included in the weighted average number of stocks outstanding in the calculation of diluted EPS as the stocks have a dilutive effect. Such dilutive effect of the potential stocks is included in the calculation of diluted EPS until the profit sharing bonus for employees to be settled in the form of common stocks is approved in the following year.

25. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income (loss) included the following items:

	<u>For the Year Ended December 31</u>	
	2022	2021
a. Depreciation of property, plant and equipment and right-of-use assets		
Recognized in operating costs	\$ 743,954	\$ 803,277
Recognized in operating expenses	28,822	23,364
Recognized in other operating income and expenses	<u>4,395</u>	<u>16,361</u>
	<u>\$ 777,171</u>	<u>\$ 843,002</u>
b. Amortization of intangible assets		
Recognized in operating costs	\$ 10,535	\$ 14,570
Recognized in operating expenses	<u>3,935</u>	<u>3,590</u>
	<u>\$ 14,470</u>	<u>\$ 18,160</u>
c. Research and development costs expensed as incurred	<u>\$ 321,463</u>	<u>\$ 283,673</u>

	For the Year Ended December 31	
	2022	2021
d. Employee benefits expenses		
Post-employment benefits (Note 16)		
Defined contribution plans	\$ 51,009	\$ 52,296
Defined benefit plans	<u>(19)</u>	<u>4</u>
	50,990	52,300
Other employee benefits	<u>1,711,818</u>	<u>1,697,718</u>
	<u>\$ 1,762,808</u>	<u>\$ 1,750,018</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 1,378,146	\$ 1,392,192
Recognized in operating expenses	<u>384,662</u>	<u>357,826</u>
	<u>\$ 1,762,808</u>	<u>\$ 1,750,018</u>

If the Company has annual profits, the Company shall allocate a profit sharing bonus for employees and compensation for directors at rates of not less than 1% and not more than 2% of annual profits, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the compensation for directors. The Company's profit sharing bonus for employees and remuneration of directors have to be resolved by a majority vote at a board of directors meeting attended by two-thirds of the total number of directors and shall be reported in the shareholders' meeting. However, the Company shall reserve a sufficient profit to offset its accumulated deficit, and then set aside a profit sharing bonus for employees and remuneration of directors in accordance with the predetermined ratio. The Company also can allocate a profit sharing bonus for the employees of affiliated companies upon meeting the conditions set by the board of directors.

The Company accrues a profit sharing bonus for employees and remuneration of directors based on a percentage of net profit before income tax (before a profit sharing bonus for employees and remuneration of directors), which amounted to NT\$328,407 thousand and NT\$290,141 thousand (including remuneration of independent directors both in the amounts of NT\$2,520 thousand) for the years ended December 31, 2022 and 2021, respectively.

The estimated employees' compensation and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on February 9, 2023 and February 10, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Employees' compensation	11.47%	11.50%
Remuneration of directors	0.06%	0.07%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	\$ 324,207	\$ 285,941
Remuneration of directors	1,680	1,680

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The board of directors of the Company held on February 10, 2022 approved employees' compensation and remuneration of directors in the amounts of NT\$290,141 thousand (including NT\$2,520 thousand of the remuneration to independent directors) in cash for payment in 2021. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2021.

The board of directors of the Company held on February 23, 2021 approved employees' compensation and remuneration of directors in the amounts of NT\$262,300 thousand (including NT\$1,910 thousand of the remuneration to independent directors) in case for payment in 2020. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2020.

Information on the employees' compensation and remuneration of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

27. CASH FLOW INFORMATION

Changes in liabilities arising from financing activities:

	January 1, 2022	Cash Flows	Non-cash Changes		December 31, 2022
			Lease Modifications	Others (Note)	
Lease liabilities	<u>\$ 255,393</u>	<u>\$ (40,496)</u>	<u>\$ (8,055)</u>	<u>\$ 4,419</u>	<u>\$ 211,261</u>

	January 1, 2021	Cash Flows	Non-cash Changes		December 31, 2021
			Lease Modifications	Others (Note)	
Lease liabilities	<u>\$ 260,914</u>	<u>\$ (43,967)</u>	<u>\$ 33,357</u>	<u>\$ 5,089</u>	<u>\$ 255,393</u>

Note: Finance costs from lease liabilities.

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
FVTPL	\$ 4,551	\$ 7,006
Amortized cost (Note 1)	<u>4,818,735</u>	<u>3,165,905</u>
	<u>\$ 4,823,286</u>	<u>\$ 3,172,911</u>
<u>Financial liabilities</u>		
FVTPL	\$ 5,174	\$ 18
Amortized cost (Note 2)	<u>618,371</u>	<u>782,865</u>
	<u>\$ 623,545</u>	<u>\$ 782,883</u>

Note 1: The balance included cash and cash equivalents, accounts receivable (including related parties), other financial assets and refundable deposits.

Note 2: The balance included accounts payable, payables to contractors and equipment suppliers, accrued expenses and other current liabilities.

b. Financial risk management objectives and policies

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The Company's major treasury activities are reviewed by its board of directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such activities, the treasury function must comply with certain treasury procedures that act as guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the market risks arising from changes in foreign exchange rates and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including forward exchange contracts, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the New Taiwan dollars against the foreign exchange rates, the net profit after tax for the years ended December 31, 2022 and 2021 would have increased by NT\$18,276 thousand and NT\$9,055 thousand, respectively, after taking into consideration the hedging contracts and the hedged items.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities, primarily deposits with banks. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the balance sheet.

Business-related credit risk

The Company has considerable accounts receivable outstanding with its customers worldwide. A substantial majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company's credit risk is mainly concentrated on its two largest customers. The ratio of total accounts receivable to contract assets from the abovementioned customers was 95% and 92% as of December 31, 2022 and 2021, respectively.

Financial credit risk

The Company regularly monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by selecting creditworthy financial institutions.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the unused financing facilities of the Company amounted to NT\$2,380,130 thousand and NT\$2,866,740 thousand, respectively.

The table below summarizes the maturity analysis of the Company's financial liabilities based on contractual undiscounted payments (including principal and interest):

December 31, 2022

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 173,781	\$ -	\$ -	\$ -	\$ 173,781
Payables to contractors and equipment suppliers	21,004	-	-	-	21,004
Accrued expenses and other current liabilities	423,586	-	-	-	423,586
Lease liabilities	<u>36,950</u>	<u>68,840</u>	<u>59,302</u>	<u>61,122</u>	<u>226,214</u>
	<u>655,321</u>	<u>68,840</u>	<u>59,302</u>	<u>61,122</u>	<u>844,585</u>
<u>Derivative financial liabilities (assets)</u>					
Forward exchange contracts					
Outflows	\$ 1,414,948	\$ -	\$ -	\$ -	\$ 1,414,948
Inflows	<u>(1,414,325)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,414,325)</u>
	<u>623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623</u>
	<u>\$ 655,944</u>	<u>\$ 68,840</u>	<u>\$ 59,302</u>	<u>\$ 61,122</u>	<u>\$ 845,208</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	\$ <u>36,950</u>	\$ <u>128,142</u>	\$ <u>61,122</u>	\$ <u>-</u>

December 31, 2021

	Less Than 1 Year	2-3 Years	4-5 Years	Over 5 Years	Total
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 239,304	\$ -	\$ -	\$ -	\$ 239,304
Payables to contractors and equipment suppliers	154,336	-	-	-	154,336
Accrued expenses and other current liabilities	389,225	-	-	-	389,225
Lease liabilities	<u>43,758</u>	<u>74,968</u>	<u>70,580</u>	<u>85,697</u>	<u>275,003</u>
	<u>826,623</u>	<u>74,968</u>	<u>70,580</u>	<u>85,697</u>	<u>1,057,868</u>
<u>Derivative financial liabilities (assets)</u>					
Forward exchange contracts					
Outflows	1,381,209	-	-	-	1,381,209
Inflows	<u>(1,388,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,388,197)</u>
	<u>(6,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,988)</u>
	<u>\$ 819,635</u>	<u>\$ 74,968</u>	<u>\$ 70,580</u>	<u>\$ 85,697</u>	<u>\$ 1,050,880</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	\$ <u>43,758</u>	\$ <u>145,548</u>	\$ <u>84,989</u>	\$ <u>708</u>

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

The Company considers that the carrying amounts of financial assets and financial liabilities carried at amortized cost recognized in the financial statements approximate their fair values.

2) Fair value measurements recognized in the balance sheets

The Company's financial assets and liabilities are measured at fair value. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

3) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 4,551</u>	\$ <u> -</u>	\$ <u> 4,551</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 5,174</u>	\$ <u> -</u>	\$ <u> 5,174</u>
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 7,006</u>	\$ <u> -</u>	\$ <u> 7,006</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 18</u>	\$ <u> -</u>	\$ <u> 18</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2022 and 2021, respectively.

There were no purchases and disposals of financial assets in Level 3 financial instruments for the years ended December 31, 2022 and 2021, respectively.

Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

29. RELATED PARTY TRANSACTIONS

Besides as disclosed elsewhere in the other notes, the transactions between the Company and its related parties are summarized as follows:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Taiwan Semiconductor Manufacturing Company Limited (TSMC)	Investor with significant influence over the Company
VisEra Technologies Company Ltd. (VisEra)	Other related party

b. Operating revenue

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
TSMC	<u>\$ 5,772,030</u>	<u>\$ 5,597,445</u>
The sales prices and payment terms to related parties were not significantly different from those of the third parties.		

c. Manufacturing overhead

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
VisEra	<u>\$ 791,322</u>	<u>\$ 750,919</u>
The consigned processing costs from related parties were determined in accordance with mutual agreements.		

d. Rental income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
VisEra	<u>\$ 79,604</u>	<u>\$ 78,900</u>
The Company leased property, plant and equipment to related parties. The lease terms and prices were both determined in accordance with mutual agreements. The rental income was received monthly; the related rental income of leased assets was recognized under other operating income and expenses.		

e. Contract assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
TSMC	<u>\$ 99,763</u>	<u>\$ 329,555</u>
The Company did not recognize loss allowance for the contract assets from related parties for the years ended December 31, 2022 and 2021.		

f. Receivables from related parties (not including contract assets)

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
TSMC	<u>\$ 1,047,375</u>	<u>\$ 725,261</u>
The Company did not obtain guarantees for receivables from related parties. The Company did not recognize loss allowance for receivables from related parties for the years ended December 31, 2022 and 2021.		

g. Other current assets

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
VisEra	<u>\$ 77</u>	<u>\$ 65</u>

h. Accrued expenses and other current liabilities

	<u>December 31</u>	
	2022	2021
VisEra	\$ 110,549	\$ 114,584
TSMC	<u>-</u>	<u>59</u>
	<u>\$ 110,549</u>	<u>\$ 114,643</u>

For other related party transactions, price and terms were determined in accordance with mutual agreements.

i. Remuneration of key management personnel

The remuneration of directors and other key management personnel was as follows:

	<u>For the Year Ended December 31</u>	
	2022	2021
Short-term employee benefits	\$ 56,475	\$ 53,700
Post-employment benefits	<u>665</u>	<u>648</u>
	<u>\$ 57,140</u>	<u>\$ 54,348</u>

The remuneration of directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

- a. The Company entered into a commitment to purchase property, plant and equipment for NT\$2,581,873 thousand.

31. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 58,361	30.713	\$ 1,792,432
JPY	34,271	0.2324	7,964
CHF	90	33.21	2,985
EUR	41	32.72	1,343

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 4,843	30.713	\$ 148,754
JPY	35,461	0.2324	8,241
CHF	90	33.21	2,985
EUR	41	32.72	1,343
			(Concluded)

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 61,132	27.674	\$ 1,691,758
JPY	88,562	0.2405	21,299
CHF	181	30.18	5,476
EUR	7	31.32	231

Financial liabilities

Monetary items			
USD	7,130	27.674	197,302
JPY	88,784	0.2405	21,353
CHF	181	30.18	5,476
EUR	7	31.32	231

Note: The exchange rate represents the amount of New Taiwan dollars for which one unit of foreign currency could be exchanged.

Please refer to the statements of comprehensive income for the total of realized and unrealized foreign exchange gain and loss for the years ended December 31, 2022 and 2021, respectively. Since there were varieties of foreign current transactions and functional currencies, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact.

32. OPERATING SEGMENT INFORMATION

a. Operating segments

The Company is a single operating segment on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The basis for the measurement of operating segment's profit or loss, assets and liabilities is the same as the basis for the preparation of financial statements. Refer to the financial statements for the related operating segment information and Note 18 for information about disaggregation of revenue.

- b. Major customers contributing at least 10% to the Company's operating revenue

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 5,772,030	75	\$ 5,597,445	73
Customer B	1,346,116	17	1,249,709	16

33. ADDITIONAL DISCLOSURES

- a. Significant transactions

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (None)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (Table 1)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 9) Information about derivative instrument transactions. (Note 7)

- b. Information on investees. (None)

- c. Information on investments in mainland China. (None)

- d. 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. (Table 4)

XINTEC INC.

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Property	Event 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			
The Company	Office building	October 25, 2022	\$ 2,328,000	Based on the terms in the purchase order	LI JIN ENGINEERING CO., LTD.	-	N/A	N/A	N/A	N/A	N/A	Medium and long-term business development and operational management needs.	None

XINTEC INC.

**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, 2022
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases / Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	TSMC	TSMC is an equity-method investor of the Company	Sales	\$5,772,030	75	60 days after monthly closing	Note 29	Note 29	\$1,047,375	81	-

XINTEC INC.

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	TSMC	TSMC is an equity-method investor of the Company	\$ 1,047,375	56	\$ -	-	\$ 536,041	\$ -

TABLE 4**XINTEC INC.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
TSMC	111,281,925	41

Note 1: This table provides the information of number of ordinary shares and special shares which were delivered through non-physical registration (including treasury shares) owned by major shareholders with ownership of 5% or greater and was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. There might be a difference between the share capital listed on the Company's financial statements and the actual number of shares delivered through non-physical registration due to different basis of calculation.

Note 2: If the shareholders delivered the shares to the trust, the above information would be revealed by the individual trust account under fiduciary account opened by the trustee. As for the shareholders' declaration of the insider ownership with shareholdings over 10% in accordance with the Securities and Exchanges Act, their shareholdings include their shares owned plus the shares delivered to the trust, of which they have the right to allocate the trust properties. Please refer to the Market Observation Post System website for information about insider ownership declaration.

E. Consolidated Financial Statements and Independent Auditors' Report: None

F. The Financial Impact to the Company due to Company or Affiliate Companies
Financial Difficulties: None

VII. Financial Position, Operating Results and Risk Management

A. Financial Position

Unit: NT\$, in Thousands

Item	Year		Difference	
	2022	2021	Amount	%
Current assets	5,299,966	3,881,788	1,418,178	36.53
Property, plant and equipment	3,853,333	3,892,324	(38,991)	(1.00)
Intangible assets	31,263	38,118	(6,855)	(17.98)
Other assets	287,224	360,390	(73,166)	(20.30)
Total assets	9,471,786	8,172,620	1,299,166	15.90
Current liabilities	1,535,022	1,400,533	134,489	9.60
Noncurrent liabilities	546,587	555,909	(9,322)	(1.68)
Total liabilities	2,081,609	1,956,442	125,167	6.40
Capital stock	2,713,643	2,713,643	-	-
Capital Surplus	396,424	396,424	-	-
Retained earnings	4,280,110	3,106,111	1,173,999	37.80
Other equity	-	-	-	-
Total equity	7,390,177	6,216,178	1,173,999	18.89

Items will be analyzed and explained if ratio changed more than $\pm 20\%$:

1. Current assets increased were due to cash and cash equivalents increased NT\$1,397,869 thousand, accounts receivable from related parties increased NT\$322,114 thousand and contract assets decreased NT\$237,206 thousand.
2. Other assets decreased were mainly due to right-of-use assets decreased NT\$45,841 thousand and deferred income tax assets decreased NT\$31,331 thousand.
3. Retained earnings increased were due to net income of 2022.

B. Financial Performance

1. Financial Performance in Most Recent 2 Years:

Unit: NT\$, in Thousands

Item \ Year	2022	2021	Difference	%
Operating revenues	7,731,797	7,667,343	64,454	0.84
Operating costs	4,864,697	5,080,128	(215,431)	(4.24)
Gross Profit	2,867,100	2,587,215	279,885	10.82
Operating expense	510,485	461,577	48,908	10.60
Other revenue and expense	102,086	82,304	19,782	24.04
Income from operation	2,458,701	2,207,942	250,759	11.36
Non-operating income and expense	42,297	(9,208)	51,505	(559.35)
Income before income tax	2,500,998	2,198,734	302,264	13.75
Income tax	517,262	321,652	195,610	60.81
Net Income	1,983,736	1,877,082	106,654	5.68
Items will be analyzed and explained if ratio changed more than $\pm 20\%$: <ol style="list-style-type: none"> 1. Other revenue and expense increased were mainly due to net rental income increased NT\$11,169 thousand and Income from decommission cost reversal increased NT\$8,602 thousand. 2. Non-operating income and expense increased were mainly due to interest income increased NT\$15,989 thousand, foreign exchange income increased NT\$146,595 thousand and net loss arising on financial instruments designated as at FVTPL increased NT\$114,394 thousand. 3. Income tax increased was mainly due to the deduction of losses incurred in previous years, which had been used up in 2021. 				

2. The expected sales volume and its basis, the possible impact on the company's future financial business and the response plan

Xintec is committed to developing new types of sensor packaging and PPI technology. For example, in the second half of 2016, it was successfully introduced into the smart mobile device brand market and began to generate revenue and profits. In response to the tsmc group's strategic layout, it provided 12-inch wafer testing and entered mass production in 2019, which brings revenue and profit growth to the company. The 12-inch CIS special processing technology research and development project is expected to enter mass production in 2023.

In the future, we will actively cooperate with customers strategically, jointly develop innovative technologies, and continue to develop new sensor packaging and PPI technologies to expand mobile devices and industrial market applications. In addition, based on the trend of driving safety and autonomous driving, it is estimated that the market demand for automotive image sensor

packaging will continue to grow. Automotive electronic products have the characteristics of high technical threshold, long product life and stable revenue. Xintec will continue to expand customers and services of automotive and industrial image sensors.

C. Cash Flow

1. Analysis of Cash Flow

Unit: NT\$, in Thousands

Item \ Year	2022	2021	Difference	%
Operating activities	3,006,449	3,078,580	(72,131)	(2.34)
Investing activities	(753,991)	(817,485)	63,494	(7.77)
Financial activities	(854,589)	(1,161,801)	307,212	26.44
Total	1,397,869	1,099,294	298,575	27.16

- Cash flow from operating activities increased were mainly due to net income increased NT\$302,264 thousand, accounts receivable from related parties increased NT\$955,477 thousand, contract assets decreased NT\$360,133 thousand, accounts receivable decreased NT\$150,024, accrued expenses and other current liabilities increased NT\$211,605 thousand and Income tax paid increased NT\$108,741 thousand.
- Cash out flow from investing activities decreased were mainly due to capital expenditures decreased NT\$45,342 thousand and Interest received increased NT\$14,640 thousand.
- Cash out flow from financial activities decreased were mainly due to repayment of long-term bank loans decreased NT\$438,889 thousand and cash dividend paid increased NT\$135,682 thousand.

2. Remedial Actions for Liquidity Shortfall

Cash flow generated from operation. Not applicable for liquidity shortfall.

3. Cash Flow Projection for Next Year

Unit: NT\$, in Thousands

Cash Balance 2023/1/1	Net cash provided by operating activities in 2023	Net cash used in investing and financing activities in 2023	Cash Balance 2023/12/31	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
3,510,150	1,693,780	(1,994,413)	3,209,517	—	—

- Analysis of cash flow for 2023:
 - Cash provided by operating activities was mainly from cash receipted from customers.

(2) Cash used in investing and financing activities was mainly due to capital expenditures and pay cash dividend.

2. Remedial actions for cash shortfall and liquidity analysis: No cash shortage.

D. Major Capital Expenditure

The capital expenditure was mainly used for the expansion of the new factory office building, the clean room and factory facilities for 12” wafer testing foundry services, R&D machines, and the factory facilities and machines for 8” wafer-level packaging in 2022, which cash flow generated from operation. There was no unfavorable impact on the finance and operation.

E. Long Term Investment: Not applicable.

F. Risk Management

1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

(1) Interest Rate Fluctuation

The company's long-term bank borrowing rate is based on floating interest rates, and interest rate changes will affect future cash flows. The Company took attention on interest rate fluctuation and entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate debt.

The Company has no long-term debts balance as the date of the annual report printed. The Company will monitor the trend of the interest rate to lower down the uncertainty of the borrowing cost.

(2) Foreign Exchange Volatility

The company's operating activities are mainly in foreign currency transactions, so foreign currency exchange rate risks arise. In order to avoid the decline in the value of foreign currency assets and fluctuations in future cash flows due to exchange rate changes, the Company utilizes derivative financial instruments such as currency forward contracts, to partially hedge its currency exposure. It can help the company reduce but still can't completely rule out the impact of foreign exchange rate changes. For more derivative transactions information, please refer to pages 150 of the Annual Report.

(3) Inflation Volatility

The Company monitors the supply status of the raw material, seeks the second source of the both good quality and price advantage, and improves the manufacturing process and products yield, and cost reduction to reduce the impact of rising prices.

2. Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

The Company did not make high-risk or high-leveraged financial investments, loan to other parties, either the endorsements recently. The nature of the derivative transactions that Xintec entered into were strictly for hedging purposes to hedge foreign currency exposure. To control various types of financial transactions, The Company has established internal policies and procedures based on sound financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. The policies and procedures are “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement and Guarantee” and “Procedures for Acquisition or Disposal of Assets,” (“Policies and Procedures for Financial Derivative Transactions” included).

3. Future Research & Development Projects and Corresponding Budget:

In response to the needs of market and customers for sensors, we continue to provide wafer-level packaging technology such as TSV CSP and 3D IC package for applications in various sensor components. Extend the product line and services to micro-electromechanical (MEMS), power field effect transistors, power control and analog components and other products by innovative wafer-level packaging technology. The budget for R&D expense will be NT\$ 329, 642 thousand in 2023.

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company consistently pays close attention to any changes in Policies and Regulations Relating to Corporate Finance and Sales. Changes in related laws during 2022 have not had a significant impact on our operations.

5. Effects of and Response to Changes in Technology(Including information security risks) and the Industry Relating to Corporate Finance and Sales:

The Company carefully monitors market trends and assesses the impact they may have on the company’s operations and attaches great importance to improvements in technology. At the same time, the company will continue to promote information security-related plans to reduce the risk of information security, so as to achieve the goal of continuous operation.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The company had been honored as top 5% ranking at “Corporate

governance Evaluation” by OTC from 2016 to 2021. Line C won the Bronze Award for the 4th of National Enterprise Environmental Protection Award in 2022, showing the company’s achievements and emphasis on corporate governance, environmental protection, and corporate sustainability. To manage the corporate image effectively, the company attaches great importance to emergency response drills in the event of natural or man-made disasters, such as typhoons, earthquakes, environment pollution, IT services disruption, strikes, shortage of raw materials and utility supply disruption. The company sets emergency command plan, including the process and steps for setting up an ad hoc emergency response team for the event of a disaster. The company has a standing emergency response center with 24-hour on-duty staff to respond to various emergencies that may cause environmental pollution. It is beneficial to activate the response mechanism and take response measures in the early stage of environmental accidents, restrain and prevent the continuous expansion of accident disasters, and reduce the severity of accidents. In addition, the company has established emergency response management procedures for environmental pollution incidents such as air pollution, gas or chemical substance leakage. The company formulates an emergency response drill plan every year. The emergency response drill is carried out by the unit supervisor as the commander by means of actual military deduction and to strengthen the response capacity. To coordinates relevant departments in each fab, conduct regular emergency response drills and continuously improve their notification and operational procedures to ensure smooth communication channels with stakeholders in crisis management. The Spokesperson serves as the designated gateway for external communications. Up to the printing date of this Annual Report, the company has not been faced with risks which may have a major impact on the daily operation and on the corporate image.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.
8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: please refer to pages 166 of the Annual Report.
9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The Company procured raw materials from different suppliers as far as possible to ensure the smooth supply of raw materials and reduce the risk of centralized purchasing. Although the Company still made part of the raw materials from a single supplier, but the Company will continue to look for other suppliers to reduce the risk of centralized purchasing.

The largest customer, TSMC Group's net sales accounted for 75% of the company's sales of 2022. The company will continue to actively develop new markets and new customers and maintain a good relationship with the existing customers continue to reduce risk.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The price of the Company's stock may be impacted by possible future sales of the Company's shares owned by the major shareholders. TSMC will remain as the largest shareholder of Xintec with approximately 41% ownership. TSMC announces to continue its close collaboration with Xintec in the business areas of CMOS image sensor, MEMS, CP testing and etc.

11. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

12. Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit:

a. Major ongoing civil lawsuit relating to land occupancy compensation:

In October 2019, the Ministry of Economic Affairs filed a lawsuit against the company for land occupancy compensation in the Taoyuan District Court, claiming that the company had no right to use the land No. 3744, located at Zhongli Industrial Zone. The Taoyuan District Court judge the company won. In the term of appeal, the Ministry of Economic Affairs submits an appeal, and the Taipei High Court judged the Ministry of Economic Affairs' appeal was rejected in December 2021, the company won again. The Ministry of Economic Affairs filed a third-instance appeal within the statutory period, and the Supreme Court ruled to reject the appeal of the Ministry of Economic Affairs in July 2011, and the case was finalized in the third instance.

b. Major non-lawsuits or administrative lawsuits: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings

Major ongoing lawsuits, non-lawsuits or administrative lawsuit by the director of the company, TSMC:

As is the case with many companies in the semiconductor industry, the Company has received from time to time communications from third parties asserting that its technologies, its manufacturing processes, or the design of

the semiconductors made by TSMC or the use of those semiconductors by its customers may infringe upon their patents or other intellectual property rights. These assertions have at times resulted in litigation by or against the Company and settlement payments by the Company. Irrespective of the validity of these claims, the Company could incur significant costs in the defense thereof or could suffer adverse effects on its operations. The Company is also subject to antitrust compliance requirements and scrutiny by governmental regulators in multiple jurisdictions. Any adverse results of such proceeding or other similar proceedings that may arise in those jurisdictions could harm TSMC's business and distract its management, and thereby have a material adverse effect on its results of operations or prospects, and subject the Company to potential significant legal liability.

Currently, TSMC's material legal proceeding is as follows:

In September 2022, Daedalus Prime LLC ("Daedalus") filed complaints in the U.S. International Trade Commission ("ITC") and the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and other companies infringe four U.S. patents. The ITC instituted an investigation in October 2022. The outcome cannot be determined and we cannot make a reliable estimate of the contingent liability at this time.

Other than the matter described above, as of the date of this Annual Report, TSMC is not currently a party to any other material legal proceedings.

As described above, TSMC's litigations are causing from commercial acts and there is no relationship with us, it has no materially affect shareholders' equity or the prices of the company's securities.

13. Other Major Risks and Countermeasures: None.

G. Other Important Matters: None

VIII. Special Notes

A. Affiliated Information: None.

B. Private Placements Securities: None.

C. Common Shares Acquired, Disposed of and Held by Subsidiaries: Not applicable.

D. Any Events in Y2022 That Had Significant Impacts on Shareholders' Right or Security Prices as Started in Item 2 paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

E. Other Necessary Supplement: None.

Xintec Inc.

Chairman : CH Chen