



## **Vision**

To be the best company with commitment to business excellence and sustainability.

## **Mission**

The world's most trusted provider of electronic components.

## **Core Value**

In line with the founding spirit of "Integrity, Practicality, Innovation, Service", and the organization and management culture of "Harmony, Unity, and High Efficiency", the two are compatible to form the core value of Taiwan Crystal Technology.

Whether it is internally or externally, to people or to things.

Honesty is always our most fundamental and important requirement, mutual trust fulfills every prudent promise; establish comprehensive quality and risk awareness, seek truth from facts, look into the bottom line, and look to the future for healthy development; continuous improvement and excellence, and continuous pursuit of operation, management, technology, and marketing Innovate in all aspects; adhere to high-quality growth, provide services attentively, and achieve every task entrusted to obtain the full trust of employees, customers, shareholders, business partners and the market.

Whether it is employees, customers, shareholders, business partners, or even society or the region.

People and the environment are always the important lifeline supporting the survival and development of an enterprise, and we attach great importance to the development and maintenance of sustainable and harmonious relations of interest. We use a kind heart, people-oriented, treat employees kindly, and create a happy corporate culture. We use a responsible heart to implement company management and governance, create value for shareholders and customers, and fulfill our corporate social responsibilities and obligations as a global citizen.

We pay attention to discipline, but not red tape. We are open to communication, but not in a bureaucratic manner.

We respect the individual, but don't follow suit. We value efficiency, but don't compromise quality.

We are convinced that only teamwork can be united, go all out to implement effectively, and be unafraid of challenges. Maintaining common values can achieve our mission and move towards our vision.

# Table of Contents

Chapter 1	Letter to Shareholders.....	P3
Chapter 2	Company Profile.....	P7
Chapter 3	Corporate Governance.....	P11
Chapter 4	Capital Overview.....	P98
Chapter 5	Business Information.....	P116
Chapter 6	Financial Information.....	P159
Chapter 7	Review of Financial Conditions, Operating Results, and Risk Management .....	P172
Chapter 8	Special Disclosure.....	P183
Appendix1	Consolidated Financial Statements .....	P189
Appendix2	Unconsolidated Financial Statements .....	P270

# Chapter 1 Letter to Shareholders

Dear Shareholders,

Continuing the opportunities created by the changes in the global economy and supply chain in the previous year, although the impact of the COVID-19 epidemic is still in the ascendant, driven by the strong demand from supply chain end customers and new technology applications in 2021, the company's quarterly revenue has shown substantial growth. The overall operating performance has reached a new historical peak.

## I. 2021 Operation Results

### (I) Consolidated revenue and net profit

Unit: NT\$1,000

Items \ Year	2021	2020	Increase (Decrease) Amount	Change Rate (%)
Net Revenue	15,244,851	11,048,392	4,196,459	37.98%
Gross Profit	5,627,229	3,332,806	2,294,423	68.84%
Net Profit	3,116,984	1,429,287	1,687,697	118.08%

### Consolidated statement of income and profitability

Item	Year	2021	2020
Financial Structure (%)	Debt/Assets Ratio	38.66	41.84
	Long-term Capital/ Fixed Assets Ratio	272.23	239.33
Debt-Paying Ability (%)	Current Ratio	232.29	188.24
	Quick Ratio	175.70	128.45
Profitability (%)	Return on Assets	16.84	9.65
	Return on Equity	27.81	15.58
	Earnings Per Share (NT\$)	10.06	4.61

### (II) Budget Execution

The internal budget target set by the company every year does not disclose the financial forecast. The overall revenue and profit will be affected by market demand, industry changes and product structure, and the consolidated operating income and profit in 2021 will reach the budget target of 114.38% and 154.71% respectively.

### (III) Research and development

In order to maintain the company's leading position in the frequency component industry, Taiwan Crystal Technology specializes in sophisticated operation management and engineering technology research and development to establish a long-term competitive advantage. The R&D team continues to develop and optimize high-stability, high-frequency, wide-temperature, and ultra-miniaturized quartz components, strengthen the product technology portfolio, and provide the market with more diverse and high-value products. Therefore, the company officially launched the wafer-level advanced process technology development project and the upgrade of the digital manufacturing system in 2021, which greatly increased the related capital expenditures and moved towards the goal of advanced intelligent manufacturing in an all-round way. The investment results are expected to gradually ferment in the next few years, through which the company can improve its operational performance in a more comprehensive way, enter new markets such as 5G/automotive electronics/Internet of Things more quickly and effectively, and create long-term and stable revenue growth and profit.

#### **(IV) Results from execution of other projects**

##### **(1) Green enterprise**

In order to comply with the government's energy-saving and carbon-reduction policies and energy regulations, the company has continued to implement energy-saving and carbon-reduction plans every year. The company has built a rooftop solar power generation system with a power generation capacity of about 67,000 kWh in 2021. Energy-saving measures such as heat pump systems, replacement of high-efficiency lamps and air compressors, air-conditioning cooling fans, etc., and continue to promote certification and activities related to green enterprises. Food waste reduction and plastic bag reduction action to further reduce the use of pollution-free plastic bags for ten thousand years.

##### **(2) Occupational safety and health**

TXC has continued to promote Occupational Health and Safety Assessment Series certification to uphold labor safety under the guidance of the Occupational Safety & Health Committee and Labor-Management Conference. A number of health promotion activities such as Getting to Know Metabolic Syndrome health lecture, pap smear testing, HPV virus awareness lecture, CPR and Heimlich maneuver instruction, workplace quit smoking activity, oral cancer screening activity, individual weight reduction activity, stress relief activity, blood pressure monitoring activity and flu vaccine inoculation activity were held by TXC to help employees take positive steps towards a healthy lifestyle. TXC will continue on working to create of a safe work environment to provide maximum safety to our employees.

##### **(3) System certification**

With regard to the maintenance of various operating systems, TXC has received the following certifications: Quality Management System (ISO9001), Automotive Industry Quality Management System (IATF16949), Environmental Management System (ISO14001), Taiwan Occupational Safety and Health Management System (CNS15506), Information Safety Management System (ISO/IEC27001), Hazardous Substance Process Management System (IECQ QC 080000:2017), Occupational Safety and Health Management System (ISO45001). The Ministry of Finance's Customs and Excise Department issues high-quality enterprises with safety certification (AEO), the Ministry of Economic Affairs and Industry Bureau issues the Taiwan Intellectual Property Management Specification (TIPS) Verification Level A, and the Ministry of Health and Welfare issues a healthy workplace certification-health promotion mark and had ISO 14064-1:2018 Greenhouse Gas Inventory. TXC will continue to update its management systems to satisfy and surpass customer requirements

##### **(4) Corporate governance and responsibility**

TXC adheres to the concept of honest operation and actively strengthens corporate governance to protect the rights and interests of stakeholders, and establishes a sound and efficient board of directors to strengthen the responsibilities of the board of directors for supervision and management. In December 2021, the board of directors approved and approved the carbon neutrality goal of 2050. At the same time, a sustainable development committee (also known as the ESG committee) was established. Promote the sustainable operation of the company, and formally include the sustainable development implementation plan into the company and each department's operational performance indicators. In addition, the company's voluntary association and the TXC\_Foundation have engaged in a number of community care and educational support activities, and disclosed relevant activities in the Sustainability Report (formerly the "Corporate Social Responsibility Report")..

## II. 2022 Business Plan Summary

- 1、Steady investment deployment, laying the foundation for sustainable growth
  - (1) Improve and expand production capacity, consolidate existing market advantages, and stabilize the group's growth niche.
  - (2) Optimize the capital structure, strengthen the operation of emerging markets, and create new business momentum.
  - (3) Based on sustainable development, global supply chain and climate change regulatory requirements, determine the 2050 net zero carbon emission target.
- 2、Grasp the commanding heights of the market and accelerate mass production of advanced manufacturing processes
  - (1) Expand the successful coverage of upstream customers, optimize the service quality and sales mix of mid- and downstream customers, fully grasp the market pulse, diversify the risk of excessive market concentration, and effectively promote new product sales and new customer development.
  - (2) Actively and prudently balance sales, production and inventory allocation, taking into account system risks and revenue growth momentum.
  - (3) Continuously improve manufacturing costs, shorten the mass production schedule of new products, and deepen the group's quality culture
  - (4) Accelerate the development of new products and advanced processes, expand the depth of technology, build technical barriers, and improve competitive advantages.
- 3、Comprehensive digital automation to build differentiated competitiveness.

Continuously improve existing and new information application systems, and use digital tools and process improvement in marketing, quality assurance, R&D, manufacturing, supply chain and administrative management operations to improve operation and communication efficiency, speed up problem solving, improve quality and reduce production costs . In particular, we should focus on digital applications in intelligent manufacturing, equipment automation, data analysis platform, product development and quality management. At the same time, it is necessary to strengthen information investment, improve information productivity and quality.
- 4、Enrich human capital and improve organizational development  
The comprehensive and systematic implementation of talent development includes five aspects: recruiting talents, utilizing talents, cultivating talents, retaining talents, and necessary replacement, especially improving and strengthening the leadership of managers at all levels. Through the effective cooperation between organizational development and talent capital, the interaction forms upward spiral kinetic energy, promotes a high-performance organizational culture, and establishes a talent echelon for the company's continuous growth.

In 2022, with the adjustment of the COVID-19 epidemic policies of various countries, the impact of the spread of global inflation, the expected deferred effect accumulated in the supply chain, and the turmoil of the international geopolitical economy, many factors have caused the market risk to gradually heat up, and the overall supply chain challenge of the industry will become more and more serious severe. The company will continue to effectively exert its competitive advantages on the basis of existing operations, and must closely follow up and respond to changes in the market, strengthen the control of inventory and operating costs, and accelerate the realization of investment benefits in technology research and development.

Looking to the future, various challenges and rapid changes are at hand, not only the norm but also the crisis. The company will adhere to the attitude of excellence and the spirit of entrepreneurship, quick and flexible response and insight into market opportunities, continuous innovation and change of thinking, deep cultivation of technology, advanced breakthroughs, and implementation of intelligent manufacturing, in response to more intense competition and more changes. The management team has the confidence to continue to create more value for shareholders, create

happiness for colleagues, and move towards a top enterprise with excellent performance and sustainable operation. Smart Crystal Technology Innovation and Sustainability!

## Chapter 2 Company Profile

### I. Date of Incorporation

TXC is a professional frequency control component and sensor component manufacturer. Since the company's founding in 1983, it has been devoted to research and development, design, production, and sale of quartz component product series. Products include high precision, high quality quartz crystal, automotive crystal, crystal oscillators, and timing modules. Market demand has led TXC to develop multiple kinds of sensors using independent core technology, products that are widely used in mobile communication, data and storage equipment, IoT, and automotive electronics, smart home, AI, medical, 5G...ext.

Over the years, we have upgraded customer value objectives and offered customers a variety of frequency control components for module design-in requirements to provide a total solution to satisfy the overall requirements of customers. TXC performance with regard to price, quality, delivery time and service continues to exceed customer expectations time and time again.

### II. Company History

- 1983 Founded in Taiwan with US\$95,000 capital.
- 1984 Began production on DIP type crystals and oscillators in Peitou factory.
- 1993 ISO9002 certified.
- 1995 Winner of the 4<sup>th</sup> National Award of Small and Medium Enterprises.
- 1997 Began production of SMD type crystals and oscillators in Taoyuan factory.
- 1998 Began production of SAW devices. Implemented Oracle ERP system.
- 1999 Established US sales office.
- 2000 Increased capital to US\$25.3 million.
- 2001 IPO'ed with capital increased to US\$37 million.
- 2002 Listed in the Taiwan Stock Exchange(Code-3042), ISO14001 certified.  
Ranked among the top 10 worldwide frequency control product manufacturers.
- 2003 Began to offer value-added products(HF CXO/VCXO,OCXO,FX,etc.) for the telecom market.  
Began production in new factory in Ningbo, China.
- 2004 Implemented QoS and 6-Sigma management systems. QS9000 certified.  
Established US Technology Center.
- 2005 ISO/TS16949 certified.  
Ranked number 6 among the worldwide frequency control product manufacturers.
- 2006 Expanding Taoyuan factory. Adding production lines in Taiwan and China. The capacity reached to 70 million units per month. Authorized Capital: US\$57.9 million.
- 2007 New factory in Pingzhen inaugurated, factory expansion project in Ningbo factory launched, Intel presented the Preferred Quality Supplier, promotion of the Six Sigma project to Ningbo plant green belt training, procurement of the Shenzhen office, implementation of employee stock option, CB conversion, and recapitalization of surplus to NT\$2,415,530,000.
- 2008 Simultaneously expanded factories in Pingzhen, Taiwan and Ningbo, China; won Intel's Supplier Continuous Quality Improvement (SCQI) Award; won A+ evaluation for information disclosure and top 10 potential golden torch award; continued to promote the 6-Sigma black belt training program at Ningbo and Pingzhen plants. Set up sales operations in Osaka, Japan and Singapore to promote sales. Issued employee options and implement the treasury stock system. Set up subsidiary TXC Hongkong; execute employee option, CB conversion, surplus conversion to increase capitalization to NT\$2,716,980,000.
- 2009 Second phase of Taiwan Pingzhen and China Ningbo plant expansion initiated, received A+ ranking and top 10 award at sixth annual Information Disclosure and Transparency Ranking, on-the-job training plan launched for personnel at Ningbo and Pingzhen plants, received Preferred Quality Supplier Award recognition again from Intel, strengthen company internal controls to ensure corporate governance

effectiveness, promoted transparency of corporate governance information, exercised employee stock warrants, convertible bonds, capital increase by retained earnings to NT\$2,887.27 million.

- 2010 Issued third convertible bond, received corporate governance system evaluation certification from the Taiwan Corporate Governance Associations, received industry model award for the Technology Industry B group from Commonwealth Magazine, awarded National Quality Award from Executive Yuan, continued to implement 6-Sigma black belt training plan for Ningpo and Pingchen plants, set up sales office in Europe to expand business, purchased offices in Shanghai and Suzhou, started third phase of plant expansion for Taiwan PCF, purchased 5,733 level ground of land, built the factories for new energy business unit, execute employee stock option and increase capital out of earning to 2.971 billion NT dollars.
- 2011 Completion and launch of Taiwan Pingzhen Third-Stage plant expansion and New Energy Division plant, establishment of TXC (Chongqing) Electronics Co., Ltd. production site, established Chongqing All Suns Company Limited and Ningbo Jingyu Company Limited, expansion of European subsidiary, receives A+ grade and top 10 award at Eighth Annual Information Disclosure and Evaluation, passed CGR report review, received Energy Conservation Elite, Outstanding Innovation Award and Commonwealth Corporate Citizen Award, received Taoyuan County Corporate Innovation Award, received ISO50001 Energy Management System, ISO28000 Supplier Chain Management System, ISO27001 Information Security Management System certification, Oracle ERP system upgraded to R12 version, valid assessment of remuneration fairness combined with performance evaluation, establishment of remuneration committee, exercise of employee stock warrants, NT\$3,022,420,000 capital increase by capital surplus.
- 2012 TXC (Chongqing) Corporation plant construction, awarded Authorized Economic Operator (AEO) by the MOF Customs Administration, passed BSI greenhouse gas (ISO 14064-1), product carbon footprint (PAS 2050) inventory, product carbon neutralization (PAS 2060) inventory, given Corporate Citizenship Award by Commonwealth Magazine, received green sustainable enterprise award from BSI, external certification of CSR Report conformed to GRI G3.1 A+ and AA 1000 standards, passed CNS 15506 TOSHMS, awarded ninth annual Information Disclosure and Transparency A++ and top ten ranking, exercised employee stock options, convertible bond and NT\$3,097,579,000 capital increase.
- 2013 Issued fourth convertible bond, TXC (Chongqing) Corporation begin formal mass production, received Taiwan Mittlestadt Award from the Ministry of Economic Affairs, passed review for R&D subsidy for a leading new product development project from the Industrial Development Bureau, was awarded CG6008 Advanced Corporate Governance certification, 10<sup>th</sup> annual A++ information disclosure assessment rating, passed greenhouse gas inventory (ISO14064-1), product carbon footprint inventory (PAS2050) and product carbon neutrality (PAS2060) verification, named as one of the top 50 Excellence in CSR Award winners by Commonwealth Magazine and a three star 3<sup>rd</sup> annual Happiest Company Award from the Taipei City Government Department of Labor
- 2014 TXC's Pingzhen Plant, Ningbo Plant and Chongqing Plant expanded in 2014, new offices in Shenzhen and Beijing were bought, won the A++ award for the Eleventh Information Disclosure Assessment, the Fourth Place in the 8th Global Corporate Citizens Award for Pillar Enterprises of Commonwealth Magazine, the 2nd Excellent Enterprise in Hiring Foreign Workers of Taoyuan County Government, the silver award of Taiwan Top50 Enterprises Sustainability Report Award for large high-tech electronics manufacturing industry of Taiwan's Sustainable Energy Research Foundation, and passed certification of Greenhouse Gas Inspection (ISO14064-1), Corporation Sustainability Report, Product Carbon Footprint (PAS2050), Product Carbon Neutralization (PAS 2060), Information Security Management System (ISO 27001), Supply Chain Security Management System (ISO 28000) and Water Footprint for Information Security Launching Award and the GRC Management Paradigm Award by the British Standards Institute.
- 2015 Taiwan Pingzhen factory and TXC (Chongqing) continued production line expansion; successfully renewed "Authorized Economic Operator (AEO)" certification; received 12th "Information Disclosure Evaluation" A++ award; ranked within the top 20% of well-administered companies for the first time; passed "Greenhouse Gas Inspection (ISO14064-1); recognized by Huawei as "2015 Core Supplier"; praised by the British Standards Institution with an "Outstanding Management Model Award"; recognized by Commonwealth Magazine as a "Commonwealth CSR Corporation"; promoted Industry 4.0 intelligent



factory transformations; the company's LED department officially established itself as a separate entity under the name TXC OPTECH Corporation.; the joint venture, Guangdong Failong Crystal Technology Co. Ltd., was officially listed on the Shenzhen Stock Exchange.

- 2016 Taiwan Pingzhen factory, Ningbo factory, and Chongqing factories continue expanding production lines; receives subsidies through the Department of Commerce Department of Industry Manufacturing Upgrade and Innovation Optimization Plan (particulate matter sensor development); ranked within the top 5% of well-administered companies; Awarded Authorized Economic Operator (AEO) certification by the Ministry of Finance, received EPA's Product Carbon Footprint Emission Factor Database Establishment Award, received BSI's Environment Governance Practice Award, BSI occupational safety and health certifications and BSI CSR report verification.
- 2017 Continued expansion of the production lines at Taiwan's Pingzhen Plant, Ningbo Plant and Chongqing plant. The 3<sup>rd</sup> corporate governance rating ranked within the top 5% of rated companies, received IDB "Corporate Volunteer Award", passed Material Flow Cost Accounting (ISO 14051 MFCA), passed "IATF 16949" verification, awarded "BSI Sustainability Awards", "BSI Occupational safety and health" verification, "BSI CSR AA1000/GRI G4" verification, passed Information Security Management System (ISO 27001) verification, established TXC Foundation.
- 2018 Awarded Authorized Economic Operator (AEO) certification by the Ministry of Finance, established TXC Europe GmbH, Chongqing All Suns Company Limited Real Estate Development Project launched, The 4<sup>th</sup> corporate governance rating ranked within the top 5% of rated companies, Won the international trade bureau's import certificate of excellence, the approval of the Ministry of Economic Affairs, the research and development project of the Ministry of Economics, Received the "Perpetual Pilot Award" from the British Standards Association
- 2019 Taiwan Pingzhen Plant, Ningbo Plant and Chongqing Plant Continue to Plan Production Line Expansion, The fifth corporate governance evaluation is the top 6% ~ 20% of listed companies, Won the 2019 Huawei Gold Supplier Award, 2019 Xiaomi Core Supplier Award, RBA Sustainable Development Award, Industry Contribution Award from the Ministry of Economic Affairs, INVENTEC Excellent Manufacturer Award, Passed the certification of "ISO 45001 Occupational Safety and Health System", Passed the 108-year industrial upgrading and innovation platform counseling plan of the Ministry of Economics' Science and Technology Research and Development Project, Obtained Taiwan Intellectual Property Management Specification (TIPS) verification level A
- 2020 Taiwan's Pingzhen Plant, Ningbo Plant and Chongqing Plant continue to plan for the expansion of production lines. 90% of the Chongqing All Suns Company Limited Real Estate Development Project was completed and Chongqing Dingsen Commercial Management Co., Ltd. was established, GROWING PROFITS TRADING LTD was completed and the liquidation was completed. The 6<sup>th</sup> corporate governance evaluation is among the top 6%-20% of listed companies. It has passed the "BSI Corporate Social Responsibility Report AA1000/GRI" verification and passed the BSI "ISO 9001 Quality Management System", "IATF 16949 Automotive Quality Management System", "ISO 27001 Information Security Management System" and other three-year recertification audits, and passed the second year of the "Taiwan Intellectual Property Management Standard Verification Level A" by the Industrial Bureau of the Ministry of Economic Affairs (2016 (Annual Edition)) verified A-level, continuously passed Sony GP certification to obtain GP certificate, passed the 109-year Ministry of Economic Affairs Science and Technology Research and Development Project Industrial Upgrade Innovation Platform Guidance Program, won the British Standards Institute's "Sustainable Resilience Outstanding Award", won the economic Ministry of Industry Bureau Pingzhen Industrial Zone Service Center awarded the "Park Green and Beautification Adoption Performance Outstanding Award"
- 2021 TXC issued the 5<sup>th</sup> convertible corporate bond, was awarded the top 6%~20% of listed companies in the 7th Taiwan Corporate Governance Evaluation, passed the verification of "BSI Corporate Social Responsibility Report AA1000/GRI", passed BSI "IATF 16949 Automotive "Quality Management System", "ISO14001 Environmental Management System", "ISO 45001 Occupational Safety and Health System", "ISO 27001 Information Security Management System" and other certification transitions, won the "Sustainable Resilience Pilot Award" from the British Standards Institute, researched and developed Ultra-small thermostatically controlled quartz crystal oscillator (OCXO) and ultra-low phase noise temperature compensated quartz oscillator (TCXO) and other products; TXC (NINGBO) CORPORATION invested in the establishment of TETC CORP. NINGBO and TXC (NINGBO) CORPORATION continued to

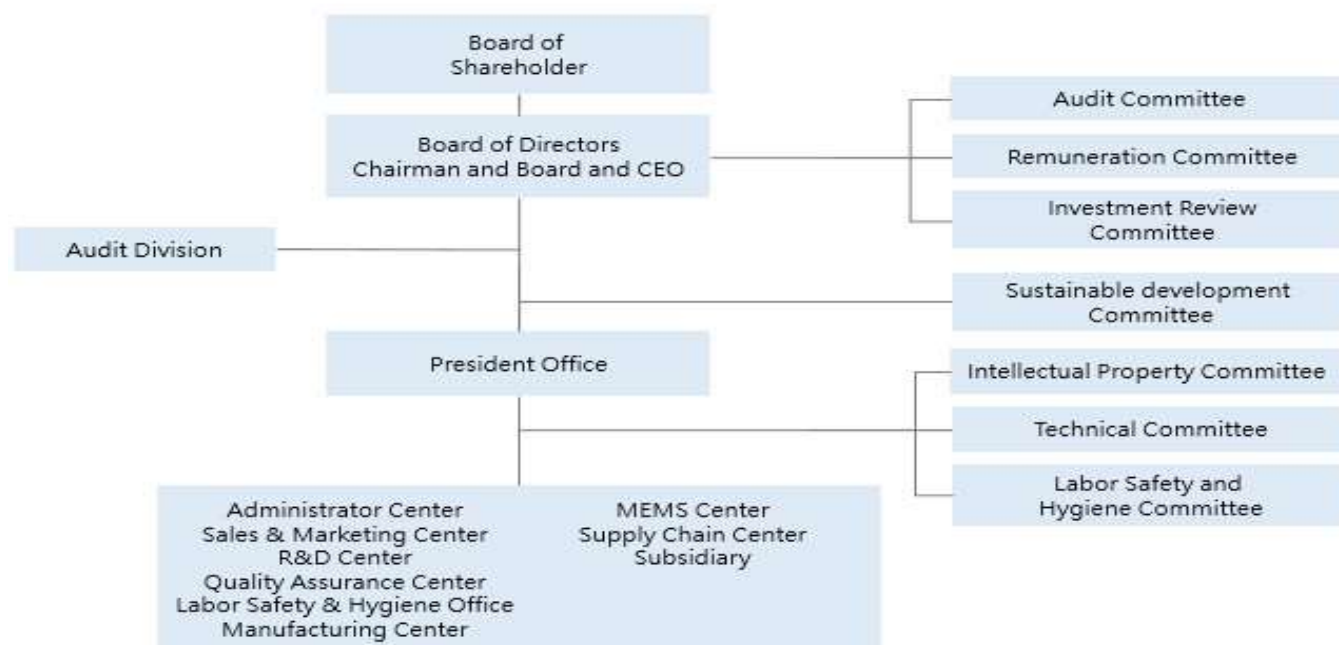
pass China's national high-tech Enterprise certification; TXC (CHONGQING) CORPORATION continues to pass China's national high-tech enterprise certification, and has won the Chongqing High-tech Zone Enterprise Innovation R&D Center and the Chongqing Small and Medium-Sized Enterprise Hidden Champion

## Chapter 3 Company Governance

### I. Organization

#### (I) Organizational Structure

December 31, 2021



#### (II) Responsibilities and functions of major departments

Department	Responsibilities and Functions
Chairman Office	<ul style="list-style-type: none"> <li>• The formulation of the company's long-term business development strategy</li> <li>• New technology and investment feasibility risk and business opportunity assessment</li> <li>• Overall financial planning and investment management development</li> <li>• Set the company's new product research and development strategy orientation</li> <li>• Supervision over the operations of overseas subsidiary</li> </ul>
Audit Committee	<ul style="list-style-type: none"> <li>• Establishment or modification of the internal control system and the assessment on the effectiveness of internal control system</li> <li>• Establishment or modification of the procedures for material financial business behaviors such as acquisition or disposal of assets, engaging in derivative commodity transactions, capital lending to others, endorsing or providing guarantees for others</li> <li>• Procedures for conduct major financial business activities</li> <li>• Assessment on matters concerning interests of the directors themselves</li> <li>• Assessment on major asset investments, major derivative commodity transactions, capital lending, endorsement or provision of guarantees</li> <li>• Assessment on the offering, issuing or private placement of equity securities</li> <li>• Evaluating the appointment, dismissal or remuneration of a Certified Public Accountant and the appointment or dismissal of a Chief Financial Officer, Chief Accounting Officer or chief audit executive</li> <li>• Review financial reports</li> </ul>

Department	Responsibilities and Functions
Remuneration Committee	<ul style="list-style-type: none"> <li>• Formulate and review the remuneration policies, systems, standards and structures</li> <li>• Regularly evaluate the reasonable basis for the remuneration and performance appraisal of the Company's directors and managers</li> <li>• Regularly supervise the implementation of the remuneration system</li> </ul>
Investment Review Committee	<ul style="list-style-type: none"> <li>• Review the company and its subsidiaries' external strategic investments, mergers and acquisitions (including mergers, acquisitions and divisions, etc.), and joint venture investment projects with others, and submit recommendations to the board of directors for discussion</li> <li>• Review the company's and its subsidiaries' investment in new businesses, mergers and acquisitions (including mergers, acquisitions and divisions, etc.), and joint venture investment projects with others, and submit recommendations to the board of directors for discussion</li> <li>• Review the implementation status of existing investment projects every year</li> <li>• Execute related affairs according to the resolutions of the board of directors, and report the results of execution and other related matters to the board of directors</li> </ul>
Audit Division	<ul style="list-style-type: none"> <li>• Plan the annual audit plan, and implement the audit work according to the annual audit plan, and submit the audit report to the management level in charge of the board of directors and the competent authority to regularly report the work.</li> <li>• Subsidiary internal control and audit business supervision</li> <li>• Management execution effectiveness evaluation and guidance improvement of each unit, KPI management of each unit</li> </ul>
ESG Committee	<ul style="list-style-type: none"> <li>• Implement corporate governance</li> <li>• Develop a sustainable environment</li> <li>• Maintain social welfare</li> <li>• Strengthen corporate sustainability information disclosure</li> </ul>
President Office	<ul style="list-style-type: none"> <li>• The Company's overall operating policies and objectives management, budget planning and setting</li> <li>• All kinds of business supervision and coordination, and management</li> <li>• The advises, modifications and implementation on major business decisions</li> </ul>
Intellectual Property Committee	<ul style="list-style-type: none"> <li>• Regularly update the company's "Intellectual Property Rights List"</li> <li>• Responsible for the company's trademark application review and leading the company's trademark-related matters</li> <li>• Leading the provision and integration of the promotion and release of internal related intellectual property activities</li> <li>• Communicate and coordinate related business related to intellectual property</li> <li>• Internal and external intellectual property related communication and consultation window</li> </ul>
Technical Committee	<ul style="list-style-type: none"> <li>• Promote the development of competitive core technologies</li> <li>• Promote the operation efficiency of major technology or product development projects</li> <li>• Operation and management of technical intellectual property</li> <li>• Strengthen the integrated operation of internal and external engineering talents and technical experts</li> </ul>
Occupational Safety and Health Committee	<ul style="list-style-type: none"> <li>• Suggestions on occupational safety and health policies formulated by the company</li> <li>• Coordinate and advise on occupational safety and health management plans</li> <li>• Review the implementation plan of safety and hygiene education and training</li> <li>• Review the operating environment monitoring plan, monitoring results and measures to be taken</li> <li>• Review health management, occupational disease prevention and health promotion matters</li> </ul>

Department	Responsibilities and Functions
	<ul style="list-style-type: none"> <li>• Review various safety and health proposals</li> <li>• Review of automatic inspections and safety and health audits</li> <li>• Review precautions against machinery, equipment or raw materials, material hazards</li> <li>• Review the occupational disaster survey report</li> <li>• Assess on-site safety and health management performance</li> <li>• Review the safety and health management matters of the contracted business</li> <li>• Other matters related to occupational safety and health management</li> </ul>
Sales & Marketing Center	<ul style="list-style-type: none"> <li>• Product sales, PO processing and customer development &amp; services</li> <li>• Analysis on the competitors, production and sales, product marketing strategies and, products' marketing strategies and industrial market</li> <li>• Costs, prices and sample development management</li> <li>• Emerging market, new products and sales services development</li> <li>• Services and solution on customer's product application issues</li> <li>• Formulating product marketing strategy</li> <li>• Set the operational (sales, costs, quality) goals, strategies planning</li> </ul>
R & D Center	<ul style="list-style-type: none"> <li>• Formulate short, medium and long-term development directions and plans for product and technology research and development</li> <li>• New product R &amp; D and introduction of mass production</li> <li>• New materials R &amp; D and introduction of mass production</li> <li>• Studying, execution and introduction of the R &amp; D project</li> <li>• New product features assessment and marketing development</li> <li>• Planning, promotion, technology transfer and manufacturing for the development of new miniaturized, high precision and highly reliable products</li> <li>• Developing and improving new product equipment, modules, instruments and jigs</li> <li>• Planning, promotion, technology transfer and manufacturing for the development project of new production processes technology</li> <li>• Assist in the trial production and assessment on new product samples from each product-engineering unit</li> <li>• Establish core R&amp;D capabilities and process improvement</li> <li>• Assist business market research to participate in customer product development at an early stage and closely link internal product and technology development directions</li> <li>• Leading the operation of cross-center technology modules, cultivating technical talents and supporting the completion of product projects as scheduled</li> </ul>
Manufacturing Center	<ul style="list-style-type: none"> <li>• Coordinating the use of overall production center (Ping-Zhen Plant, Ning-Bo Plant &amp; Chong-Qing Plant) resources (manpower, equipment, production capacity, budget investment, etc.)</li> <li>• Managing the KPIs (Key Performance Indicators) of each production plant under the production center</li> <li>• Executing the production capacity expansion plan required to achieve the Company's operating goals</li> <li>• Acknowledge the overall production strategies and trends of the quartz crystal industry</li> <li>• Manufacturing for the products</li> <li>• Planning and improving the production flow</li> <li>• Improving and developing the production process flow</li> <li>• Management and maintenance operations for the production equipment</li> <li>• Supervision and execution on industrial safety and health and environmental management system</li> </ul>

Department	Responsibilities and Functions
MEMS/BLK Development and Manufacturing Center	<ul style="list-style-type: none"> <li>• Coordinating the use of overall wafer production resources (equipment, production capacity, etc.)</li> <li>• Acknowledge the overall wafer production strategies and trends of the quartz crystal industry</li> <li>• Coordinating various management particulars under the MEMS chip center in terms of equipment, manpower and technology</li> <li>• Promotion of various managerial policies</li> <li>• Executing the wafer production capacity expansion plan and the product and technical development of micro-electromechanical system (MEMS) chips required to achieve the Company's operating goals</li> <li>• Wafer production</li> <li>• Development of wafer technology and improvement on oscillator properties</li> <li>• Planning and improving the production flow</li> <li>• Improving and developing the production process flow</li> <li>• Management and maintenance operations for the production equipment</li> <li>• Executing various production and sales coordination, material control and delivery management particulars</li> <li>• Supervision and execution on industrial safety &amp; health and environmental management system</li> </ul>
Quality Assurance Center	<ul style="list-style-type: none"> <li>• Develop and revise the Group's quality strategy</li> <li>• Set company-wide annual quality goals, and plan, track and review actions to ensure the achievement of goals</li> <li>• Establish, audit and coordinate company-wide quality and hazardous substance systems to ensure their effective operation</li> <li>• Promote quality improvement operations and various quality certification systems</li> <li>• Plan and execute the quality control and inspection of incoming materials, self-made chips, finished products, and shipments</li> <li>• Quality management/service of products, materials and suppliers</li> <li>• Response to product feedback cases and promotion of internal improvement</li> <li>• Promote the Group's quality management system integration and quality improvement activities</li> <li>• Promote the automation and intelligence of quality management</li> </ul>
Administrator Center	<ul style="list-style-type: none"> <li>• Planning and formulating organizational system and departmental responsibilities of the Company</li> <li>• Coordinate the formulation and implementation of the company's business plan</li> <li>• The establishment, implementation and continuous improvement of the company's various management systems and operating procedures</li> <li>• Review on the effectiveness of intended promotion for the Company's annual budget preparation and review</li> <li>• The generation and analysis of the Company's various accounting processes, costs and financial accounting information</li> <li>• Financial management, capital movement and handling of shares of listed companies</li> <li>• Effectively manage human resources, develop and cultivate talent echelon, establish a good organizational culture and labor-management relations</li> <li>• Implement factory and general administrative tasks to ensure the company's environmental safety and health</li> <li>• Planning, construction and maintenance management of company network communication and information application systems</li> </ul>

Department	Responsibilities and Functions
	<ul style="list-style-type: none"> <li>• The company's smart digital development strategy and information security planning and execution management</li> <li>• Implement business integrity, corporate governance and compliance with laws and regulations</li> <li>• Formulate and promote the implementation of sustainable development (ESG) strategic actions to ensure the sustainable operation of the company</li> <li>• Establish and protect related intellectual property and improve the knowledge management system</li> </ul>
Supply Chain Center	<ul style="list-style-type: none"> <li>• Product cost and selling price management, product supply plan formulation and execution</li> <li>• Group capacity allocation planning, production scheduling and management, production and sales balance and inventory management</li> <li>• Order delivery approval and delivery management</li> <li>• Supplier development, supplier development plan promotion, supply (cost, delivery, partnership) management</li> <li>• Purchase operation and process management of equipment, raw materials, wip, finished goods and general supplies</li> <li>• Warehousing, incoming and outgoing packaging and logistics, customs declaration operation management</li> <li>• Supply market data (supply and demand, prices, technology, policies, etc.) aggregation and trend analysis</li> <li>• Management and execution of non-finished products trade and foundry projects</li> </ul>
Labor Safety and Hygiene Office	<ul style="list-style-type: none"> <li>• Leading the safety and health review, safety and health risk assessment and other EHS management, as well as being in charge of the planning for the safety and health management system and the enactment of various related procedures</li> <li>• Supervising the safety and health management particulars</li> <li>• Formulating, planning and promoting safety and health management particulars, as well as guiding related departments in the implementation</li> <li>• Responsible for collecting and identifying safety and health related laws and regulations</li> <li>• Responsible for internal and external communication on issues related to safety and health, and provide related consultations</li> </ul>

## II. Documents of directors, president, vice presidents, associate vice presidents, and managers of each departments and divisions

### (I) Directors

#### 1. Director Information

April 2, 2022

Position and Name	Gender /Age	Nationality	Date Elected (Appointed)	Date First Elected	Major Academic (professional) Experience	Current Position in the Company or Other Companies
Chairman and CEO Lin, Wan-Shing	Male 61~70	Republic of China	2019/06/12	1989/11/05	<p>Master in Management, National Taiwan University of Science and Technology</p> <p>Director and President of TXC Corporation</p> <p>Director and CEO of TXC Corporation</p>	<p>Director and CEO of TXC Corporation</p> <p>Chairman of TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED</p> <p>Juristic-person director representative of TXC JAPAN CORPORATION LTD</p> <p>Chairman of TAIWAN CRYSTAL TECHNOLOGY(HK) LTD Corporation</p> <p>Juristic-person director representative of TXC (NINGBO) CORPORATION</p> <p>Juristic-person director representative of TXC (CHONGQING) CORPORATION</p> <p>Juristic-person director representative of Chongqing All Suns Company Limited</p> <p>Supervisor of Ningbo Longying Semiconductor Co., Ltd</p> <p>Chairman of Tai-Shing Electronics Components Corporation</p> <p>Chairman of Liang Shing EcLife Corp.</p> <p>Juristic-person director representative of RFIC TECHNOLOGY CORPORATION</p> <p>Supervisor of Piezoelectric Crystal Industries Association of Taiwan</p>



Position and Name	Gender /Age	Nationality	Date Elected (Appointed)	Date First Elected	Major Academic (professional) Experience	Current Position in the Company or Other Companies
Director Lin, Jin-Bao	Male 71~80	Republic of China	2019/06/12	1989/11/05	MBA, West Texas A&M University, USA Chairman of TXC Corporation Founder of TXC Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation Director of Liang Shing EcLife Corp. Director of Tai-Shing Electronics Components Corporation Juristic-person director representative of uPI Semiconductor Corp Juristic-person director representative of Hantic precision technology , Inc Director of Piezoelectric Crystal Industries Association of Taiwan
Director Chen Chueh, Shang-Hsin	Male 61~70	Republic of China	2019/06/12	2010/06/15	Master of management, Zhejiang University Director and Vice President of TXC Corporation Director and Deputy CEO of TXC Corporation	Director of TXC Corporation Chairman of TXC (NINGBO) CORPORATION Chairman of TXC (CHONGQING) CORPORATION Juristic-person director representative of Chongqing All Suns Company Limited Supervisor of Ningbo Jingyu Company Limited Chairman of TETC CORP. NINGBO Vice Chairman and Juristic-person director representative of Ningbo Longying Semiconductor Co., Ltd Chairman of Ningbo Xingmao Electronic Technology Co., Ltd Juristic-person director representative of Tai-Shing Electronics Components Corporation
Director Kuo, Ya-Ping	Male 51~60	Republic of China	2019/06/12	2019/06/12	Boston University ,MBA Executive Deputy General Manager of TXC Corporation and Deputy General Manager of Management Center of TXC Corporation Director and President of TXC Corporation	Director and President of TXC Corporation

Position and Name	Gender /Age	Nationality	Date Elected (Appointed)	Date First Elected	Major Academic (professional) Experience	Current Position in the Company or Other Companies
Director Huang, Hsiang-Lin	Male 41~50	Republic of China	2019/06/12	2019/06/12	State University of New York at Albany, Master of Business Administration (MBA) Assistant Vice President of Marketing Center of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO	Director of TXC Corporation Juristic-person director representative and President of TETC CORP. NINGBO
Director Hsu, Hsing-Hao	Male 41~50	Republic of China	2019/06/12	2019/06/12	M.S. degree - Electrical and Computer Engineering, Colorado State University Chairman of Kang-Shuo Investment Corporation R&D Manager of Chan-Yu Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation Director of Golden Biotechnology Corporation Chairman of Kang-Shuo Investment Corporation R&D Manager of Chan-Yu Corporation
Director TLC Capital Co.,LTD	-	-			Director of TXC Corporation	Director of TXC Corporation and member of Investment Review Committee of TXC Corporation
Representative : Peng, Chih-Chiang	Male 51~60	Republic of China	2019/06/12	2010/06/15	Ph. D. of National Chiao Tung University Institute of Management of Technology Master of institute of industrial engineering of University of Pittsburgh	Juristic-person director representative of Crystalwise Technology Inc. Juristic-person director representative of Topoint Technology Co., Ltd.
Independent Director Yu, Shang-Wu	Male 61~70	Republic of China	2019/06/12	2007/06/13	Ph.D.,Birmingham University Director of business and management college of Jinwen University of Science and Technology	Professor, Ming Chi University of Technology college of management and design Independent Director of Taisun Int'l (Holding) Corp. Independent Director of VISGENEER INC. Independent Director of TXC Corporation Member of Remuneration Committee, Audit Committee, and Investment Review Committee of TXC Corporation Convenor of Remuneration Committee and Audit Committee of TXC Corporation Supervisor of Taiwan Economy Research Institute

Position and Name	Gender /Age	Nationality	Date Elected (Appointed)	Date First Elected	Major Academic (professional) Experience	Current Position in the Company or Other Companies
Independent Director Tsai, Song-Qi	Male 61~70	Republic of China	2019/06/12	2013/06/19	Finance and Accounting Department of Shanghai University Business Administration, National Chengchi University Certified accountant and Executive Director and CSO of KMPG Taiwan	Adjunct Professor of Accounting, Soochow University Supervisor of Phalanx Biotech Chairman of EMCC Human Capital Solutions Inc Chairman of Daming Investment Development Co., Ltd. Chairman of Shangai Management Consulting Co., Ltd. Chairman of DISCOVERY FORMOSA INTERNATIONAL INC. Chairman of Zhishimei co., ltd. Director of e-Force Taiwan Co., Ltd. Independent Director of TXC Corporation Member Of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation
Independent Director Su, Yan-Syue	Female 51~60	Republic of China	2019/06/12	2016/06/07	Master in Industrial Management of Carnegie Mellon University, USA CIO and senior Senior VP of Pegatron corporation CIO of ASUSTek Computer Manager director of UBS bank Independent Director of Zhong Yang Technology Co., Ltd Juristic-person director representative of Kinsus Interconnect Technology Corp. Representer of Yongyu Investment	Director of eslite Foundation for Culture and the Arts Juristic-person director representative of SPOTFILMS CO., LTD. Independent Director of AU Optronics Corp. Independent Director of the eslite spectrum Corporation Independent Director of Cowell e Holdings Inc Independent Director of TXC Corporation Member of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation Convenor of Investment Review Committee of TXC Corporation

Position and Name	Gender /Age	Nationality	Date Elected (Appointed)	Date First Elected	Major Academic (professional) Experience	Current Position in the Company or Other Companies
Independent Director Wang, Chuan -Fen	Female 41~50	Republic of China	2019/06/12	2016/06/07	Master in Law of Columbia University, USA Legal Master of National Taiwan University International Associate of Simpson Thacher & Bartlett LLP Associate Attorney of Lin & Liu International Law Office	Partner of Chen & Lin Law Firm Independent Director of TXC Corporation Member of Remuneration Committee, Audit Committee and Investment Review Committee of TXC Corporation

When the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of each other, the reasons, rationality, necessity, future improvement measures and other relevant information shall be stated:

The CEO of the company is responsible for the planning and implementation of the company's long-term business development strategy, the overall management of the group's business team and reporting to the board of directors, while the president is responsible for the planning and management of the daily operation of each plant area. The chairman of the board of directors of the company also serves as the CEO. The company is expected to plan and implement the company's long-term business development strategy in the direction of the concept of sustainable operation, and clearly divide the functions and powers of the chairman, the CEO and the president. In addition, the number of independent directors of the company is more than 4, and more than half of the directors are not employees or managers, so as to enhance the independence of the board of directors.

## 2. Major shareholders of the corporate shareholders

April 2, 2022

Name	Major Shareholder	Share (%)
TLC Capital Co., LTD	United Microelectronics Corporation	100%

## 3. Major shareholders are corporate shareholders

April 2, 2022

Name	Major Shareholder	Share (%)
United Microelectronics Corporation	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs	5.84%
	Fubon Life Insurance Co, Ltd.	4.16%
	Hsun Chieh Investment Co., Ltd.	3.55%
	New Labor Pension Fund	2.53%
	Silicon Integrated Systems Corp.	2.30%
	Yann Yuan Investment Co., Ltd.	1.62%
	CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.	1.57%
	Norges Bank - internal - NBIM PF EQ INTERNAL CFD	1.23%
	Nan Shan Life Insurance Company, Ltd.	1.20%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.06%

Note1: Names of the major shareholders (who shareholding percentage shall be top 10) of the corporate shareholders and its shareholding percentage.

Note 2: The ex-dividend date of the year is on April 10, 2021.

#### 4. Training of the directors

Title	Name	Date of on Board	Training Date		Organizer	Course Name	Hour
			From	To			
Director	Lin, Wan-Shing	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Lin, Jin-Bao	2019/06/12	2021/02/08	2021/02/08	Securities and Futures Institute	Corporate Governance and Securities Regulations	3
			2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Chen Chueh, Shang-Hsin	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Kuo, Ya-Ping	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Huang, Hsiang-Lin	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Hsu, Hsing-Hao	2019/06/12	2021/04/15	2021/04/15	Taiwan Corporate Governance Association	Fubon Property & Casualty Directors and Supervisors Responsibility and Risk Management Seminar	3
			2021/07/12	2021/07/12		Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/09/01	2021/09/01	Financial Supervisory Commission R.O.C	The 13 <sup>th</sup> Taipei Corporate Governance Forum	3
			2021/11/08	2021/11/08	Taiwan Corporate Governance Association	Discussion on Employee Reward Strategies and Tools Application	3
Director	TLC Capital Co.,LTD (Peng, Chih-Chiang)	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/09/10	2021/09/10		Establishment and Operation of Audit Committee	3
			2021/09/28	2021/09/28		Corporate Governance and Responsibilities of Directors and Supervisors under the New Company Law	3
Director	Yu, Shang-Wu	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3
Director	Tsai, Song-Qi	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3

Title	Name	Date of on Board	Training Date		Organizer	Course Name	Hour
			From	To			
Director	Su, Yan-Syue	2019/06/12	2021/04/13	2021/04/13	Securities and Futures Institute	2021 Economic Outlook and Industry Trends	3
			2021/04/27	2021/04/27		Discussion on Employee Reward Strategies and Tools Application	3
			2021/07/27	2021/07/27	Taiwan Corporate Governance Association	Organizational Restructuring of Overseas Holding Companies - Evaluation of Re-registration and the Impact of Global Minimum Tax System on Multinational Enterprises	1.5
			2021/09/10	2021/09/10		The trend of ESG/CSR and sustainable governance in 2021	3
			2021/10/26	2021/10/26		Competition for management rights and case analysis	3
Director	Wang, Chuan-Fen	2019/06/12	2021/07/12	2021/07/12	Taiwan Corporate Governance Association	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3
			2021/11/08	2021/11/08		Discussion on Employee Reward Strategies and Tools Application	3

## 5. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

Qualification Name	Professional qualifications and experience	Independence (two years before election and during term of office)	Number of independent directors serving concurrently as other public companies
Director Lin, Wan-Shing	Graduated from the Institute of Business Administration, National Taiwan University of Science and Technology, served as the company's vice chairman (1989-1992), president (1992-2019) and the 15 <sup>th</sup> chairman of the Republic of China Industrial and Commercial Construction Research Association. He has worked in the field of quartz crystal for more than 30 years, leading the company's industrial upgrading and the goal of becoming a global company, enabling the company's operating scale to continue to grow steadily. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Concurrently serve as the CEO of the company and a director with the status of a manager.</li> <li>2. He is also the director of related companies (100% subsidiary) of the company.</li> <li>3. The top ten natural person shareholders of the company.</li> <li>4. The relative relationship with Mr. Lin Jin-Bao, a director of the company, is within the second degree of kinship.</li> <li>5. Be the chairman of the board of directors of associate and other associate.</li> <li>6. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>7. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None
Director Lin, Jin-Bao	Graduated from West Texas A&M University with a master's degree in business management, he is the founder and first chairman of the company. He has been working in the field of quartz crystal since he started his career, and has a good reputation in the industry. He is the leading pioneer of Taiwan's quartz crystal industry. In 2001, he took over as the chairman of the company again. During his tenure, in addition to assisting the company to promote internationalization, he also integrated quartz crystal related technologies and markets with international manufacturers, and was committed to the integration of Taiwan's quartz crystal industry. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. A director with employee status (consultant).</li> <li>2. The top ten natural person shareholders of the company.</li> <li>3. The relative relationship with Mr. Lin Wan-Shing, the director of the company, is within the second degree of kinship.</li> <li>4. Be the chairman of the board of directors of associate and other associate.</li> <li>5. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>6. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None
Director Chen Chueh, Shang-Hsin	Graduated from Zhejiang University with a master's degree in management, he is currently the chairman of several subsidiaries of the company. He has served as deputy CEO and vice president for more than 20 years in the company, and continues to specialize in the marketing and business development of electronic components. He has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Concurrently serve as the deputy CEO of the company and a director with the status of a manager.</li> <li>2. He is also the director of related companies (100% subsidiary) of the company.</li> <li>3. Be the chairman or director of associate, or the supervisor of other associate.</li> <li>4. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>5. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act</li> </ol>	None
Director Kuo, Ya-Ping	Graduated from Boston University with a master's degree in business management, he is currently the general manager of the company. During his more than 20 years in the company, he served as the executive vice president of the company and the vice president of the management center, the vice president of the quality assurance center, and assistant vice president of the marketing center, the president of TXC Optec Corporation. He has an international outlook, the ability to judge the characteristics of globalized professional market competition and the ability to innovate and lead professional team development. He has rich experience in marketing, operation management and strategic planning, and has more than five years of work experience required for company business.	<ol style="list-style-type: none"> <li>1. Concurrently serve as the general manager of the company and a director with managerial status.</li> <li>2. The relative relationship with Ms.Kuo, Ya-Han, the deputy general manager of the company, is within the second degree of kinship.</li> <li>3. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>4. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	None



<p>Director Huang, Hsiang-Lin</p>	<p>He graduated from the State University of New York with a master's degree in business administration. He is currently the president of TETC CORP. NINGBO, a subsidiary of the company. During his 20 years in the company, he served as the assistant vice president and director of the company's marketing center, mainly responsible for market development and customer management in the Greater China region. He specialized in market strategy, brand marketing and customer service, with extensive experience in cross-industry and product business promotion, corporate competitiveness development and project planning team leadership capabilities. He has more than five years of work experience required for company business.</p>	<ol style="list-style-type: none"> <li>1. Concurrently serve as an assistant vice president of the company and a director with the status of a manager.</li> <li>2. Acting as juristic-person director representative of related companies (100% subsidiary) of the company..</li> <li>3. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>4. There is no case where the government, legal person or its representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Director Hsu, Hsing-Hao</p>	<p>Graduated from Colorado State University with a master's degree in Electromechanical Computer Engineering, focusing on the research of high-frequency circuit design. He used to be the marketing director of Palmyu Co., Ltd., and is currently the director of Golden Biotechnology Corporation, the R&amp;D manager of Chan-Yu Corporation and the Chairman of Kang-Shuo Investment Corporation, specializing in software and hardware sales and R&amp;D of laboratory teaching equipment and test instruments in different fields, with more than five years of work experience required for company business</p>	<ol style="list-style-type: none"> <li>1. The direct blood relationship within the third degree of kinship with Mr. Hsu, Te-Jun, the 12<sup>th</sup> director of the company, two years before the election.</li> <li>2. There is no one of the circumstances of Article 30 of the Company Act.</li> <li>3. There is no case where the government, juristic-person director representative is elected as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Director TLC Capital Co.,LTD</p>	<p>It is a reinvestment company established by UMC in 2005. It has a strong management team and professionals, and provides high value-added services related to the operation and management of the invested company. It is a professional venture capital company. He is currently the director of Simplo Technology Co.,Ltd., whose experience in corporate management can provide important advice on the company's operation and development</p>	<ol style="list-style-type: none"> <li>1. In the case of being elected as a juristic-person director representative as stipulated in Article 27 of the Company Act.</li> </ol>	<p>None</p>
<p>Independent Director Yu, Shang-Wu</p>	<p>Graduated from the University of Birmingham with a Ph.D. in Finance, served as the director of business and management college of Jinwen University of Science and Technology, Professor, Dean, Dean of the Department of Information Management, National Taiwan University of Science and Technology, Chair Professor and Dean of the School of Management and Languages, Yuanpei University of Science and Technology, Vice President and Dean of the School of Management, Southeast University of Science and Technology, Distinguished Professor and Dean of the School of Information, Deming University of Finance and Economics, Director (legal representative) of First Bank, Public Interest Director of Taiwan Stock Exchange, etc. He has been engaged in academic research for many years, specializing in corporate financial management and investment. Management and financing decision-making, etc., with professional qualifications for lecturers in public and private colleges and universities in relevant departments of business, finance and corporate business</p>	<ol style="list-style-type: none"> <li>1. In accordance with the company's articles of association and the "Code of Practice for Corporate Governance", directors are selected by the candidate nomination system. The company has obtained the written statement, work experience, and qualification examinations of each director during the nomination and selection of board members. and other supporting documents, and provide the kinship table for verification, which has confirmed the independence of themselves, their spouse and their relatives within the third degree of relatives from the company; and it has also been verified that the four independent directors have Comply with the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" issued by the Financial Supervisory Commission and the qualification requirements stipulated in Article 14-2 of the Securities and Exchange Act, and all independent directors are fully qualified in accordance with Article 14-3 of the Securities and Exchange Act. The power to participate in decision-making and express opinions, according to which the relevant functions and powers are performed independently, in line with the situation of independence</li> </ol>	<p>2</p>

<p>Independent Director Tsai, Song-Qi</p>	<p>Graduated from Shanghai University of Finance and Economics with a doctorate in accounting and National Chengchi University with a master's degree in business management, and obtained professional qualifications and work experience as an accountant for more than 30 years, the lead accountant of the Taiwan Business Department in the Mainland, the lead accountant of the overseas enterprises of Anhou Jianye United Accounting Firm to list in Taiwan, etc., specializing in cross-strait financial and accounting business, and providing professional advice on cross-strait accounting affairs</p>	<p>1. In accordance with the company's articles of association and the "Code of Practice for Corporate Governance", directors are selected by the candidate nomination system. The company has obtained the written statement, work experience, and qualification examinations of each director during the nomination and selection of board members. and other supporting documents, and provide the kinship table for verification, which has confirmed the independence of themselves, their spouse and their relatives within the third degree of relatives from the company; and it has also been verified that the four independent directors have Comply with the "Regulations on the Establishment of Independent Directors of Public Offering Companies and Matters to be Followed" issued by the Financial Supervisory Commission and the qualification requirements stipulated in Article 14-2 of the Securities and Exchange Act, and all independent directors are fully qualified in accordance with Article 14-3 of the Securities and Exchange Act. The power to participate in decision-making and express opinions, according to which the relevant functions and powers are performed independently, in line with the situation of independence</p>	<p>None</p>
<p>Independent Director Su, Yan-Syue</p>	<p>Graduated from Carnegie Mellon University with a master's degree in industrial management, she was the chief investment officer and senior vice president of Pegatron United Technology Co., Ltd. (2004-2013), chief investment officer of ASUS Computer Co., Ltd., and managing director of UBS. Currently an independent director of AUO, Eslite Life, Cowell Electronics, etc., specializing in corporate finance, financial investment and industry research and analysis, with work experience required for business, finance, investment strategy and other businesses</p>		<p>3</p>
<p>Independent Director Wang, Chuan-Fen</p>	<p>Graduated from Columbia University School of Law with a Master of Law, and obtained professional qualifications and work experience as a lawyer for more than 20 years. She has worked in Simpson American Law Firm and Yong Yun International Law Firm. She is currently a partner of Hongjian Law Firm and is in charge of the firm. Cases related to capital and mergers and acquisitions group, areas of expertise include securities transaction laws, company laws, corporate mergers and acquisitions law, fair trade law, e-commerce and cross-strait investment and technical cooperation and other related laws, for cross-border and local mergers and acquisitions, corporate group restructuring, overseas Domestic and foreign initial public offerings and fundraising, foreigners investing in Taiwan and setting up R&amp;D and training centers, applying for government subsidies, establishing joint ventures, compliance with the Fair Trade Law and related applications, and even assisting clients in various commercial transactions and contract design, drafting and negotiating and general corporate legal consulting, working experience covering domestic and multinational corporate legal professional services in different industries</p>		<p>None</p>

## 6. Board Diversity and Independence

### (1) Board Diversity

The company carefully considers the configuration and diversity standards of the board of directors. The selection process of all directors is fair, open and impartial, in line with regulation of the company's "Articles of Incorporation ", "Director Selection Process" and "Code of Practice for Corporate Governance", and based on industry experience and professional ability, etc., to select those with the knowledge, skills and literacy required to perform their duties to serve as directors.

According to the "Code of Practice on Corporate Governance", the composition of the board of directors should consider diversity, and formulate an appropriate diversity policy based on its own operation, operation type and development needs. It should include but not limited to the following two standards:

1. Basic conditions and values: gender, age, nationality and culture, etc.
2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The specific management objectives and achievement of the company's diversity policy are as follows:

Management goals	Achievement
Directors are younger	Achieved
At least two female directors	Achieved

The members of the board of directors are diversified in industry, law, finance, accounting, investment management and operation management. The relevant professional fields are described in the following table:

The company has 3 directors with employee status, accounting for 27%; independent directors account for 36%; female directors account for 18%; the term of office of the 3 independent directors does not exceed 9 years; There are 3 persons aged 41-50, 3 persons aged 51-60, 4 persons aged 61-70, and 1 person aged 71-75; the directors of the company have different professional backgrounds, one seat each for members with professional backgrounds in law and accounting, and the other members also have financial, business and With rich experience and expertise in management and other fields, he can give professional advice to the company from different perspectives.

April 2, 2022

Diversity items Name of director	Basic Component									Industry experience				Professional competence				
	Nationality	Gender	Work in TXC	Age				Independent directors Tenure of tenure			Electronic Technology Manufacturing	R & D Technology	Business Development	Finance and Investment and M & A	Accounting and Financial Analysis	Legal	Information Technology	Business Management
				41 ~ 50	51 ~ 60	61 ~ 70	71 ~ 75	<3	3~9	>9								
Lin, Wan-Shing	ROC	Male	V			V					V	V	V		V		V	
Lin, Jin-Bao	ROC	Male	V				V				V	V	V		V		V	
Chen Chueh, Shang-Hsin	ROC	Male				V					V	V	V			V	V	
Kuo, Ya-Ping	ROC	Male	V		V						V		V		V		V	
Huang, Hsiang-Lin	ROC	Male		V							V		V		V		V	
Hsu, Hsing-Hao	ROC	Male		V							V	V				V	V	
TLC Capital Co., TD (Peng, Chih-Chiang)	ROC	Male			V						V		V	V	V		V	
Yu, Shang-Wu	ROC	Male				V				V			V	V	V		V	
Tsai, Song-Qi	ROC	Male				V			V				V	V	V		V	
Su, Yan-Syue	ROC	Female			V				V				V	V	V		V	
Wang, Chuan -Fen	ROC	Female		V					V				V	V		V	V	

## (2) Board independence

The board of directors of the company supervises the company's development strategy, supervises the management level, and is responsible to the company and shareholders. In all operations and arrangements of the corporate governance system, the board of directors exercises its functions and powers in accordance with laws, the company's articles of association or the resolutions of the shareholders' meeting. The board of directors of the company emphasizes the functions of independent operation and transparency. Directors and independent directors are independent individuals and exercise their powers independently. The company attaches great importance to corporate governance, and has set up 4 independent directors, which exceeds the statutory target, accounting for 36% of all directors. The audit committee is composed of all independent directors. Independence and performance, the effective implementation of internal control, the company's compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks, etc., the company has also established an investment review committee to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and To conduct research, deliberation and suggestions on the company's long-term investment strategy planning and major investment decisions. The purpose of setting up functional committees is to assist the board of directors to supervise the company's implementation of accounting, auditing, financial reporting processes and financial control, and the quality and integrity of investment decision to improve corporate governance performance.

After confirming the family relationship information sheet and independent director declaration provided by the director candidates, the directors of the company, Mr. Lin, Wan-Shing and Mr. Lin, Jin-Bao are relatives within the second degree of kinship, and none of the remaining directors are subject to Article 26-3 of the Securities and Exchange Act item 3 and item 4.

**(II) Documents of president, vice president, assistant vice president, and chief of divisions**

April 2, 2022

Title / Name	Gender	Nationality	Date of Appointment	Major academic (professional)	Other Part Time Position with Other Companies	With spouse or second-class relative Relationship manager		
						Title	Name	Relation
Chairman and CEO Lin, Wan-Hsing	Male	Republic of China	1989/11/11	Master in Management, National Taiwan University of Science and Technology President of TXC Corporation Director and CEO of TXC Corporation	Director and CEO of TXC Corporation Chairman of TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED Juristic-person director representative of TXC JAPAN CORPORATION LTD Chairman of TAIWAN CRYSTAL TECHNOLOGY(HK) LTD Corporation Juristic-person director representative of TXC (NINGBO) CORPORATION Juristic-person director representative of TXC (CHONGQING) CORPORATION Juristic-person director representative of Chongqing All Suns Company Limited Supervisor of Ningbo Longying Semiconductor Co., Ltd Chairman of Tai-Shing Electronics Components Corporation Chairman of Liang Shing EcLife Corp. Juristic-person director representative of RFIC TECHNOLOGY CORPORATION Supervisor of Piezoelectric Crystal Industries Association of Taiwan	None	None	None
President Kuo, Ya-Ping	Male	Republic of China	2009/08/01	BOSTON UNIVERSITY, MBA Executive Deputy General Manager and Deputy General Manager of Management Center of TXC Corporation Director and President of TXC Corporation	-	Vice President of Marketing	Kuo, Ya-Han	sister and brother

Title / Name	Gender	Nationality	Date of Apoinmentt	Major academic (professional)	Other Part Time Position with Other Companies	With spouse or second-class relative Relationship manager		
						Title	Name	Relation
TXC (NGB) President Chao, Min-Chiang	Male	Republic of China	2012/01/01	Ph.D., Naval Architecture & Ocean Engineering, National Taiwan University Engineer, Biomedical Engineering Center, ITRI Vice president of TXC Corporation President of TXC (NINGBO) CORPORATION	Juristic-person director representative and President of TXC (NINGBO) CORPORATION Juristic-person director representative and President of Ningbo Free Trade Zon Ding Kai Investment Management Company	None	None	None
TXC (CKG) President Chou, Chien-Fu	Male	Republic of China	2017/04/01	Master of National Taiwan of Science and Technology Vice President of TXC Corporation President of TXC (CHONGQING) CORPORATION	President of TXC (CHONGQING) CORPORATION Chairman of Chongqing All Suns Company Limited Chairman of ChongQing Dingsen Commercial Management Co.,Ltd	None	None	None
TETC CORP. (NGB) Presiden Huang, Hsiang-Lin (Note1)	Male	Republic of China	2019/09/01	State University of New York at Albany, Master of Business Administration (MBA) Director and Assistant Vice President of TXC Corporation Juristic-person director representative and president of TETC CORP. NINGBO	Juristic-person director representative and president of TETC CORP. NINGBO	None	None	None
TXC(CKG) Executive Vice President Yu, Fang-Ming	Male	Republic of China	2012/01/01	Department of Electronic Engineering, Oriental Insitute of Technology Vice President of TXC Corporation Executive Vice President of TXC (CHONGQING) CORPORATION	Executive Vice President of TXC (CHONGQING) CORPORATION	None	None	None
Vice President Lin, Shi-Bo	Male	Republic of China	2011/01/31	Master of Physics, UC, Riverside, USA Vice President of TXC Corporation	-	None	None	None
TXC (NGB) Vice President Chang, Chien-Tsung	Male	Republic of China	2012/01/01	City University of Macau, MBA Plant Manager, Taitien Electronics Co., Ltd. Vice President of TXC Corporation	Supervisor and Vice President of TXC (NINGBO) CORPORATION Juristic-person director representative of TXC (CHONGQING) CORPORATION	None	None	None
Vice President Cheng, Li-Wei	Male	Republic of China	2018/01/01	Ph D., Materials Science and Engineering of National Tsing Hua University Vice President of TXC Corporation	-	None	None	None

Title / Name	Gender	Nationality	Date of Appointment	Major academic (professional)	Other Part Time Position with Other Companies	With spouse or second-class relative Relationship manager		
						Title	Name	Relation
Chief Technology Officer (CTO) / Vice President Chu, Chih-Hsun	Male	Republic of China	2017/12/18	Ph D., Materials Science and Engineering of National Tsing Hua University CTO of TXC Corporation	-	None	None	None
Vice President Kuo, Ya-Han	Female	Republic of China	2009/08/01	West Coast University, MBA Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	President	Kuo, Ya-Ping	sister and brother
Vice President Su, Jing-Sheng	Male	Republic of China	2015/12/05	Master of Department of Electrical Engineering, National Tsing Hua University Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None
Assistant Vice President Lin, Su-fen	Female	Republic of China	2010/07/01	Electrical Department of Kaohsiung Institute Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None
Assistant Vice President Chen, Chiu-Lin (Note 2)	Male	Republic of China	2020/09/14	Master of Department of Industrial Engineering of National Tsing Hua University Assistant Vice President of TXC Corporation Vice President of TXC Corporation	-	None	None	None
Chief Engineer Chang, Qi-Zhong	Male	Republic of China	2006/04/01	Executive Master of Business Administration, EMBA National Chiao Tung University College of Management Chief Engineer of TXC Corporation	-	None	None	None
Assistant Vice President Su, Zhe-Ming	Male	Republic of China	2011/01/31	Department of Electrical Engineering, National Taiwan Ocean University Assistant Vice President of TXC Corporation	-	None	None	None
TXC (NGB) Assistant Vice President Liu, Hsu-Er	Male	Republic of China	2015/06/01	Master of Department of Materials Science and Engineering, National Taiwan University Assistant Vice President of TXC Corporation	Assistant Vice President of TXC (NINGBO) CORPORATION	None	None	None
Deputy CTO Chiu, Chih-Hung	Male	Republic of China	2019/06/01	Master of Executive Master of Business Administration Deputy CTO of TXC Corporation	-	None	None	None



Title / Name	Gender	Nationality	Date of Apoinmentt	Major academic (professional)	Other Part Time Position with Other Companies	With spouse or second-class relative Relationship manager		
						Title	Name	Relation
Deputy CTO Pao,Shih-Yung	Male	Republic of China	2019/06/01	Ph.D of National Taiwan University Institute of Applied Mechanics Deputy CTO of TXC Corporation	-	None	None	None
Chief Financial Officer (CFO) / Vice President Hong, Guan-Wen	Female	Republic of China	2003/03/11	MBA, National Taipei University CFO of TXC Corporation	Supervisor of Win win precision technology	None	None	None

When the chairman of the board of directors and the general manager or equivalent (top manager) are the same person, spouses or relatives of each other, the reasons, rationality, necessity, future improvement measures and other relevant information shall be stated:  
The CEO of the company is responsible for the planning and implementation of the company's long-term business development strategy, the overall management of the group's business team and reporting to the board of directors, while the president is responsible for the planning and management of the daily operation of each plant area. The chairman of the board of directors of the company also serves as the CEO. The company is expected to plan and implement the company's long-term business development strategy in the direction of the concept of sustainable operation, and clearly divide the functions and powers of the chairman, the CEO and the president. In addition, the number of independent directors of the company is more than 4, and more than half of the directors are not employees or managers, so as to enhance the independence of the board of directors.

Note 1: Mr. Chen Chueh, Shang-Hsin, the deputy CEO, was appointed as the chairman of the related company, and Mr. Huang, Hsiang-Lin, the assistant vice president of the marketing center, was transferred to the president of the related company.

Note 2: Mr. Chen, Chiu-Lin assistant vice president was promoted to vice president.

### III. Remuneration and Compensation Paid to Directors, and President and Vice President

#### (I) Remuneration Paid to Directors

December 31, 2021 Unit: Shares, NT\$ 1,000

Title Name	Director's Remuneration								Total Remuneration (A+B+C+D) and as a % of Net Income (Note 10)		Compensation Earned by a Director Who is an Employee						Total Compensation A+B+C+D+E+F+G) and as a % of Net Income (Note 10)		Compensation Paid to Directors from Non-Consolidated Entities (Note 11)		
	Base Compensation(A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Compensation to Employees (G) (Note 6)						
	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC		From All Consolidated Entities (Note 7)			From TXC	From All Consolidated Entities (Note 7)
															Cash	Stock	Cash	Stock			
Chairman and CEO Lin, Wan-Shing	0	0	0	0	37,638	37,638	870	870	38,508	38,508	11,885	32,200	1,260	1,260	10,400	0	10,400	0	62,053	82,368	2,911
Director Lin, Jin-Bao																					
Director and Deputy CEO Chen Chueh, Shang-Hsin																					
Director and President Kuo, Ya-Ping																					
Director and Assistant Vice President Huang, Hsiang-Lin																					
Director Hsu, Hsing-Hao																					
Director TLC Capital Co.,LTD																					
Representative: Peng, Chih-Chiang																					

Title Name	Director's Remuneration								Total Remuneration (A+B+C+D) and as a % of Net Income (Note 10)		Compensation Earned by a Director Who is an Employee								Total Compensation A+B+C+D+E+F+G and as a % of Net Income (Note 10)		Compensation Paid to Directors from Non-Consolidated Entities (Note 11)
	Base Compensation(A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Base Compensation, Bonuses and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Compensation to Employees (G) (Note 6)						
	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC	From All Consolidated Entities (Note 7)	From TXC		From All Consolidated Entities (Note 7)		From TXC	From All Consolidated Entities (Note 7)	
															Cash	Stock	Cash	Stock			
Independent Director Yu, Shang-Wu																					
Independent Director Tsai, Song-Qi	0	0	0	0	21,400	21,400	1,000	1,000	22,400	22,400	0	0	0	0	0	0	0	0	22,400	22,400	0
Independent Director Su, Yan-Syue									0.7186	0.7186									0.7186	0.7186	
Independent Director Wang, Chuan-Fen																					

- Please describe the policy, system, standards and structure of independent directors' remuneration, as well as the connection between the amount of remuneration paid and director's responsibilities, risks, time investment and other factors: the remuneration of the directors of the Company is determined by the board of directors in accordance with the Articles of Incorporation, issued based on the director's participation in the Company's operations and contribution, with reference to both domestic and foreign market standards. If the Company has a profit, the board of directors will determine the amount of directors' remuneration in accordance with the Company's Articles of Incorporation. Independent directors are ex-officio members of the audit committee. In addition to the general remuneration paid to directors, the Company takes into account of each director's individual responsibilities, risks and investment time, and also determines different reasonable remunerations.
- In addition to the information disclosed in the table above, has any Director provided services to TXC Corporation and its subsidiaries and received compensation for such services (e.g. serving as a consultant that is not an employee): None.

Table of Remuneration Scale

Remuneration Paid to Directors	Director Names			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From TXC (Note 8)	From All Consolidated Entities (Note 9) H	From TXC (Note 8)	From All Consolidated Entities (Note 9) I
Less than NT\$1,000,000	Peng, Chih-Chiang	Peng, Chih-Chiang	Peng, Chih-Chiang	Peng, Chih-Chiang
NT\$1,000,000 –NT\$1,999,999				
NT\$2,000,000 –NT\$3,499,999	Huang, Hsiang-Lin, Hsu, Hsing-Hao, TLC Capital Co., LTD	Huang, Hsiang-Lin, Hsu, Hsing-Hao, TLC Capital Co., LTD	Hsu, Hsing-Hao, TLC Capital Co., LTD	Hsu, Hsing-Hao, TLC Capital Co., LTD
NT\$3,500,000 –NT\$4,999,999	Lin, Wan-Shing, Lin, Jin-Bao, Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	Lin, Wan-Shing, Lin, Jin-Bao, Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	,	
NT\$5,000,000 - NT\$9,999,999			Lin, Jin-Bao, Chen Chueh, Shang-Hsin, Huang, Hsiang-Lin Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen	Lin, Jin-Bao, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue, Wang ,Chuan-Fen
NT\$10,000,000 - NT\$14,999,999			Lin, Wan-Shing	Huang, Hsiang-Lin
NT\$15,000,000 - NT\$29,999,999			Kuo, Ya-Ping	Lin ,Wan-Shing, Chen Chueh, Shang-Hsin Kuo, Ya-Ping
NT\$30,000,000 - NT\$49,999,999				
NT\$50,000,000 - NT\$99,999,999				
NT\$100,000,000 and above				
Total	12 persons (included 1 corporate directors)	12 persons (included 1 corporate directors)	12 persons (included 1 corporate directors)	12 persons (included 1 corporate directors)

- Note 1: Director names shall be listed separately (the shareholder name and representative shall be listed separately for corporate directors) and each payment amount shall be disclosed as a summary. If directors concurrently serve as president and vice presidents, list in this Table and Tables (3-1) or (3-2) below.
- Note 2: 2021 director remuneration (includes director salary, allowances, severance pay, various bonuses and incentives).
- Note 3: 2022 compensation to directors passed by the Board of Directors in 2021.
- Note 4: Related 2021 director allowances (including travel expenses, special expenses, all kinds of allowances, accommodations, substantive objects offered in the form of vehicles and etc.). If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration.
- Note 5: 2021 directors who concurrently hold positions in the company (including the president and vice presidents, other managers and employees) receive remunerations including salary, duty differential pay, severance pay, all kinds of bonuses, incentive pays, accommodations, and substantive objects offered in the form of vehicles. If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration.
- Note 6: 2021 directors concurrently hold positions in the Company (including the president and vice presidents, other managers and employees) who receive employee bonuses (including stock and cash) shall disclose the 2021 employee compensation amounts passed and distributed by the 2022 Board of Directors meeting. If estimation is not possible, calculate this year's proposed distribution amounts based on the actual percentages distributed for the previous year and list in Table 1-3.
- Note 7: The total of all compensation items from all consolidated entities (including the Company) paid to Company directors shall be disclosed.
- Note 8: The total of each of the remuneration items paid by the Company to each director are disclosed under the corresponding director name in the scale.
- Note 9: The total of each of the remuneration items paid by all consolidated entities to Company directors shall be disclosed under the corresponding director name in the scale.
- Note 10: Net Income refers to 2021 net income: Those who have adopted IFRS, net income refers to the net income in individual or separate financial reports for the most recent year.
- Note 11: a. This column shall clearly list the related remuneration amounts from reinvested companies other than subsidiaries.  
b. If Company directors receive remuneration from reinvested companies other than subsidiaries, the remuneration received by Company directors from reinvested companies other than subsidiaries is included in the Remuneration Scale column and the column is renamed All Reinvested Entities.  
c. Compensation and remuneration refers to the compensation and remuneration (employee, director and supervisor remuneration), business execution expenses and other related remuneration received by Company directors as directors, supervisors and managers of reinvested entities other than subsidiaries.

**(II) Compensation Paid to President and Vice Presidents**

December 31, 2021 Unit: Thousand Shares, NT\$ 1,000

Title	Name	Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Total Compensation (A+B+C+D) and as a % of Net Income (Note 8)		Compensation Paid to Directors from Non-Consolidated Entities (Note 9)
		From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC		From All Consolidated Entities (Note 5)		From TXC	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Chairman &CEO	Lin, Wan-Shing													
Deputy CEO	Chen Chueh, Shang-Hsin													
President	Kuo, Ya-Ping													
TXC(NGB) President	Chao, Min-Chiang													
TXC(CKG) President	Chou, Chien-Fu													
TXC(CKG) Executive Vice President	Yu, Fang-Ming	24,644	31,849	2,820	2,820	10,847	44,765	50,500	0	50,500	0	88.810	129,933	2,701
Vice President	Lin, Shi-Bo											2.8492	4.1686	
TXC(NGB) Vice President	Chang, chien-Tsung													
Vice President	Cheng, Li-Wei													
Chief Technology Officer (CTO) / Vice President	Chu,Chih-Hsun													
Vice President	Kuo, Ya Han													
Vice President	Su, Jing-Sheng													

Title	Name	Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 3)		Employee Compensation (D) (Note 4)				Total Compensation (A+B+C+D) and as a % of Net Income (Note 8)		Compensation Paid to Directors from Non-Consolidated Entities (Note 9)
		From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC	From All Consolidated Entities (Note 5)	From TXC		From All Consolidated Entities (Note 5)		From TXC	From All Consolidated Entities (Note 5)	
								Cash	Stock	Cash	Stock			
Vice President	Lin, Su-fen													
Vice President	Chen,Chiu-Lin													
Chief Financial Officer (CFO) / Vice President	Hong, Guan-Wen													

\* Regardless of the position, those positions equivalent to President and Vice President (i.e.: President, CEO and Director) have all been disclosed.

### Compensation Scale

Compensation Paid to Senior Executives	Names of Senior Executives	
	The Company (Note 6)	The Company in the financial report ( Note 7 ) (E)
Less than NT\$1,000,000		
NT\$1,000,000 –NT\$1,999,999	Chen Chueh, Shang-Hsin	
NT\$2,000,000 –NT\$3,499,999		
NT\$3,500,000 –NT\$4,999,999	Chao,Min-Chiang, Chou, Chien-Fu, Yu,Fang-Ming, Chang,Chien-Tsung, Chen,Chiu-Lin	
NT\$5,000,000 - NT\$9,999,999	Lin, Wan-Shin, , Lin, Shi-Bo, Cheng, Li-Wei,Chu,Chih-Hsun, Kuo,Ya Han, Su, Jing-Sheng, Lin, Su-fen, Hong, Guan-Wen	Chou, Chien-Fu,, Yu,Fang-Ming Lin, Shi-Bo, Chang,Chien-Tsung, Cheng, Li-Wei, Chu,Chih-Hsun Kuo,Ya Han, Su, Jing-Sheng, Lin, Su-fen, Chen,Chiu-Lin , Hong, Guan-Wen
NT\$10,000,000 - NT\$14,999,999	Kuo, Ya-Ping	Lin, Wan-Shin, Chen Chueh, Shang-Hsin , Kuo, Ya-Ping, Chao,Min-Chiang,
NT\$15,000,000 - NT\$29,999,999		
NT\$30,000,000 - NT\$49,999,999		
NT\$50,000,000 - NT\$99,999,999		
NT\$100,000,000 and above		
Total	15 persons	15 persons



- Note 1: The names of president and vice general presidents shall be listed separately (the shareholder name and representative shall be listed separately for corporate directors) and each payment amount shall be disclosed as a summary. If there are directors that concurrently serve as a president and vice general presidents, list in this Table and Tables (1-1) or (1-2) below.
- Note 2: Lists 2021 salary, allowances and severance pay for the general and vice general managers.
- Note 3: Lists 2021 president and vice general presidents bonuses, incentives, travel expenses, special expenses, all kinds of allowances, accommodations, substantive objects offered in the form of vehicles and other remuneration). If real estate, cars and other transportation or exclusive personal expenses are offered, the asset category and cost, actual rent or rent calculated at fair market value, fuel expenses and other payments shall be disclosed. If a driver is assigned, attach an explanation of the driver's related compensation but do not include the compensation into the remuneration
- Note 4: 2021 directors concurrently hold positions in the Company (including the president and vice general presidents, other managers and employees) who receive employee bonuses (including stock and cash) shall disclose the 2021 general manager and vice general manager employee compensation amounts passed and distributed by the 2022 Board of Directors meeting. If estimation is not possible, calculate this year's proposed distribution amounts based on the actual percentages distributed for the previous year and list in Table 1-3. Net Income refers to the most recent year's net income: Those who have adopted IFRS, net income refers to the net income in individual or separate financial reports for the most recent year.
- Note 5: The total of all compensation items from all consolidated entities (including the Company) paid to Company president and vice general presidents shall be disclosed.
- Note 6: The total of each of the remuneration items paid by the Company to each general and vice general manager shall be disclosed under the corresponding general manager and vice general manager names in the scale.
- Note 7: The total of each of the remuneration items paid by all consolidated entities (including the Company) to each general and vice general manager shall be disclosed under the corresponding president and vice general presidents' name in the scale.
- Note 8: Net Income refers to 2021 net income: Those who have adopted IFRS, net income refer to the net income in individual or separate financial reports for the most recent year.
- Note 9: a. This column shall clearly list the related remuneration amounts from reinvested companies other than subsidiaries.  
b. If Company general and vice general managers receive remuneration from reinvested companies other than subsidiaries, the remuneration received by Company directors from reinvested companies other than subsidiaries is included in Remuneration Scale Column E and the column is renamed All Reinvested Entities.  
c. Remuneration refers to the compensation and remuneration (employee, director and supervisor remuneration), business execution expenses and other related remuneration received by Company general and vice general managers serving as directors, supervisors and managers of reinvested entities other than subsidiaries.
- \* There are differences in the income concept in the remuneration information disclosed in this Table and income tax laws so this Table is used for information disclosure and not taxation purposes.
- \* Regardless of the position, those positions equivalent to President and Vice President (i.e.: President, CEO and Director) have all been disclosed.

**(III) Profit Sharing Distributed to Managers (Proposed 2020 Employee Profit Sharing Amounts)**

December 31, 2021 Unit: Thousand Shares, NT\$ 1,000

	Title	Name	Stock	Cash	Total	% of Net Income
Managers	Chairman and CEO	Lin, Wan-Shing	0	63,500	63,500	2.0372
	Deputy CEO	Chen Chueh, Shang-Hsin				
	President	Kuo, Ya-Ping				
	TXC (NGB) President	Chao, Min-Chiang				
	TXC (CKG) President	Chou, Chien-Fu				
	TXC (CKG) Executive Vice President	Yu, Fang-Ming				
	Vice President	Lin, Shi-Bo				
	TXC (NGB) Vice President	Chang, Chien-Tsung				
	Vice President	Cheng, Li-Wei				
	Chief Technology Officer (CTO) / Vice President	Chu, Chih-Hsun				
	Vice President	Kuo, Ya-Han				
	Vice President	Su, Jing-Sheng				
	Vice President	Lin, Su-Fen				
	Vice President	Chen, Chiu-Lin				
	Chief Engineer	Chang, Qi-Zhong				
	Assistant Vice President	Su, Zhe-Ming				
	TXC (NGB) Assistant Vice President	Liu, Hsu-Er				
	Deputy CTO	Chiu, Chih-Hung				
	Deputy CTO	Pao, Shih-Yung				
	Assistant Vice President	Huang, Hsiang-Lin				
Chief Financial Officer (CFO) / Vice President	Hong, Guan -Wen					

Note 1: Name and title of individuals shall be disclosed but earning distribution shall be disclosed in summarized form.

Note 2: Employee remuneration amounts (including stocks and cash) for managers passed by the 2022 Board of Directors meeting. If estimation is not possible, calculate this year's proposed distribution amounts based on the actual percentages distributed for the previous year. Net Income refers to 2021 net income: Those who have adopted IFRS, net income refers to the net income in individual or separate financial reports for the most recent year.

Note 3: The scope of application for managers is determined according to the rules set down in the March 27, 2003 Tai-tsai-cheng-san no. 0920001301 letters. The scope is as follows:

- (1) President and equivalent level personnel
- (2) Vice president and equivalent level personnel
- (3) Assistant vice president and equivalent level personnel
- (4) Financial department supervisor
- (5) Accounting department supervisor
- (6) Other persons handling company management affairs and with signature authority.

Note 4: If directors, presidents and vice presidents receive employee compensation (including stocks and cash), the compensation shall be listed in Table 1-2 and additionally in this Table.

Note 5: Fill in the information of the employee's remuneration received by the incumbent manager at the end of 2021. For personnel changes, please refer to the general manager, deputy general manager, assistant vice president, supervisor of each department and branch.

**(IV) Remuneration by the Company to individual directors shall be disclosed under the following circumstances:**

1. Remuneration to individual directors shall be disclosed if there have been consecutive after-tax losses for the previous three year: Not applicable.
2. Remuneration to individual directors shall be disclosed in the event of insufficient director shareholdings for three consecutive months in the most recent year: Not applicable
3. If there are directors with an average pledged share ratio of over 50% for any three months in the most recent years, the individual director(s) with the average pledged share ratio exceeding 50% for each of these months shall be disclosed: Not applicable.
4. If all Directors receive the directors' remuneration of all companies in the financial report accounting for more than 2% of the after tax net profit, and individual directors receive the remuneration of more than NT\$15 million: None.
5. Where the results of the corporate governance evaluation of a listed or OTC company in the most recent year are at the last level, or where the trading method has been changed, the trading has been stopped, or the listed and OTC company has been terminated in the most recent year and up to the date of printing the annual report, or where the approval of the corporate governance evaluation committee indicates that the company should not be evaluated: None.
6. This restriction shall not apply to full-time employees of a listed or OTC company whose average annual salary for the most recent year is less than NT\$500,000: None.

**(V) Individually compare and explain the analysis of the remuneration paid to Company directors, president and vice presidents as a percentage of net income by the Company and all consolidated entities over the past two years and explain the remuneration payment policy, standard and mix, procedure for setting remuneration and operation performance and future risk correlation.**

1. Remuneration Paid to Company Directors, President and Vice Presidents as a Percentage of Net Income by the Company over the Past Two Years

Unit: %

Title	Remuneration as Percentage of Net Income			
	2021 (Note 1)		2020 (Note 2)	
	From TXC	From All Consolidated Entities	From TXC	From All Consolidated Entities
Director	2.71	3.36	3.51	4.54
President and Vice President	2.85	4.17	3.90	5.84

Note 1 2021 director and president and vice president remuneration amounts are passed and distributed by the 2022 Board of Directors meeting so the remuneration at percentage of net income calculations in this column are temporary estimates.

Note 2 2020 director and president and vice president remuneration amounts are passed and distributed by the 2021 Board of Directors meeting so the remuneration at percentage of net income calculations in

this column are temporary estimates.

2. Company director remuneration is determined based on the Company's Articles of Incorporation. Fair remuneration is provided by considering Company operation results and contributions towards company performance. President and vice presidents remuneration payment policy is based on the Company's Salary Management Rules and salary levels for that job position in the industry market, the scope of authority of that job position inside the Company and degree of contribution toward operation targets. The procedure for setting remuneration follows evaluation and review procedures in the Company's Director and Manager Performance Evaluation Rules. In addition to referring to the Company's overall operational performance, future industry risks and development trends, individual performance achievement rates and contribution towards company performance is considered in order to provide fair compensation. The fairness of related performance evaluations and remuneration are reviewed by the salary and compensation committee and Board of Directors. The remuneration system is discussed at appropriate times based on actual operating conditions and with respect to related laws to achieve a balance between sustainable company operation and risk control.

## IV. Implementation of Corporate Governance

### (I) Operation of the Board of Directors

In 2021, the Board of Directors had held 6 meetings (A), the attendance of which as follows:

December 31, 2021

Title	Name	Actual number of attendees (B)	Number of proxy attendees	Actual rate of attendance (%) [B/A]	Remarks
Chairman	Lin, Wan-Shing	6	0	100	
Director	Lin, Jin-Bao	6	0	100	
Director	Chen Chueh, Shang-Hsin	6	0	100	
Director	Kuo, Ya-Ping	6	0	100	
Director	Huang, Hsiang-Lin	6	0	100	
Director	Hsu, Hsing-Hao	6	0	100	
Director	TLC Capital Co., LTD (Peng,Chih-Chiang)	6	0	100	
Independent Director	Yu, Shang-Wu	6	0	100	
Independent Director	Tsai, Song-Qi	6	0	100	
Independent Director	Su, Yan-Syue	6	0	100	
Independent Director	Wang, Chuan -Fen	6	0	100	

Other items to be recorded:

1. The date, session, agenda, opinions of all independent directors and the Company's means of processing the opinions of independent directors shall be specified if one of the following circumstances occurred in the operation of the board of directors:

- (1) Matters listed under Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has established an audit committee; matters listed under Article 14-5 of the Securities and Exchange Act shall be applicable instead;
- (2) Other board resolutions recorded and stated in writing with opposing or reserved opinions from independent directors other than those mentioned above: None; there was no opposing or reserved opinions of the period from the independent directors.

2. Directors' implementation on the avoidance of interest-related motions:

(1) Date: 2021/08/12

Agenda: Review the 2020 annual payment of employee compensation and directors' remuneration. Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Huang, Hsiang-Lin

Reasons for the avoidance of conflict of interests and participation in voting: Whereas Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Huang, Hsiang-Lin are the Company's managers, the parties in question shall avoid conflict of interests by not participating in the discussion and voting pursuant to Item 2, Article 206 of the Company Act. Chairman LIN had appointed Independent Director Yu, Shang-Wu to preside in the discussion and voting on behalf of the Chairman.

Resolutions of the Board of Directors: Except for the above-mentioned directors who avoided conflict of interests, the remaining directors have passed the motions without objection.

(2) Date: 2021/12/23

Agenda: 2021 performance bonus amount

Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Huang, Hsiang-Lin

Reasons for the avoidance of conflict of interests and participation in voting: Whereas Directors avoiding conflicts of interest: Chairman Lin, Wan-Shing, Director Chen Chueh, Shang-Hsin, Kuo, Ya-Ping, Huang, Hsiang-Lin are the Company's managers, the parties in question shall avoid conflict of interests by not participating in the discussion and voting pursuant to Item 2, Article 206 of the Company Act. Chairman LIN had appointed Independent Director Yu, Shang-Wu to preside in the discussion and voting on behalf of the Chairman.

Resolutions of the Board of Directors: Except for the above-mentioned directors who avoided conflict of interests, the remaining directors have passed the motions without objection.

3. The interval and period of self-assessment (or peer assessment) made by the Board of Directors of the Company, the assessment scope, method, and content, and the implementation:

Interval	Period	Scope	Method	Content
Annually	January 2021 to December 2021 (The results of the assessment were presented to the Board of	Board of Directors, individual members, and functional Committees	Internal self-assessment	The performance of the Board of Directors and its individual members includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, selection and appointment of directors and continuous education and

Interval	Period	Scope	Method	Content
	Directors on 2022/03/07)			internal control. The performance assessment of the Functional Committees and its individual members includes five major aspects: the degree of participation in the Company's operations, the awareness of duties of the Functional Committees, the decision-making quality of the Functional Committees, the composition and election of the Functional Committees, and internal control.
Every three years	January 2019 to December 2019 (It is expected to appoint an external professional organization to re-evaluate in the second half of 2022	Board of Directors	External professional organizations	With regard to the professional functions of the board of directors, decision-making efficiency, internal control, and corporate social responsibility, as well as 22 indicators, the effectiveness of the board of directors was evaluated by questionnaires and on-site visits.

4. The goals of the year and the most recent year on the strengthening of the board of directors' functions (such as establishing an audit committee, improving information transparency, etc.) and performance evaluation:

- (1) The Company's first Audit Committee was duly established on June 19, 2013 consisted by 3 independent directors and convenes meeting at least once every quarter. It is responsible for reviewing the proper presentation of the Company's financial statements, the selection (dismissal), independence and performance of the Certified Public Accountant, and the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations and the Company's control over existing or potential risks. The shareholders' meeting re-elected in 2016 and in 2019 to increase 1 independent director for the purpose of strengthening corporate governance; there are currently 4 independent directors in the Audit Committee. Since the date the Audit Committee was established, the Audit Committee has invited Certified Public Accountant and related personnel to attend each meeting and participate in the discussion. The communication meetings were convened as-needed. Please see the Company's website for the communication records: investors relations / corporate governance / the Board of Directors / independent directors' information. The second the Audit Committee has convened 5 meetings in 2021 and all carried out successfully.
- (2) The Company's first Remuneration Committee was duly established on December 28, 2011 along with its charter. The second Remuneration Committee was appointed upon the resolution of the Board of Directors on July 10, 2013 to be responsible for formulating and periodically reviewing the performance assessment and remuneration policies, system, standards and structure for the directors and managers, regularly evaluating and setting the remuneration of the directors and managers, as well as completing annual assessment before the first quarter of the following year pursuant to the Company's "Performance Assessment Method for the Directors and Managers". The third and the fourth Remuneration Committee were appointed upon the resolution of the Board of Directors which consisted by 4 independent directors. The 2021 annual assessment was completed on March 7, 2022 and reported to the Remuneration

Committee and the Board of Directors. All related personnel have attended and participated in the discussion during the Remuneration Committee's meetings. There were 3 meetings in 2020 and all carried out successfully.

- (3) In order to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and conduct research, deliberation and suggestions on the company's long-term investment strategy planning and major investment decisions, since May 7, 2020, an investment review committee was established through the resolution of the board of directors. The first investment review committee was nominated by the chairman of four independent directors, Yu, Shang-Wu, Tsai, Song-Qi, Su, Yan-Syue and Wang, Chuan-Fen, and three directors, Lin, Jin-Bao, Hsu, Hsing-Hao and Peng, Chih-Chiang of TLC Capital Co., LTD, as members of the committee. The directors who attended the meeting passed the proposal without objection, and the members elected independent director Su, Yan-Syue as the convener. In 2021, two meetings were held to review the operation status of the company's reinvestment business and financial investment planning, and the operation was smooth.
- (4) The Company continued to strengthen its corporate governance. where the "CG6005 general version of corporate governance assessment and authentication" and the "CG6008 advanced corporate governance assessment and authentication" were certified by the Corporate Governance Association in in March 2012 and May 2013, respectively, and the minutes of the Board of Directors, the Audit Committee and the Remuneration Committee and the rules and regulations of the Company are all posted on the Company's website. The Company has always adhered to the principle of information transparency, actively safeguards interests of the shareholders, and discloses important resolutions on Market Observation Post System and the Company's website upon resolutions of the Board of Directors, which had earned it four consecutive years of A++ in Information Disclosure and Transparency Ranking and has awarded the top 6% ~ 20% of the listed companies since the first session. From the 2<sup>nd</sup> to the 4<sup>th</sup> session, it has been won the top 5% of the listed companies for three consecutive years. The 5-7<sup>th</sup> session was awarded the top 6% ~ 20% of listed companies.



## (II) Operation of the Audit Committee

### 1. Operations of the Audit Committee

The Company's first Audit Committee was duly established on June 19, 2013 consisted by 3 independent directors and elected the independent director, YU, SHANG-WU, to serve as the convener. The shareholders' meeting re-elected in 2016 and in 2019 to increase 1 independent director for the purpose of strengthening corporate governance; therefore, there are currently 4 independent directors in the Audit Committee convening meeting at least once every quarter. It is responsible for reviewing the proper presentation of the Company's financial statements, the selection (dismissal), independence and performance of the Certified Public Accountant, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations and the Company's control over existing or potential risks. Its primary authorities are as follows:

- (1) To establish or modify the internal control system as prescribed in Article 14 of the Securities and Exchange Act;
- (2) To evaluate the effectiveness of the internal control system;
- (3) To establish or modify the procedures for material financial business behaviors such as acquiring or disposing assets, engaging in derivative commodity transactions, lending capital to others, endorsing or providing guarantees for others as prescribed in Article 36-1 of the Securities and Exchange Act;
- (4) Matters concerning the directors' personal interests;
- (5) Material assets or derivative commodities transactions;
- (6) Material capital lending, endorsement or provision of guarantees;
- (7) Offering, issuance or private placement of equity securities;
- (8) Appointment, dismissal or remuneration of Certified Public Accountant;
- (9) Appointment or dismissal of chief financial officer, chief accounting officer or chief audit executive;
- (10) Annual financial statements and semi-annual financial statements; and
- (11) Other matters required by the Company or the competent authority.

In 2021, the Audit Committee had held 5 meetings (A), the attendance of which as as follows:

Job title	Name	Actual number of attendees (B)	Number of proxy attendees	Actual rate of attendance (%) [B/A]	Remark
Independent Director	Yu, Shang-Wu	5	0	100	
Independent Director	Tsai, Song-Qi	5	0	100	
Independent Director	Su, Yan-Syue	5	0	100	
Independent Director	Wang, Chuan -Fen	5	0	100	

Other items to be recorded:

1. The date, session, agenda, resolution of the Audit Committee and the Company's means of processing the opinions of the Audit Committee shall be specified if one of the following circumstances occurred in the operation of the Audit Committee:

(1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Meeting date (session)	Agenda	Resolutions and opinion of all
2021/03/11 (10 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of derivative financial commodities</li> <li>2. 2020 business report and financial statements</li> <li>3. 2020 Profit Distribution Proposal</li> <li>4. 2020 review on the independence and performance appraisal of the accountant</li> <li>5. Internal audit report</li> <li>6. Annual internal control self-inspection reports, Statement on Internal Controls and auditing reports</li> <li>7. Capacity expansion plan</li> <li>8. To Revise the "Procedures for Acquisition or Disposal of Assets"</li> </ol>	The independent directors proposed to amend the third clause of Article 6 with respect to the proposal to amend the "procedures for the acquisition or disposal of assets". The chairman of the audit committee consulted all the attending members for approval and submitted the resolution of the board of directors, which was approved by the resolution of the board of directors. Where it is approved by more than two-thirds of all directors.
2021/05/10 (11 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. Q1 / 2021 financial statements</li> <li>3. To issue the 5<sup>th</sup> domestic unsecured conversion of corporate bonds in 2021</li> <li>4. Internal audit report</li> <li>5. The investment plan of TETC CORP. NINGBO reinvested by the subsidiary TXC (NINGBO) CORPORATION</li> <li>6. Subsidiary TXC (CHONGQING) CORPORATION Phase II Plant Expansion Project</li> </ol>	Approved by all independent director; it was sent to the board of directors for resolution without any approval by the audit committee and more than two-thirds of all director
2021/08/12 (12 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. Q2/ 2021 financial statements</li> <li>3. Internal audit report</li> <li>4. Subsidiary TXC (NINGBO) CORPORATION P6 plant expansion project</li> <li>5. Subsidiary TETC CORP. NINGBO capacity expansion</li> </ol>	
2021/11/08 (13 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. Undertaking of bank credit extensions and derivative financial commodities</li> <li>2. Q3 / 2021 financial statements</li> <li>3. Internal audit report</li> <li>4. Subsidiary TETC CORP. NINGBO factory construction plan</li> </ol>	
2021/12/23 (14 <sup>th</sup> meeting of the third session)	<ol style="list-style-type: none"> <li>1. 2022 annual review on the accountant fees</li> <li>2. 2022 annual business plan and annual budget</li> <li>3. Financial report self-editing improvement plan report</li> <li>4. Internal audit report</li> <li>5. 2022 annual audit plan</li> </ol>	

(2) Except for the foregoing, other matters that were not approved by the Audit Committee but were approved by more than two-thirds of all directors: None.

2. Implementation of the independent directors' avoidance of motion with conflict of interests (please specify the independent director's name, content of the motion, reasons for the avoidance of conflict of interests, and participation in voting): None.

3. Communication between the independent directors and chief audit executive and accountant (include major topics, methods and results relating to the Company's financial and business status that shall be communicated) :
  - (1) There are channels of direct contact between the independent directors and chief audit executive and the Certified Public Accountant and the communication condition is good;
  - (2) The Company convenes the Audit Committee meeting on regular basis, which will invite accountant, chief auditing executive to attend and invite related supervisors to attend if necessary.
  - (3) The chief audit executive submits aggregated auditing report to the Audit Committee on monthly basis according to the annual audit plan.
  - (4) Evaluate the performance and independence of the accountant annually and submit to the Audit Committee for review. The 2021 annual evaluation on the accountant's performance and independence was approved by the Audit Committee on March 7, 20221 and submitted to the Board of Directors. Please visit the Company's website for the assessment results.
  - (5) The company's independent directors, internal audits and accountants have communication meetings at least twice a year. If there is a major abnormality, they may hold meetings at any time. For the record of their communication, please refer to the company's website\investor relations\corporate governance\board of directors\independent directors' information.
  
4. Annual key functions and operations:
  - (1) Annual Key functions
    - a. Communicate results of audit report with the head of internal audit regularly according to the annual audit plan.
    - b. Communicate with CPA regularly over financial statement review or audit results in each quarter.
    - c. Review financial reports.
    - d. Assessment of the effectiveness of internal control system.
    - e. Review the hiring, dismissal, compensation and service matters concerning CPAs in advance.
    - f. Evaluate the independence of the CPA who provide audit and non-audit services.
    - g. Review the Company's operational procedures and material transactions of assets, derivatives, capital lending and endorsement/guarantees.
    - h. Legal compliance.
    - i. Handle any grievances/reporting incidents submitted to the Audit Committee Mailbox
  - (2) 2021 operations: Proposals of the Audit Committee meetings have all been reviewed or approved by members of the Audit Committee with no dissent from any of the Independent Directors.

**(III) Corporate governance and variations with management principles of publicly-listed companies and reasons**

Assessment Items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
1. Comply with General Guideline of publicly-listed companies and disclose company's practical guideline in corporate governance?	Yes		TXC has formulated the Practical Guideline for Corporate Governance, and set up effective regulations governing corporate governance framework, protection of the rights and benefits of shareholders, strengthening the function of the board of directors, bringing up the function of the Auditing Committee, showing respect for the rights and benefits of the stakeholder, and enhancing the transparency of information. For details refer to the company website	Comply with best-practice principles, no discrepancy
2. Company shareholding Structure and shareholders' rights				
(1) Has the Company formulated internal operating procedures for handling proposals, doubts, disputes and litigation of shareholders and follow procedures for implementation.	Yes		TXC has formulated procedures for handling proposals, doubts, disputes and litigation for protection of communication between the stakeholders and the company management, and timely find out and handle the various problems, as well as having dedicated persons for handling relevant matters. TXC also handles proposals and rights and benefits of relevant shareholders for subsidiaries. For details refer to the company website	Comply with best-practice principles, no discrepancy
(2) Has the Company the list of the major shareholders with de fact control of the Company and the final controllers of the major shareholders?	Yes		In accordance with Article 25 of the Securities Trading Act, requires monthly posting of changes in shareholding of the internal staff including directors, managers and shareholders with over 10% equities, on the open information observation website specified by the Securities and Futures Bureau.	Comply with best-practice principles, no discrepancy
(3) Has the Company set up a firewall mechanism for executing risk control of affiliated enterprises?	Yes		Aside from formulation of various risk control mechanisms, the Company also has formulated relevant operation methods for the operation, business and finance with the affiliated enterprises. For instance, in the subsidiary operation method TXC has formulated decision making and approval for the subsidiaries, the management of trading by the associates, specific companies, associates and group trading operation procedures, aside from counseling internal control for the subsidiaries in writing. Moreover, similar to that of the parent company, the acquisition or disposal of assets handling procedures, endorsement method, operation method for loaning to other persons, handling procedures for trading of derivative financial commodities so as to implement the risk control mechanism for subsidiaries. Subsidiaries have already formulated respective risk control mechanisms, and set up risk control mechanisms and firewalls with the affiliated enterprises according to the relevant operating methods of the Company.	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies						
	Yes	No	Summary							
(4) Has the Company formulated internal regulations prohibiting internal staff utilizing information not yet open to the market for trading of securities?	Yes		<p>In 2012 the Company formulated the Operating Procedure for Prevention of Insider Trading and 「 Regulations on whistle-blowing of illegal and unethical or dishonest conduct 」 to prohibit the internal staff utilizing information not yet open to the market for trading securities.</p> <p>The company conducts educational advocacy on the prevention of insider transaction management operation procedures and related laws and regulations for current directors, managers and employees at least once a year. The human resources unit will give education and announcement during pre-employment training.</p> <p>The relevant directors, managers and employees have been educated on September 23, October 15, and November 8, 2021. The content of the course includes laws related to the prevention of insider trading, maintenance of business secrets, etc., and the briefing of the course is placed on internal staff The education and training system provides reference for those who are not present on the day.</p>	Comply with best-practice principles, no discrepancy						
3. Members and duties of board of directors										
(1) Has the Board of Directors drafted policies for a diversified board framework?	Yes		<p>The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as the Company's managers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:</p> <p>1. General conditions and values: Gender and age.</p> <p>2. Professional knowledge and skills: Professional background, professional skills and industrial experience.</p> <p>The specific management objectives and achievement of the Company's diversity policy are as follows:</p> <table border="1" data-bbox="907 1109 1899 1204"> <thead> <tr> <th>Management objectives</th> <th>Progress</th> </tr> </thead> <tbody> <tr> <td>Become younger in Directors' age</td> <td>Achieved</td> </tr> <tr> <td>At least two seats of Directors are females</td> <td>Achieved</td> </tr> </tbody> </table> <p>The members of the board of directors are diversified in industry, law, finance, accounting, investment management and operation management. Please refer to the annual report "Diversity and Independence of the Board of Directors" for the description of relevant professional fields.</p>	Management objectives	Progress	Become younger in Directors' age	Achieved	At least two seats of Directors are females	Achieved	Comply with best-practice principles, no discrepancy
Management objectives	Progress									
Become younger in Directors' age	Achieved									
At least two seats of Directors are females	Achieved									
(2) Aside from setting up the Remuneration Committee and the Auding Committee according to the law, is it willing to set up other	Yes		In addition to establishing a salary and compensation committee and an audit committee in accordance with the law, the company established an investment review committee through a resolution of the board of directors in May 2020 to strengthen the company's investment	Comply with best-practice principles, no						

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
function committees?			<p>decision-making quality, implement investment review procedures and performance management, and provide long-term investment strategic planning and Research, review and suggest major investment decisions.</p> <p>The Investment Review Committee had 2 meetings in 2021 to review the operation status of the Company's reinvestment business and financial investment plans.</p> <p>On December 23, 2021, the company also planned to reorganize the original "Corporate Social Responsibility Committee" to form a "Sustainable Development Committee", and proposed a sustainable development action plan. For the implementation of sustainable development, please refer to the sustainability report and the company's website for details.</p>	discrepancy
(3) Has the company formulate the performance evaluation methods for the Board of Directors, conduct performance evaluations annually and regularly, and report the results of the performance evaluations to the Board of Directors, and use them as a reference for individual directors' remuneration and nomination and renewal?	Yes		<p>The Company has formulated the Directors and General Manager Performance Assessment Method. The performance of the board of directors is regularly evaluated (at least once per year), and regularly carry out performance assessment of the board every year and forward to the Remuneration Committee and the Board of Directors for discussion. Director performance evaluations are performed externally at least once every three years. The evaluation procedure divides the assessment into three sections:</p> <p>1. Self assessment :</p> <p>The Company conducts internal performance evaluations on the "Board of Directors" and "Functional Committee" every year, which are executed by the members of the Board of Directors, members of the functional committee and the deliberative unit.</p> <p>The contents of the board performance evaluation include: the degree of participation in the company's operations, the quality of the board's decisions, the composition and structure of the board, the selection and continuous training of directors, and internal control.</p> <p>The contents of individual directors 'performance evaluation include: grasp of company goals and tasks, recognition of directors' responsibilities, participation in company operations, internal relationship management and communication, professional and continuous education of directors, internal control, etc. The content of the performance evaluation of the functional committee includes: the degree of participation in the company's operations, the recognition of the functional committee's responsibilities, the quality of the functional committee's decision-making, the composition of the functional committee and the selection of members, and internal control. The total score of the evaluation result must be at least 80 points.</p> <p>In 2021, the company's "Board" and "Functional Committee" self-assessment results were 100 and 99 points, and there were no major improvement projects. The results have been reported to the directors on the board at March 7, 2022, and as a member of the board and the functional committee References to performance, remuneration and nominated performance.</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>2 External assessment :</p> <p>In November 2019, the company commissioned an external organization, a corporate legal person, Taiwan Chengzheng Management and Anti-fraud Forensic Society, to conduct a board effectiveness evaluation for the period from January 2019 to December 2019. The agency appointed three evaluation experts to evaluate the board's effectiveness through questionnaires and field visits on the four major aspects of the board's professional functions, decision-making effectiveness, internal control, and corporate social responsibility.</p> <p>The total number of independent directors who have been rated as the board of directors is 4. With the participation of multiple professional directors, the evaluated companies can get multiple opinions. The members of the board of directors also said that there are full opportunities for discussion in the meeting and that they are in line with the protection of labor rights and environmental protection regulations. They all have high requirements to ensure compliance with relevant laws and regulations and to implement their corporate social responsibility by deeply linking corporate social responsibility with their daily business activities. The company has reported the evaluation results to the board of directors on March.23, 2020. The board of directors will use the recommendations of the society as a reference for continuous improvement of the functions of the board. It is expected to appoint an external professional organization to re-evaluate in the second half of 2022.</p> <p>3. Article 19 of the Articles of Association of the Company stipulates that the remuneration of directors of the company shall not be higher than 2% of the profit for the year, and the directors 'remuneration will be determined according to the results of the board 's performance evaluation. For details refer to the company website.</p>	
(4) Has the Company regularly assessed the independence of the certified accountant?	Yes		<p>In order to strengthen the independence of the CPA and his /her familiarity with company business, an evaluation of CPA independence, competency and performance is performed by the company each year and an assessment is done based on the CPA Evaluation and Performance Assessment Procedure. The results are submitted to the Audit Committee and board of directors for discussion. The evaluation items include 10 independence indicators including no direct or significant indirect financial interest between the CPA and client, financial statements of the institution serviced may not have been audited within two years, CPA and all audit service team members may not have client shareholdings and other performance indicator items including financial statement completion date, interaction between CPA and the company, did the CPA actively submit recommendations regarding company systems and internal auditing.</p> <p>The company's 2021 CPA performance evaluation has been completed and it passed review</p>	Comply with best-practice principles, no discrepancy



Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>by the audit committee on March 7 2022 and board of directors on March 7, 2022. The results will be used to implement corporate governance and improve the function of the board of directors. The CPA performance evaluation results have been posted on the company website. Refer to the company website.</p> <p>If a situation occurs in which the CPA needs to be replaced, the chairman and general manager shall understand the reason for replacement and hold an interview for the replacement CPA. A profile of the CPA and other related information is submitted to the Review Committee for review and then it is passed to the Board of Directors for discussion. Afterward, the CPA may be invited to board of director meetings if necessary.</p>	
4. Have public listed companies established dedicated (ad-hoc) corporate governance units or personnel responsible for corporate governance matters (including but not limited to providing information needed by directors and supervisors to perform their duties, handle matters related to the board of directors meeting and shareholders' meeting, handle company registration and registration of related changes, preparation of the board of directors and shareholders meeting minutes)?	Yes		<p>The company has set up a corporate governance work team. The General Manager was appointed to serve as convener, on the board of March 22, 2019, the new company secretary was appointed at the Chief Financial Officer Ms. Hong, Guan -Wen (extension: 3230) as the head of corporate governance, who is responsible for the supervision and planning of corporate governance. Her qualifications meet the requirements of more than three years of experience in the management of the company's finance, stock affairs or deliberations according to the Taipei Exchange Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TWSE/TPEX Listed Companies. The head of corporate governance's duties include: provide directors and Audit Committee with the information required for the implementation and the latest regulations pertaining to the Company's operations, assist directors and Audit Committee in complying with laws and regulations, report regularly to the Corporate Governance Committee and the Board of Directors on corporate governance operations, handle affairs relating to the board and shareholder meetings in accordance with the law, produce the minutes of the Board of Directors and shareholders' meetings, assist directors and members of Audit Committee in their appointments and continuing education, etc., all are performed by the Board's secretary unit.</p> <p>The implementation of the corporate governance in the year of 2021 are as follows:</p> <ol style="list-style-type: none"> <li>1. 6 board meetings, 5 audit committees, 3 Remuneration Committees, and 2 Investment Review Committee were held.</li> <li>2. Hold annual shareholders' meeting</li> <li>3. Board members complete at least 6 credits of refresher courses</li> <li>4. Insured liability insurance for directors and key staff and reported to the board of directors</li> <li>5. Conduct performance evaluation of the board of directors and functional committees, the evaluation results reached 100 and 99 points</li> </ol>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies																			
	Yes	No	Summary																				
			<p>6. The results of the 7<sup>th</sup> corporate governance evaluation are the top 6 ~ 20% of listed companies</p> <p>7. 3 meetings of independent directors and accountants, internal audits, etc.</p> <p>In 2021, the training hours for the head of corporate governance totaled 15 hours</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>2021/04/15</td> <td rowspan="2">Taiwan Corporate Governance Association</td> <td>Fubon Property &amp; Casualty Directors and Supervisors Responsibility and Risk Management Seminar</td> <td>3</td> </tr> <tr> <td>2021/07/12</td> <td>Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era</td> <td>3</td> </tr> <tr> <td>2021/09/01</td> <td>Financial Supervisory Commission R.O.C</td> <td>The 13<sup>th</sup> Taipei Corporate Governance Forum</td> <td>6</td> </tr> <tr> <td>2021/11/08</td> <td>Taiwan Corporate Governance Association</td> <td>Discussion on Employee Reward Strategies and Tools Application</td> <td>3</td> </tr> </tbody> </table>	Date	Organizer	Course	Hours	2021/04/15	Taiwan Corporate Governance Association	Fubon Property & Casualty Directors and Supervisors Responsibility and Risk Management Seminar	3	2021/07/12	Changes in the 5G Era: Industrial Upgrades, Future Business Applications and the New Normal in the Post-epidemic Era	3	2021/09/01	Financial Supervisory Commission R.O.C	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6	2021/11/08	Taiwan Corporate Governance Association	Discussion on Employee Reward Strategies and Tools Application	3	
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5. Any communication channel between the Company and the stakeholders? Any special zone on the website for the stakeholders for properly responding to the topic of corporate social responsibility where the stakeholders are concerned?	Yes		A dedicated CSR area, a dedicated stakeholder area, spokesman system and website has been established to provide communication channels and provide the latest news of the company and its subsidiaries. A dedicated shareholder mailbox and investor relations mailbox have also been established. Corresponding windows have been set up for business management and operation items. If company stakeholders have any relevant recommendations, questions or complaints, the mailbox in the dedicated stakeholder area or the dedicated stakeholder contact window may be used to contact the chairman, general manager, independent director or audit office of the company forming an effective and free-flowing communication channel.	Comply with best-practice principles, no discrepancy																			
6. Any assigned professional stock affairs handling agency for shareholders' affairs?	Yes		The company has appointed Yuanta Securities to serve as the company's stock affairs agent and assist the company in handling matters related to the shareholders' meeting.	Comply with best-practice principles, no discrepancy																			

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
<b>7. Information Disclosure</b>				
(1) Has the company set up website for disclosing finance, business and corporate governance?	Yes		The company and its subsidiaries have set up a website to provide financial and business information. A dedicated person has been assigned to be responsible for the updating of this information. For details refer to the company website	Comply with best-practice principles, no discrepancy
(2) Are there other ways of information disclosure (such as English website, assign dedicated person for collection and disclosure of company information? Any spokesman system for implementation? Full process of briefing by the legal person posted on the company website)?	Yes		In addition to its Chinese language website, the company also provides English and Japanese languages websites. A dedicated person is responsible for collecting information and disclosure of major company information. External communication is handled by a spokesperson. Audio and video files of the company's institutional investor conferences are posted on the company's information disclosure website for general reference. Relevant information is posted on the Market Observation Post System designated by the competent authorities.	Comply with best-practice principles, no discrepancy
(3) Has the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and file the first, second and third quarter financial reports and operating conditions of each month as early as possible before the prescribed deadline?	Yes		Although the company's 2020 annual consolidated and individual financial reports were not announced and reported within two months after the end of the fiscal year, they were all completed in accordance with the regulations before the deadline. The financial reports for the first to third quarters of 2021 and the monthly revenue situation are also announced and declared at the MOPS before the stipulated deadline, and the company voluntarily announces and declares the monthly self-financing profit and loss status, and simultaneously uploads relevant information to the company website.	Comply with best-practice principles, no discrepancy
8. Are there other important information for helping understand the operation of corporate governance (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, the rights and benefits of the stakeholders, further studies for directors and supervisors, risk control policy, and execution of risk assessment standard, client policy implementation, purchase of liability risk for directors and supervisors, others)?	Yes		<p>1. Employee rights: Employee rights are handled by the company in accordance with the Labor Standards Act in the company's annual report for information regarding other employee welfare measures, the pension system, continuing education and other related employee rights. The employee rights at our subsidiaries are handled in accordance with their respective national laws and regulations</p> <p>2. Employee concern: In addition to setting up medical offices at the company and its subsidiaries that are staffed with professional medical care providers, a labor safety &amp; health committee has been established for safety and health procedures for specialist personnel and personnel assistance projects including psychology, medical and health. A wide range of channels have been provided for personnel to express their opinions to create excellent two-way communication channels</p> <p>3. Supplier relations and stakeholder rights are handled in accordance with the company and subsidiary work procedures and the contracts with cooperating companies to maintain the legal rights of both parties. No related lawsuits have been brought as of today.</p> <p>4. Investor relations: The company and its subsidiaries are very concerned about investor rights. In addition to posting related information in a timely fashion on the Market</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>Observation Post System and the company website, the company has been awarded an A+ information disclosure assessment rating for the fourth straight year, named a transparent voluntary information disclosure company for eight straight years and received an A++ rating for four straight years, ranked within the top 20% of public listed companies in the 1st corporate governance assessment and within the top 5% of listed companies in the 2nd ~4th assessments. The 5-7<sup>th</sup> was ranked the top 6-20% of the listed company.</p> <p>5. Stakeholder rights: In holding the beliefs of integrity and honesty, the company is committed to building long-term relationships with stakeholders based on transparency and sincerity. Related information please refer to the company's annual report and website for information regarding stakeholder communication.</p> <p>6. The company's directors attend financial, business and professional knowledge continuing education courses on an irregular basis. Refer to the director and supervisor education and training table in the company's annual report.</p> <p>7. Implementation of the company's risk management policy and risk measurement standard: In the company's annual report for information regarding the risk management policy, organization structure and related risk control work of the company and its subsidiaries. In addition, the company and its subsidiaries analyze, track and respond to possible high risk events caused by operation targets to establish a sound risk management system.</p> <p>8. Protecting consumers or customer policy implementation: Our 'customer first, mission focused' philosophy demonstrates our determination and commitment to our customers, our dedication to quality and hard work to earn customer approval over the years. The company has been given best supplier awards from a number of companies as a form of encouragement.</p> <p>9. The company purchases liability insurance for directors and managers every year. Since August 2021, the insurance amount has been increased from US\$5 million to US\$10 million. When the contract expires, the renewal period, insurance amount, coverage and premium rate of director and supervisor liability insurance will be reported to the board of directors, and the minutes of the board meeting will be submitted to the board of directors. See the company website for details. The board of directors and board meeting minutes are detailed on the company website.</p>	
9. Succession Plan and Operations of Members of the Board of Directors and Key Managerial Officers	Yes		<p>The composition of the board of directors of the company considers its own operations, operating types and development needs to formulate appropriate diversification policies. In order to meet the future strategic development and transformation planning, the professional knowledge, technology and experience required by the directors of the company are reviewed regularly. The number of people and the conditions that should be met to plan the succession plan and selection of directors, added the new management team members</p>	Comply with best-practice principles, no discrepancy

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			<p>during the re-election of the shareholders' meeting at June 12, 2019 to make the directors younger and familiar with the operation of the board of directors earlier to assist the company's strategic planning.</p> <p>The company's succession planning is based on the premise of constructing an evaluation system, mainly based on personality traits, performance and future potential. In addition to having excellent work performance, the enthusiasm and philosophy of the company must be consistent, and the personality traits must include integrity, commitment, breakthrough thinking, and a keen insight.</p> <p>In order to meet the needs of the management and inheritance of the future management, planning the cultivation mechanism of potential talents and leaders, which mainly includes four major training modules: management ability, professional ability, Individual Development Program (IDP) and job rotation. Encourage potential talents to participate in the master's degree in business management to improve business management capabilities; implement job rotation, task assignment and other work experience to cultivate decision-making judgment, and then achieve the inheritance effect, to ensure the company's sustainable management.</p> <p>The Company will also arrange important management to serve as members of the Board of Directors of the Company or investment enterprise, familiarize them with the operation of the Board of Directors, and have them participated in the planning of the Company's or investment enterprise's long-term strategic direction and vision.</p>	

10. Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements not yet implemented, state the areas and policies the Company has set as priority for improvement:

The company has obtained the top 20% of the companies in first corporate governance evaluation, the top 5% of the listed companies from 2<sup>nd</sup> to 4<sup>th</sup> evaluations, and the top 6 to 20% of the listed companies from the 5<sup>th</sup> to 7<sup>th</sup> evaluation. The efforts to implement corporate governance have been affirmed. The relevant matters are described as follows:

(1) Improvements :

1. To hold an ordinary general meeting of shareholders before the end of May: In 2021, the general meeting of shareholders was registered on May 31, 2021 but it was postponed to July 20, 2021 due to the impact of the epidemic.
2. Set up functional committees other than statutory: TXC passed the resolution of the board of directors to establish an investment review committee to strengthen the company's investment decision-making quality, implement investment review procedures and performance management, and conduct research, review and recommendations on the company's long-term investment strategic planning and major investment decisions.

Assessment items	Operation status (Note1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
(2) Matters to be improved :				
<ol style="list-style-type: none"> <li>1. Among the current 11 directors of the board of directors of the company, there are two female independent directors (one of them is currently a lawyer), in implementation of the gender equality policy and conformance to multiple backgrounds and competency. However, if any gender does not reach more than one third of the number of directors, the plan is to be evaluated continuously.</li> <li>2. To publish the annual financial report within two months after the end of the fiscal year: to discuss with the accountant as it is the goal of the company.</li> <li>3. Voluntary disclosure of remuneration of individual directors and supervisors in the annual report: due to the protection of personal data, it is not disclosed temporarily, and it is planned to be evaluated and disclosed in the future.</li> <li>4. Signing of group agreements between the company and its employees: the company has not established a professional association, and it is not necessary to sign a group agreement in accordance with the group agreement law. If the association is established, it will be implemented in accordance with the laws and regulations.</li> </ol>				

Note 1: Explanations should be provided in the summary column regardless of whether 'yes' or 'no' is checked under operating conditions.

#### (IV) Composition, duties, and operations of the Remuneration committee

1. The company established the remuneration committee on December 28, 2011. The third and fourth term of the remuneration committee was composed of four independent directors by board resolution. Independent director Yu Shang-Wu was reelected as convenor. The qualification review of this term's members includes member academic background, member qualification review sheet, statement and related confidentiality agreements. Refer to the company website for more detailed information.

#### 2. Information on the members of the Remuneration Committee

Position (Note 1)	Name\ Criteria	Professional qualifications and experience	Independence situation	Number of Other Public Companies Concurrently Serving as Member of Compensation Committee
Independent director	Yu, Shang-Wu	Please refer to the "Directors' Professional Qualifications and Information Disclosure of Independent Directors' Independence" table		2
Independent director	Tsai, Song-Qi			0
Independent director	Su, Yan-Syue			3
Independent director	Wang, Chuan -Fen			0

#### 3. Remuneration Committee Operation Status

- (1) The company's remuneration committee has 4 members.
- (2) The current term of remuneration committee members is: July 11, 2019 to June 11, 2022. The Committee had held 3 meetings (A) in 2021. The member qualifications and attendance status is as follows:

Position	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A) (Note)	Note
Independent director (Convenor)	Yu, Shang-Wu	3	0	100%	
Independent director	Tsai, Song-Qi	3	0	100%	
Independent director	Su, Yan-Syue	3	0	100%	
Independent director	Wang, Chuan-Fen	3	0	100%	

#### Other mentionable items:

- (1) If the Board of Directors declines to adopt or modifies a recommendation of the remuneration committee, the date of the board of directors meeting, term, content of motions, board resolution results and company handling of remuneration committee opinions (if the resolution passed by the board of directors exceeds the recommendations of the remuneration committee, the circumstances and cause of the difference shall be specifically stated): No such circumstances.
- (2) If any committee member has an objection or qualified opinion together with a record or written statement regarding a remuneration committee resolution, the remuneration committee date, term, content of motions, all member opinions and how member opinions were handled: No such circumstances.
- (3) Refer to the company website for more detailed information regarding the company's remuneration committee operation conditions and meeting minutes.
- (4) The discussion of the remuneration committee and the handling of the company's

opinions:

Meeting date (session)	Agenda	Resolutions and opinion of all members
2021/03/11 (9 <sup>th</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. Performance appraisal of board of directors (including functional committees) and managers in 2020</li> <li>2. 2020 annual employee compensation and report on the distribution of directors' compensation</li> <li>3. Review on the manager's salary adjustment proposal</li> <li>4. Review on the adjustment proposal of the Company's Employee Stock Ownership Trust Incentive Payment</li> </ol>	Approved as proposed and reported to the Board of Directors for resolution
2021/08/12 (10 <sup>th</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. First-level supervisor assignment</li> <li>2. Review of 2020 employee compensation and directors' compensation</li> </ol>	
2021/12/23 (11 <sup>th</sup> meeting of the fourth session)	<ol style="list-style-type: none"> <li>1. 2021 performance bonus payment amount</li> <li>2. 2022 annual employee compensation and directors' compensation ratio</li> <li>3. To approve the Retirement case of the company's manager</li> </ol>	

#### 4. Remuneration committee duties

In accordance with the charter of the company's remuneration committee, the remuneration committee has the following duties and its recommendations are submitted to the board of directors for discussion:

- (1) Regular review on the charter and submission of amendment recommendations.
- (2) Determine and regular review the policies, system, standards and structure for company director and officer performance evaluations and remuneration.
- (3) Regularly evaluate the remuneration of company directors and officers.

The following principles must be followed before performance of the above remuneration committee duties:

- (1) Ensure the company's remuneration arrangements conform to related laws and are sufficient to attract talent.
- (2) Performance assessments and compensation levels of directors, supervisors and executive officers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions and the compensation paid to employees holding equivalent positions in recent years. The evaluation should also cover the reasonableness of the correlation between the individual's performance and the company's operational performance and future risk exposure, with respect to the achievement of short and long-term business goals and the financial position of the company.
- (3) There shall be no incentive for directors or executive officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the company.
- (4) The percentage of the bonus to be distributed based on short-term performance and the time for payment of any variable compensation for directors and executive officers shall be determined based on industry characteristics and company business attributes.
- (5) A committee member may not enter into discussions or voting when the committee is deciding on that member's individual remuneration.
- (6) The decision making and handling of director and officer remuneration matters for



subsidiaries is delegated to the subsidiary but requires the ratification of the company's board of directors. The company's remuneration committee is asked to submit recommendation before the matter is submitted to the board of directors for discussion.

Refer to the company website for more detailed information on the company's remuneration committee charter. For details refer to the website: <http://www.txccorp.com/>

**(V) Fulfillment of Corporate Social Responsibility and variations with management principles of publicly-listed companies and reasons**

**1. Discrepancy with best-practice principles of TWSE/GTSM listed companies**

Assessment items	Operation Status (Note 1)		Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	
1. Has the Company established exclusively (or concurrently) dedicated units to implement CSR, and has the board of directors appointed executive-level positions with responsibility for CSR, and to report the status of the handling to the board of directors?	Yes		<p>When the company is committed to the pursuit of corporate growth and sustainable operation, it always promises to be a good corporate citizen. In 2009, the "Corporate Social Responsibility Management Committee" was established. On December 23, 2021, the "Sustainable Development Committee" was reorganized and established by the founder. (Honorary Chairman), Chairman (Chairman), General Manager (Vice Chairman), Chief Financial Officer, Chief Technology Officer, Heads of Centers and Top Supervisors of Subsidiaries, and the Chairman appoints the top supervisor of the management center as the executive secretary. Together with the professions of various departments, formulate medium and long-term sustainable development plans to jointly promote various sustainable development affairs. Please refer to the company website for its organizational structure.</p> <p>The "Sustainable Development Committee" is divided into three groups: corporate governance, employee relations and social participation, environmental protection and energy conservation and carbon reduction. Based on the plan and budget, it analyzes the level of concerns of stakeholders and evaluates the company's various aspects. Impact level, identify major themes, incorporate them into routine work and annual plans, promote and track the work of their respective professions, and integrate important work content and resources to achieve synergy; overseas subsidiaries due to different local laws and regulations, Set up "Social Responsibility Management System" to carry out the activities and verification of sustainable development.</p> <p>The "Sustainable Development Committee" reports the system operation results and future work plans to the board of directors at least twice a year, and also reports the implementation status and resource requirements to the chairman and general manager from time to time. , to adjust execution strategy and direction. The contents of the report include: stakeholder concerns and major themes definition response plan, sustainable governance operation cycle review, sustainable development performance results and sustainable development goals and policies. The operation and implementation of 2021 has been reported to the board of directors on December 23, 2021, please refer to the board meeting minutes on the company's website.</p>

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
2. Does the company conduct risk assessment on environmental, social and corporate governance issues related to the company's operation in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)	Yes		<p>In response to major global economic, social and environmental risks, establish systematic risk response policies and procedures in accordance with the principle of materiality and in accordance with ISO 31000 risk management principles and guidelines. The company has set up a risk response organization, with the general manager of the company as the convener, coordinating and directing the promotion and operation of the risk management plan, and responsible for reviewing the company's risk identification operations. Review the situation from an angle, including financial and non-financial risks, and seek opportunities for risk response in addition to mitigation responses. In 2019, the risk identification matrix, the operational risk checklist, and the assessment of intellectual property risks were added.</p> <p>The risk identification process takes into account the frequency of occurrence, the degree of impact and the degree of control for quantitative assessment, covering 1. Business/laws/regulations/standards 2. Political environment changes 3. Economic/financial environment changes 4. Natural disasters (climate change) 5. Technology and information 6. Competitive environment 7. Facilities/equipment 8. Business/market operation 9. Supply chain related 10. Financial operations 11. Community/environmental security 12. Personnel, etc., a total of 88 types of risks are identified and prioritized using matrix analysis.</p> <p>The "Sustainable Development Committee" analyzes the materiality principle of the Sustainability Report, collects issues of concern to various stakeholders, identifies the three major aspects of environment, society and corporate governance, and holds an internal senior executive meeting to discuss and evaluate The extent to which the company's operations have a positive or negative impact on various sustainable management issues, in order to evaluate the material ESG issues, and continue to develop action countermeasures to reduce the impact of related risks. Relevant major issues and risk assessment items are publicly disclosed in the permanent Continued report, the disclosure period is from January 1, 2021 to December 31,2021, the performance of sustainable development, and the risk assessment boundary is mainly based on the company's Taiwan Pingzhen factory.</p>	Comply with the best-practice principles, no discrepancy
3. Environmental issues				
(1) Does the company establish appropriate environmental management system according to its industrial characteristics?	Yes		The company establishes an environmental management system in accordance with ISO 14001 and has passed third-party verification. In addition, it conducts annual greenhouse gas inventory in accordance with ISO14064-1 specifications, and tracks emission reduction results and discloses it in the sustainability report and the company's website.	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(2) Is the company committed to improving the utilization efficiency of energy and using recycled materials with low impact on environmental load?	Yes		<p>The company and its subsidiaries continue to promote energy-saving and carbon reduction programs, such as solar power generation system installation, the use of energy-saving lighting fixtures throughout the plant, adjustment of public lighting time in the plant along with sunrise/sunset time, adjustment of air conditioning start/stop time and hot water supply time in the living area according to the weather and temperature, recycling of process condensed water for toilet flushing, recycling of scrap products and leftovers to qualified waste metal resources recovery manufacturers extract residual value of precious metals such as gold and silver, and promote process waste heat recovery and reuse and new heat pump system energy saving. Continuously establish and publicize relevant environmental protection knowledge and concepts of employees, so as to fulfill the responsibility and effort to protect the earth. See the company website for details.</p> <p>The company complies with EU RoHS and REACH regulations and customer requirements, in addition to having obtained the certification of IECQ QC080000 Hazardous Substances Process Management System, and takes green procurement activities as the basis for continuing to provide green products to users; in order to ensure product quality meets green-related Environmental protection regulations, strictly control the use of environmental management substances in products, and also require suppliers' products to comply with the company's environmental management substances management regulations, in order to meet the requirements of non-use, non-mixing, and pollution from product design to manufacturing and shipment, thereby reducing the impact of products and services on the environment.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(3) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate related issues?	Yes		<p>In response to the important issues of climate change, the company continues to actively promote relevant activities, in addition to "greenhouse gas verification" (ISO 14064-1) to master the company's carbon emissions, and to disclose the data related to natural capital management such as carbon, water, forest, etc. through CDP questionnaire, and to understand the relevant risks and opportunities according to the scoring results, so as to serve as a measurement factor for subsequent related activity decision-making and investment selection. In addition, through the ISO14001 management review meeting, the company reviewed the actual implementation measures of carbon reduction in the previous year and inspected the implementation results, and actively faced the measures of carbon reduction.</p> <p>Taking stock of risks and opportunities arising from climate change, including direct or indirect physical impacts, impacts of regulatory, technological or market demand transformation. Through the identification of relevant units, we can strengthen the climate change governance of the company to reduce risks and grasp business opportunities.</p> <p>The company will evaluate the potential risks and opportunities of climate change and related countermeasures in accordance with the TCFD disclosure framework, and publicly disclose them in the sustainability report</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(4) Does the company make statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	Yes		<p>The company established the ISO 14001 system in 2002. Through this system standard, it strengthens self-management, continuously improves environmental performance, and maintains the overall operation effectively and properly. The company complies with the relevant requirements of government laws and regulations and other applicable international regulations. For the control of pollution prevention and control, we have obtained the "fixed pollution source operation permit", "water pollution prevention and control permit", and "business waste disposal plan" according to law. " and "Toxic Chemical Substances Operation Permit Document", etc., and regularly carry out inspections, maintenance, reporting and testing in accordance with its regulations. See the company's website for details on greenhouse gas emissions, water consumption and total waste weight.</p> <p>The company and its subsidiaries have been promoting carbon management related operations for some time, and regularly conduct "greenhouse gas verification" (ISO 14064-1). To determine improvement measures in order to achieve the goal of reducing carbon dioxide emissions (at least 1% per year), to demonstrate the company's determination to protect the environment.</p> <p>The company has been concerned about water resources energy conservation and environmental protection issues for many years. In terms of water conservation plans, it starts with the full implementation of the daily water consumption, and maximizes the benefits of the available resources. Over the years, it has been committed to the recycling of water resources, and collects the RO concentrated water generated in the process of manufacturing pure water and it is expected that the water intensity of tap water in the plant area will be reduced by 20% in 2025 (based on 2020).</p> <p>The company is committed to environmental protection and formulates various reduction plans, and takes "zero waste in the process" as the ultimate goal of waste management. In recent years, we have continued to reduce the use of raw materials and the generation of waste through process improvement, recycling of waste solvents and measures to reduce people's livelihood to reduce the use of disposable tableware, reduce the amount of kitchen waste, and improve the resource recovery rate. We hope that the factory will be abandoned in 2025 and the production rate can be reduced by 20% (based on 2020)</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
4 Social issues				
(1) Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	Yes		<p>In order to protect the rights and interests of workers, the company and its subsidiaries have formulated "Labor Rights and Ethics Policies", each following the recognized human rights principles such as local labor laws and the Code of Conduct of the Responsible Business Alliance, and formulating "Labor Rights and Ethics and Ethics" to protect the legitimate rights and interests of employees. Policy", and check whether the proposed policy needs to be revised and adjusted in the quarterly labor-management meeting, in order to comply with corporate ethics and fulfill corporate social responsibility, and announce it to the public. Please refer to the company website for details.</p> <p>Every year, through independent attention to major social issues, employee opinion surveys, and two-way communication forums at all levels, we review and understand the content of relevant issues, so as to prevent potential human rights risks and propose improvement plans.</p> <p>TXC also through the annual training of corporate social responsibility courses and human rights policy promotion, so that colleagues understand their own rights and corporate social responsibility policies and practices. A total of 1,072 people completed the training in 2021.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflect the operating performance or results in employee compensation?	Yes		<p>The company and its subsidiaries set a salary scale according to the relative contribution of their positions, in line with the company's operation and development strategy, and based on the employee's personal performance, future development potential and the company's operating conditions as the basis for salary adjustment and bonus distribution, in order to motivate colleagues. Positive efforts are made to motivate excellent performance and achieve the "internal fairness" and "individual fairness" of remuneration; in addition, in order to encourage employees to work hard to create business results, a certain percentage of profit and surplus is allocated as the basis for employee dividends, to share business results with colleagues, and to consider benchmarking companies in the industry. Reasonable, maintain the company's high level of employee benefits, attract outstanding talents to join and stay for a long time; also set up employee stock ownership trusts and various bonus systems to reward employees, adjust the salary system flexibly, and share profit and surplus with employees to gather internal centripetal force to attract retention. In order to improve the salary level of employees, a comprehensive salary adjustment is adopted. The average salary adjustment in 2021 is 5%, and the planned average salary adjustment in 2022 is 5%. In the future, it will be adjusted appropriately depending on the company's operating conditions.</p> <p>The company values and is committed to implementing a friendly workplace with equal rights to work and diversity and inclusion. In 2021, the average proportion of female employees was 60.2%, and the average proportion of female supervisors was 15.3%. Actively provide job opportunities to the physically and mentally handicapped, reaching the goal of 100% employment for the disabled. Similarly, the customs and culture of foreign employees are used in festivals, catering, etc. and accommodation and other aspects to provide project activities.</p> <p>From the second half of 2021 onwards, in order to assist employees' families to take care of children and reduce the burden of childcare, and to respond to the government's countermeasures for child reduction, it will implement subsidizing employee childcare allowances, provide a safe and friendly workplace, and enable employees to take care of family care and work development. Flexible working hours, guarantee the reinstatement of the baby after the expiry of the parental leave, and set up a dedicated parking space for pregnant women and a breastfeeding room.</p> <p>The company plan and provide high-quality benefits for employees: wedding/birth gifts, birthday gifts, three-section gifts, employee travel subsidies, and comprehensive care for employees to provide regular free health checks, group insurance and condolences. In addition, the company also has an Employee Welfare Committee, which plans and promotes diversified employee benefits and activities based on the concept of "work/life balance". Regularly organize physical and mental health activities. In addition, it is clearly stipulated in the "Management Measures for Performance Evaluation" that supervisors may give appropriate rewards in performance evaluations based on employees' input and cooperation in CSR-related activities.</p>	Comply with the best-practice principles, no discrepancy



Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(3) Does the company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	Yes		<p>The company follows the occupational safety and health law and formulates policies based on the expectations of stakeholders, and takes zero disasters as the goal of occupational safety and health management.</p> <p>The company has set up an occupational safety and health committee to regularly discuss and deal with issues related to occupational safety and health on a quarterly basis to ensure the safety and hygiene of the working environment. And completed the ISO 45001 occupational safety and health management system verification in 2019, through the establishment of new standards to continuously improve the safety and health technology of the plant, reduce the overall operational risk and reduce operating losses. For occupational safety and health related training, the company also conducts education and training for new recruits, on-the-job training, etc. in accordance with relevant laws and regulations, and obtains relevant licenses in accordance with the law. In addition to regular inspections in accordance with the law, the operating environment of the factory area is also subject to various inspections and inspections to maintain the safety of the factory area, facilities and equipment; for accidents that occur in the factory area, the investigation, improvement and reporting to the competent authority are also completed in accordance with relevant regulations. In addition, a medical office is also set up, where on-site physicians and health care staff provide interview guidance and health management measures, and hold health information (including disease prevention)/lectures from time to time. Please refer to the company's website for relevant health management activities.</p> <p>The company's Ningbo plant and Chongqing plant have respectively set up an environmental health and safety committee and a safety production management committee, which hold a monthly review of the work progress and discuss environmental safety and hygiene issues. A number of new human health education and publicity courses are held regularly every year, and healthy life is promoted to all colleagues by email every month. The company also provides health information from time to time on the company's internal website and e-mail to strengthen the health knowledge of employees and their families.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
(4) Does the company establish an effective career development training program for its employees?	Yes		<p>The company and its subsidiaries plan employee training courses according to the grade/grade system and actual needs to strengthen employees' professional knowledge, skills and expertise, thereby improving their work performance. Training courses include new personnel training, professional training, management training, general training, self-inspiration and growth and online learning platform courses. A total of 28,316 people completed training in 2021, with a total training hours of 30,368 hours.</p> <p>Every year, supervisors and subordinates communicate and discuss together, formulate a personal development plan with clear and specific practices, and continue to track and evaluate</p>	Comply with the best-practice principles, no discrepancy
(5) Does the company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services, and formulate relevant policies and complaint procedures to protect the rights and interests of consumers or customers?	Yes		<p>To ensure that the products manufactured by the company can meet international standards, and simultaneously protect the use rights and interests of consumers. Since 2005, we have insured all our products against full product liability insurance from a reputed international insurance company. Since the company's products are mainly active and passive components that generate frequency, even if the product loses function (poor frequency or unable to vibrate), it will not cause physical injury to the agents of the sales channel or the users of the product. Therefore, the company's long-term goal of insuring product liability insurance is to meet its own requirements with the highest ethical standards, so as to share the risks and responsibilities of sales channel partners and improve after-sales service and guarantee.</p> <p>The company will regularly arrange meetings to communicate with customers, and carry out customer satisfaction surveys every year to identify five aspects of contact with customers. Each aspect has its own unit responsible for the establishment of satisfaction indicators and objectives, and for the implementation of satisfaction monitoring. If the analysis of satisfaction data fails to meet the requirements, the responsible unit shall implement the improvement strategy and conduct an audit at the senior management review meeting.</p> <p>In case of product application and quality related problems, corresponding business representatives are responsible for handling related issues and launching internal response, improvement and tracking platform.</p>	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies																																
	Yes	No	Summary (Note 2)																																	
(6) Does the company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health, labor rights and other issues?	Yes		<p>In order to ensure that the requirements and spirit of CSR are implemented to our supplier partners, our suppliers need to regularly sign the "integrity commitment letter", "environment, occupation, safety, health status questionnaire", "industry code commitment letter", "green products and environmental protection statement" and "non conflict financial statement" to enable suppliers to follow the CSR scope. In addition, relevant organizations and units of the company regularly evaluate suppliers to ensure that suppliers can meet the medium and long-term development plan of the company, comply with relevant international standards, and maintain long-term high-quality partnership.</p> <p>In view of the increasing importance of various issues related to corporate governance, such as the care of employees' rights and interests related to human rights, environmental safety and hygiene, the company will give priority to suppliers with the following systems. The following table shows the company's important suppliers Percentage of each certification system:</p> <table border="1" data-bbox="842 751 1877 1265"> <thead> <tr> <th>System verification</th> <th>Number of investigators</th> <th>Number of match</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Responsible Business Alliance Guidelines</td> <td>52</td> <td>52</td> <td>100%</td> </tr> <tr> <td>ISO 9001 Quality management system</td> <td>52</td> <td>44</td> <td>85%</td> </tr> <tr> <td>ISO 14001 Environmental Management System</td> <td>52</td> <td>40</td> <td>77%</td> </tr> <tr> <td>ISO 28000 Secure Supply Chain Management System</td> <td>52</td> <td>25</td> <td>48%</td> </tr> <tr> <td>ISO 45001 Occupational Safety and Health Management System</td> <td>52</td> <td>12</td> <td>23%</td> </tr> <tr> <td>IECQ/QC080000 Hazardous Substance Process Management System</td> <td>52</td> <td>5</td> <td>10%</td> </tr> <tr> <td>ISO 14064 Greenhouse Gas Inventory</td> <td>52</td> <td>4</td> <td>8%</td> </tr> </tbody> </table>	System verification	Number of investigators	Number of match	%	Responsible Business Alliance Guidelines	52	52	100%	ISO 9001 Quality management system	52	44	85%	ISO 14001 Environmental Management System	52	40	77%	ISO 28000 Secure Supply Chain Management System	52	25	48%	ISO 45001 Occupational Safety and Health Management System	52	12	23%	IECQ/QC080000 Hazardous Substance Process Management System	52	5	10%	ISO 14064 Greenhouse Gas Inventory	52	4	8%	Comply with the best-practice principles, no discrepancy
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Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary (Note 2)	
5. Does the company prepare corporate social responsibility reports and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the disclosure report confirmed or guaranteed by a third party certification unit?	Yes		<p>Since 2009, the company has issued corporate social responsibility report. In order to fully disclose the practices and achievements in corporate social welfare, corporate operation management and environmental safety and health, we have compiled the report in accordance with the guidelines for global sustainable development report (GRI) and AA1000 norms over the years. Since 2017, we have followed the new version of GRI Standards based on the latest published standards as the basis for continuous improvement of the three aspects of social responsibility.</p> <p>All the data disclosed in the report are in accordance with the corresponding management system specifications, of which the financial related results are calculated in NTD and verified by the accountant; the</p> <p>Since 2009, the company has issued corporate social responsibility report. In order to fully disclose the practices and achievements in corporate social welfare, corporate operation management and environmental safety and health, we have compiled the report in accordance with the guidelines for global sustainable development report (GRI) and AA1000 norms over the years. Since 2017, we have followed the new version of GRI Standards based on the latest published standards as the basis for continuous improvement of the three aspects of social responsibility. environment, safety and health management system is subject to the external audit of ISO 14001 and OHSAS 18001 in addition to the regular internal audit. The greenhouse gas emission data is calculated by using the coefficients used in the "greenhouse gas emission coefficient management table (version 6.0.4)" provided by the Environmental Protection Agency, while the carbon dioxide emission data of the product carbon footprint is obtained by using the coefficients and calculation rules provided by the DoITPro: 2013 database of the Institute of Industrial Technology.</p>	Comply with the best-practice principles, no discrepancy
5. If a company has its own corporate social responsibility code in accordance with the code of practice for corporate social responsibility of listed and OTC companies, please state the difference between its operation and the code : The company prepares a corporate social responsibility report every year. The report content and related operations are consistent with the corporate social responsibility code of practice for listed and OTC companies, and there is no significant difference. It has been disclosed at the public information observatory and the company website. Please refer to the company website.				
6. Other important information to understand the operation of CSR : For information about corporate social responsibility of the company and its subsidiaries, such as corporate governance, environmental safety and health, and social welfare, please refer to the company website.				

Note 1: If "yes" is checked in the operation, please indicate the important policies, strategies, measures and implementation; if "no" is checked in the operation, please explain the reasons and explain the plans for adopting relevant policies, strategies and measures in the future.

Note 2: Materiality principle refers to those issues related to environment, society and corporate governance that have a significant impact on the company's investors and other stakeholders.

2. Systems and practices adopted for social responsibility  
 The CSR policies launched by the company are as follows:
  - (1) Combine internal and external resources to launch various corporate social philanthropy activities.
  - (2) Uphold shareholder rights, implement each corporate governance requirement.
  - (3) Maintain the Earth's sustainability; implement environment safety & health procedures.
  - (4) Form promotional organizations and give them the respective resources to reach CSR goals.
  - (5) Continue to strengthen promotional functions in accordance with domestic and international CSR-related laws and regulations.

Besides investment of company resources, the implementation of the above policies also depends on the care and effort invested by all employees to ensure the effective promotion of the above policies. A Corporate Social Responsibility Management Committee has been established internally by the company to promote various CSR matters, adhere to laws and regulations, uphold shareholder rights and organize upstream and downstream companies to jointly provide resources to create a harmonious and content society.

The company's volunteer club has been established for three years now. Adopting the motto of 'everyone join in for charity and philanthropy, do your part to show that you care', the club is involved in community concern and year-end loving care donation activities such as nursing home pit barbecue family recreation activities and the Taoyuan spring beach cleaning activity, Refer to company website for more information about these activities.

[Http://www.txccorp.com/](http://www.txccorp.com/)

### 3. Organizational Structure of the Sustainability Committee



#### 4. Fulfillment of social responsibility

##### Major activities sponsored by the company

(included TXC Foundation)

December 31, 2021

Item	Activity theme	Year/Month	Donee / Cooperating organization
A	Community participation, social contribution, service and charity		
1	"Fun Festival, Enjoy the Food, Help Children Be Happier" Fundraising Activities	2021/4	Andrew Charity Association
2	Food classification and packaging parent-child education	2021/4	Andrew Charity Association
3	Visited and cared for condolences and presented Dragon Boat Festival gift boxes	2021/6	Social Welfare Organization and Neighborhood Families
4	Zhongyuan Purdue Material Donation	2021/8	Social Welfare Organization and Neighborhood Families
B	Consumer Rights		
	<p>TXC's business model is B2B-oriented. In order to protect the rights and interests of corporate customers, TXC holds a "Customer Satisfaction Survey" every year, reviews customers feedback and responds to their opinions appropriately and effectively. The information obtained from the satisfaction survey has also become one of the references for the company's business performance in the coming year. Our company's products are electronic components, and even if they fail, they will not cause personal injury to the users. However, in order to make the consumers confident of our products, the company still purchases full "product liability insurance" to show that we take the full responsibility of our products. When our product fails for some reason, we conduct failure analysis and root cause judgment, the company will also resolve the failure problem in accordance with the principle of good faith and the requirements of the contract signed with the customer. We honestly and responsibly perform the warranty or offer compensation when necessary.</p>		
C	Safeguard employees' rights and implement safety and health measures: refer to the annual report.		

##### Major sponsorships and activities of subsidiaries (Ningbo and Chongqing plants)

December 31, 2021

Item	Activity theme	Year/Month	Donee / Cooperating organization
A	Environmental protection		
1	Water quality (COD\ammonia nitrogen) online monitoring equipment installation (NGB)	2021/1	Nanjing Shunsheng Environmental Technology Co., Ltd.
2	Non-organized Exhaust Gas Detection at Plant Boundary (NGB)	2021/3	Zhejiang Zhongtong Testing Technology Co., Ltd.
3	Annual exhaust emission source testing (NGB)	2021/3、10	Zhejiang Zhongtong Testing Technology Co., Ltd.
4	Signed Eco-Environmental Green Insurance (NGB)	2021/8	PICC Property and Casualty Co., Ltd.
5	Pollution Permit Renewal (Country) (NGB)	2021/9	Ningbo Ecological Environment Bureau Beilun Branch
6	Soil and Groundwater Testing (NGB)	2021/11	Zhejiang Edison Testing Technology Co., Ltd.
7	Monthly Wastewater Quality Testing (NGB)	2021/1-12	Zhejiang Zhongtong Testing Technology Co., Ltd.
8	Quarterly Grinding Tank Sedimentation Tank Sludge Clearance (NGB)	2021/1-12	Xinqi Xinnuo Cleaning Service Department, Beilun District, Ningbo City
9	Waste gas strip scrubber and Raschig ring cleaning (CKG)	2021/6	Chongqing Junquan Water Treatment Equipment Co., Ltd.
10	Grinding oil interception waste tank sedimentation tank sludge removal (CKG)	2021/10	Chongqing Character Electromechanical Installation Engineering Co., Ltd.
11	Annual Environmental Inspection for Pollution Permit (CKG)	2021/10	Chongqing Hongyi Technology Co., Ltd.
12	Wastewater treatment capacity improvement project (CKG)	2021/10	Chongqing Junquan Water Treatment Equipment Co., Ltd.
13	Annual Boiler and Generator Exhaust Source Testing (CKG)	2021/11	Chongqing Painting Testing Technology Co., Ltd.

14	Pollutant Permit (CKG)	2021/11	State Environmental Protection Administration
15	Boiler water boiler and furnace cleaning in production area (CKG)	2021/12	Toyo Boiler Installation and Maintenance Co., Ltd.
16	Cleaner Production Audit Technical Guidance Service (CKG)	2021/12	Chongqing Ningling Environmental Technology Development Co., Ltd.
17	Green Factory Declaration Technical Guidance Service (CKG)	2021/12	Chongqing Energy Utilization Monitoring Center
18	General exhaust and waste exhaust rust removal and painting project (CKG)	2021/12	Chongqing Character Electromechanical Installation Engineering Co., Ltd.
19	Waste exhaust thin strip tower and Lasi ring cleaning (CKG)	2021/1-12	Chongqing Hongyi Technology Co., Ltd.
B	Community participation, social contribution, service, public welfare		
1	Breakfast for sanitation workers (NGB)	2021/2	Xinqi Street
2	Donation to outstanding students of Xinfeng Experimental School (CKG)	2021/3	High-tech Zone Electronic Information Industry Alliance
3	"First Aid" training for employees of regional enterprises (CKG)	2021/4	High-tech Zone Electronic Information Industry Alliance
4	"Aerobic Parent-child, Bright Butterfly" Activity (CKG) for the families of employees of regional enterprises	2021/6	High-tech Zone Electronic Information Industry Alliance
5	Carry out summer condolences (CKG) to front-line law enforcement and medical staff in the region	2021/8	High-tech Zone Electronic Information Industry Alliance
6	Assist the region to optimize the municipal traffic environment (CKG)	2021/2-10	High-tech Zone Electronic Information Industry Alliance
7	New life - "Let's be an example" garbage classification (CKG)	2021/9-10	High-tech Zone Electronic Information Industry Alliance
C	Consumer rights: None		
D	Implement safety and health measures		
1	Plant site septic tank cleaning (NGB)	2021/5、11	Xinqi Xinnuo Cleaning Service Department, Beilun District, Ningbo City
2	Canteen fume duct cleaning (twice a year) (NGB)	2021/5、11	Xiaogang Hengyi Kitchenware Accessories Store, Beilun District, Ningbo City
3	Evaluation of the status quo of occupational disease hazards in the workplace (including the environmental detection of harmful factors in the workplace) (NGB)	2021/9	Zhejiang Multispectral Detection Technology Co., Ltd.
4	Plant drinking water quality testing (tested once every 2 months, all drinking water points in the plant are covered once a year, and tested once) (NGB)	2021/10	Pony Testing Group Shanghai Co., Ltd.
5	Annual Canteen & Fried Area Tableware Hygiene Test (NGB)	2021/11	Pony Testing Group Shanghai Co., Ltd.
6	Annual cooking fume emission concentration test (NGB) in canteen & stir-fry area	2021/11	Pony Testing Group Shanghai Co., Ltd.
7	Canteen fume duct cleaning (twice a year) (CKG)	2021/4、11	Chongqing Benniu Environmental Service Co., Ltd.
8	Annual Canteen Tableware Hygiene Test (CKG)	2021/6	Pony Testing Group Shanghai Co., Ltd.
9	Plant Septic Tank Cleaning (CKG)	2021/6	Chongqing Ruitai Cleaning Co., Ltd.
10	Plant drinking water quality test (tested once every 2 months, all drinking water points in the plant are covered once a year, and tested once) (CKG)	2021/6	Chongqing Qingze Water Quality Testing Co., Ltd.
11	Occupational Hazards Status Evaluation and Report (CKG)	2021/9-11	Chongqing Chemical Research Institute Safety Technology Service Co., Ltd.
12	Workplace Occupational Hazards Testing and Reporting (CKG)	2021/9-11	Chongqing Chemical Research Institute Safety Technology Service Co., Ltd.
E	Safeguard the rights and interests of employees		
1	Employee Inpatient Medical Mutual Aid Project (NGB)	2021/4	Taijing (Ningbo) Trade Union

2	"Hearts and Hands Connected, Blood Vessels Connected" Free Blood Donation Activities for Taiwanese Businessmen and Compatriots (NGB)	2021/6	Taijing (Ningbo) Trade Union
3	Youth Champion City, Build a Century Dream" Xiaogang Street The 7th Hong Kong, Macao and Taiwan Dragon Boat Race (NGB)	2021/6	Taijing (Ningbo) Trade Union
4	Qingtian Jingning She Nationality Window Cycling (NGB)	2021/11	Taijing (Ningbo) Trade Union - Cycling Club
5	2021 Taijing 11th Tug-of-War Competition (NGB)	2021/11	Taijing (Ningbo) Trade Union
6	2021 Live Sweepstakes (NGB)	2021/3-4	Taijing (Ningbo) Trade Union
7	2021 Staff Travel Event (NGB)	2021/5-9	Taijing (Ningbo) Trade Union
8	2021 Employee Children's Scholarship (NGB)	2021/9-11	Taijing (Ningbo) Trade Union
9	"Value-added and Re-engineering to Create a New Peak" 2021 Concentrate on Spring Wine (CKG)	2021/4	Taijing (Chongqing) Trade Union
10	The 3rd Happy Family Day (CKG)	2021/5	Taijing (Chongqing) Trade Union
11	The 2nd Session of the 3rd Workers' Congress (CKG)	2021/7	Taijing (Chongqing) Trade Union
12	Summer Giveaway Event ~ "The First Cup of Milk Tea in Autumn" (CKG)	2021/8	Taijing (Chongqing) Trade Union
13	2021 Mid-Autumn Festival Guessing Lantern Riddles Live Sweepstakes (CKG)	2021/9	Taijing (Chongqing) Trade Union
14	The first King of Glory Mobile Game Competition (CKG)	2021/9	Taijing (Chongqing) Trade Union-E-sports Club
15	"Ride freely, enjoy the fun of fishing" Cycling & Fishing (CKG)	2021/10	Taijing (Chongqing) Trade Union - Cycling Club & Fishing Club
16	The trade union's year-end event~ Thanks for the good things, gathering benefits (CKG)	2021/11	Taijing (Chongqing) Trade Union
17	2022 The 7th "Crystal Color Unlimited" Tug-of-War Competition (CKG)	2021/12	Taijing (Chongqing) Trade Union
18	Employee activity center optimization and renovation (CKG)	2020/11-2021/4	Taijing (Chongqing) Trade Union
19	2021 Staff Travel Event (CKG)	2021/5-6	Taijing (Chongqing) Trade Union
20	2021 Scholarship for Children of Employees (CKG)	2021/9-11	Taijing (Chongqing) Trade Union
21	The 5th Sparrow God Competition (CKG)	2021/10-12	Taijing (Chongqing) Trade Union - Chess and Cards Club
22	The 4th Ball League (CKG)	2021/10-12	Taijing (Chongqing) Trade Union



**(VI) Implementation of Ethical Corporate Management and variations with management principles of publicly-listed companies and reasons**

The company's "integrity operation code" has been adopted by the board of directors and submitted to the general meeting of shareholders on June 19, 2013 and the "integrity operation procedure and code of conduct" adopted by the board of directors on April 24, 2017. Meanwhile, the "internal control system and internal audit implementation rules for integrity" have been formulated, which will be included in the actual audit project. The company will follow this "code of conduct for integrity" in the future. In order to improve the effect of the company's integrity operation, and to implement the integrity operation principle more effectively, the company shall establish an integrity operation corporate culture and sound development, pay attention to the development of relevant domestic and foreign integrity operation norms at any time, and encourage directors, independent directors, managers and employees to put forward suggestions, so as to review and improve the integrity operation rules formulated by the company, and at the end of each year the company's performance of corporate social responsibility shall be reported to the board of directors.

1. Performance of integrity operation and the difference between integrity operation rules of listed and OTC companies and the reasons

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
1. Establish integrity business policies and plans				
(1) Does the company have an integrity operation policy approved by the board of directors, and clearly state the integrity operation policy and practice in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the operation policy?	Yes		The "code of integrity" adopted by the board of directors and the "code of conduct" handbook in both Chinese and English are adopted by the company. Therefore, all colleagues and board members of the company and its subsidiaries have understood the relevant codes and need to sign the "Declaration of responsibility" attached to the handbook to ensure that all colleagues have "received", "read" and "understood" "Accept" and agree to "maintain" all contents of this handbook as the principle for all colleagues to carry out business, and report the operation and implementation of integrity to the board of directors at least once a year and publish it on the company's website	Comply with the best-practice principles, no discrepancy
(2) Does the company establish an evaluation mechanism for the risk of dishonest behavior, regularly analyze and evaluate the business activities with high dishonest behavior risk within the business scope, and formulate a plan for preventing dishonest behavior based on it, and at least cover the preventive measures for the behaviors in Article 7, paragraph 2, of the code of honest operation for listed and OTC companies?	Yes		The company has formulated a risk assessment mechanism for dishonest behavior, and set out in the business code of corporate integrity the preventive measures for dishonest behavior: 1. Offering and receiving bribes; 2. Providing illegal political contributions; 3. Improper charitable donation or sponsorship; 4. Providing or receiving unreasonable gifts, hospitality or other improper benefits 5. Infringement of business secrets, trademark rights, and patent rights, copyright and other intellectual property rights 6. Engaging in unfair competitive behavior 7. Directly or indirectly damaging the rights and interests, health and safety of consumers or other interested parties when products and services are used in R & D, procurement, manufacturing, supply or sale. In the "information security management measures", "confidential document management measures" and "employment contract", preventive measures are formulated to protect business secrets.	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			The company regularly analyzes and evaluates the business activities with high risk of dishonest conduct within the business scope; 16 sessions of publicity courses and 4 related videos in the saloon were held for the current directors, managers and employees in 2021. The contents of the courses include laws and regulations on prevention of insider trading, maintenance of business secrets, intellectual property rights and other legal knowledge. The course briefs were placed in the internal staff education and training system to provide references for those who did not attend on that day and abide by the work related business when necessary.	
(3) Does the company specify operating procedures, conduct guidelines, disciplinary and grievance systems for violations in the prevention of dishonest conduct plan, implement them, and regularly review and amend the aforementioned scheme?	Yes		The company and its subsidiaries have "guidelines for integrity operation procedures and conduct" and "code of ethical conduct", which encourage employees to report to the board of directors, managers, internal audit directors or other appropriate personnel when they suspect or find any violation of laws, regulations or code of ethical conduct. In order to encourage employees to report violations, the company has established relevant procedures or mechanisms, and let employees know that the company will do its best to protect the safety of the informant from being revenged. In addition, when a director or manager violates the code of ethical conduct, the company shall deal with it in accordance with the disciplinary measures set by the director or manager in the code of ethical conduct, and immediately disclose the information such as the title, name, date of violation, cause of violation, violation and treatment of the person who violates the code of ethical conduct at the public information observatory. The company submits the implementation of honest operation to the board of directors every year, and regularly reviews and revises the previous disclosure scheme to meet the needs of the times. Please refer to the company website.	Comply with the best-practice principles, no discrepancy
2. Implement integrity operation				
(1) Does the company assess the integrity records of its counterparties and specify the integrity terms in the contracts it enters into with them?	Yes		The company and its subsidiaries will conduct credit rating on the suppliers and customers of the cooperation, and require the suppliers to sign a letter of commitment of integrity to fulfill the contract of business activities in a fair and ethical manner and in strict accordance with relevant laws, regulations and contract terms. In case of dishonesty, the contract may be terminated or terminated provisions of the contract at any time.	Comply with the best-practice principles, no discrepancy
(2) Does the company set up a dedicated unit under the board of directors to promote the integrity operation of the enterprise, and regularly (at least once a year) report to the board of directors its integrity operation policies, plans to prevent dishonest behavior and supervision of implementation?	Yes		In order to implement and improve the management of the company and its subsidiaries, the management center is the special unit responsible for the integrity management. The top director of the center is responsible for the formulation and implementation of the integrity management policy and prevention plan, and the audit unit is responsible for the supervision. At the end of each year, the company shall regularly report to the board of directors on the implementation of the above-mentioned integrity operation, and report to the board of directors on December 23, 2021. Please refer to the website of the company. In order to practice the integrity management policy, the new employees shall specify the company's relevant specifications and honest moral requirements when they report to the company,	Comply with the best-practice principles, no discrepancy

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
			and the moral requirements shall be stated in the employment contract. At the same time, in the regular department meetings, economic management meetings and lectures, the company continued to publicize the corporate integrity policy and elaborated the importance of integrity management. In 2021, 72 publicity and training sessions were held, for a total of 4,385 person/times. Directors and senior management have signed the "statement of compliance with integrity management policy". Please refer to the company website for the implementation of the integrity operation.	
(3) Does the company have a conflict of interest prevention policy, provide appropriate presentation channels and implement them?	Yes		The company and its subsidiaries have established "code of practice for corporate governance", "code of integrity operation", "code of conduct", "Article 15 of the code of procedure of the board of directors", "code of conduct" and "code of integrity operation procedure and code of conduct". In case of any conflict of interest, the company and its subsidiaries shall also avoid the matters that need to be avoided. If a director, supervisor or manager violates the code of ethical conduct, the company shall deal with it in accordance with the disciplinary measures set out in the employee reward and punishment management measures, and disclose the date, cause, code and handling situation of the violation of the code of ethical conduct at the public information observatory in a timely manner. The company has established a special area for stakeholders, and has established "procedures for handling suggestions, doubts, disputes and litigation of stakeholders". See the company website. If any of our colleagues is involved in any illegal circumstances in the trading process, they can be informed by the honest and fair trading mailbox. We shall be fully responsible for confidentiality and investigate and deal with according to law.	Comply with the best-practice principles, no discrepancy
(4) Has the company established an effective accounting system and internal control system for the implementation of integrity operation, and the internal audit unit shall, according to the assessment results of the risk of dishonest behavior, draw up relevant audit plans, and according to the compliance of the plan for preventing dishonest behavior, or entrust an accountant to carry out the audit?	Yes		The company and its subsidiaries shall establish an "internal control system" and an audit office and an external accountant audit mechanism. The audit office shall regularly assess risks and draw up an audit plan, and carry out relevant audits in accordance with the plan to ensure the continuous and effective implementation of the internal control system. Report the audit results to the audit committee and the board of directors on a regular basis. There has been no corruption in the company over the years.	Comply with the best-practice principles, no discrepancy
(5) Does the company regularly conduct internal and external education and training for integrity operation?	Yes		The company and its subsidiaries, when each new comer joined the company, provided education and training to remind the colleague of the need to implement the code of conduct, and held education and training of the code of ethics from time to time for the colleague of the company. There were 72 publicity and training sessions in 2021, for a total of 4,385 person/times, to ensure that the colleague did implement and would not be unfamiliar with the relevant content due to time elapsing.	Comply with the best-practice principles, no discrepancy
3. Operation of the company's whistleblowing system				

Assessment items	Operation Status (Note 1)			Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	Summary	
(1) Does the company have a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate personnel to the reported object?	Yes		Integrity is one of the core corporate cultures of the company. It is based on the belief of integrity and honesty when the company and its subsidiary's related enterprises conduct transactions with their partners, and on the basis of transparency and fairness, in order to establish a long-term partnership. For this purpose, the company has set up a special interest area, and has formulated measures for handling cases of illegal, unethical or dishonest conduct. Please refer to the company website. If any of our colleagues is involved in any illegal circumstances in the course of trading, they may be informed by the mailbox of the stakeholding area. We shall be fully responsible for confidentiality and investigate and deal with according to law. In addition, a barrier free e-mail communication channel is set up on the company's website. All interested parties can communicate and appeal to the independent director, chairman and general manager of the company by e-mail at any time, so as to keep the communication and appeal channels with all interested parties unblocked.	Comply with the best-practice principles, no discrepancy
(2) Does the company establish the standard operating procedures for investigation of reported matters, follow-up measures to be taken after investigation and relevant confidentiality mechanisms?	Yes		The company and its subsidiaries have formulated the "social responsibility handbook", "employee handbook", "employee complaint (complaint/report) control procedure", "measures for handling reporting of illegal and unethical or dishonest cases" and "Regulations for employees to participate in industrial safety and health consultation, communication operation specifications" and other reporting, investigation, confidentiality mechanisms and follow-up related measures.	Comply with the best-practice principles, no discrepancy
(3) Does the company take measures to protect whistleblowers from improper handling due to whistleblowing?	Yes		The company and its subsidiaries have clearly defined "employee code of conduct" and "employee complaint (complaint/report) control procedure" documents: during the whole process of complaint/report handling, relevant personnel shall keep secrets, and those who divulge secrets will be punished in accordance with relevant regulations; those who retaliate against the Complainant/whistleblower will be punished in accordance with relevant regulations.	Comply with the best-practice principles, no discrepancy
4. Enhance information disclosure Does the company disclose the content and promotion effect of its code of conduct for integrity operation on its website and public information observatory?	Yes		The websites of the company and its subsidiaries provide explanations in Chinese, English and Japanese simultaneously. For financial information, stock price and dividend information, organizational structure and business results related to corporate governance, they are fully disclosed in the quarterly report, annual report and the company webpage, so as to quickly and truly reflect all kinds of business information, so as to enable stakeholders to grasp the company's business dynamics in a timely manner. For details of corporate governance, please refer to the company website.	Comply with the best-practice principles, no discrepancy
5. If a company has its own code of conduct for integrity in accordance with the code of conduct for listed and OTC companies, please state the difference between its operation and the code: The company and its subsidiaries have formulated the "code of integrity operation" to continue to promote and cooperate with various publicity and guidance in accordance with the code, and to strengthen the awareness of business level colleagues. Its content and related operations are not significantly different from the "code of integrity operation on the listed and OTC market".				

Assessment items	Operation Status (Note 1)		Discrepancy with best-practice principles of TWSE/GTSM listed companies
	Yes	No	
6. Other important information helpful to understand the company's operation integrity: (such as the company's review and amendment of the integrity operation rules, etc.) The company and its subsidiaries negotiate and perform the contract with customers in good faith and integrity, and strive for, negotiate and perform all contracts in a fair and moral way.			

(7) Disclose the inquiry methods if the company has established a Corporate Governance Code of Conduct and other relevant regulations

1. In order to establish sound corporate governance, the company's board of directors have approved the drafting of the Code of Ethical Conduct and Corporate Governance Best Practice Principles and continue to draft more concrete and detailed regulations and procedures such as Related Party Transaction Management, Specific Company, Related Party and Group Company Transaction Procedure, Scope of Independent Director Duties and Responsibilities, Subsidiary Supervision Procedure, Procedure Governing Financial and Business Matters with Affiliated Enterprises, Risk Control Procedure, Important Internal Information Handling Procedure, Procedure for Handling Stakeholder Recommendations, Questions, Disputes and Litigation Matters, Procedure for Handling the Reporting Cases of Illegal, Unethical or Dishonest Conduct as well as the TXC Code of Conduct, Ethical Corporate Governance Best Practice Principles and Ethical Corporate Management Procedures and Guide of Good Conduct. In addition to their regular announcement, the company also posts this information for public access on the company website to regulate the conduct and ethics of company directors and all subordinate personnel. An ethical management section has been set up on the company website to provide full disclosure and complete explanations of ethical management policy implementation and the drafting and promotion of subsequent preventative programs. The company website also has a dedication section on social responsibility. Refer to the information provided on the company website.

The company's Ningbo and Chongqing plants have established ethical corporate management code best practice principles and continue to draft more concrete and detailed regulations and procedures such as Related Party, Specific Company and Group Company Transaction Procedure, Board of Directors Agenda Procedure, Business Ethics Control Procedure, Subsidiary Operation Management Procedure, Debt Commitment and Contingency Management Procedure, Financial and Non-Financial Information Management Procedure, Derivative Financial Product Transaction Handling Procedure and regular announce this information to regulate the conduct and ethics of company directors and all subordinate personnel.

2. With regard to the announcement of related insider stock transactions, regular education courses are organized for directors and the announcements of competent authorities are posted on the company website for reference by insiders. Refer to the information on the company website.
3. The Corporate Social Responsibility Best Practice Principles drafted by the company has been approved by the board of directors. The principles are directed at the overall operation activities of the company and group companies including the active fulfillment of corporate social responsibility while performing company operations to conform to the international trends of balancing environmental, social and corporate governance developments and use corporate civic commitment to raise national economic contribution, improve the living quality of employees, communities and society to create competitive advantage based on corporate responsibility. Refer to the company website for information on CSR policy, organization, promotion and results.

The subsidiary Ningbo and Chongqing plants have drafted Social Responsibility Manuals. The manual is directed at the overall operation activities of the company including the active fulfillment of corporate social responsibility while performing company operations to conform to the international trends of balancing environmental, social and corporate governance developments and use corporate civic commitment to raise national economic contribution, and improve the living

quality of employees, communities and society to create competitive advantage based on corporate responsibility.

- (8) Other important information which is sufficient to understand corporate governance operation status must also be disclosed
1. Refer to the information in the company website for company director candidate nomination system, director and independent director nomination and selection method, nomination process, candidate information (conformance with qualification criteria), election process and election results.
  2. In order to improve corporate governance, the company communicates with its CPA, independent directors, audit supervisor and accounting supervisors on an ad hoc basis. Refer to the information in the company website for status of communication.
  3. In order to strengthen corporate governance, the company pays special attention to open disclosure of information and posts related financial information on the company website. Important information is concurrently disclosed on the company website and to company directors so related persons can clearly understand the operation status of the company and investors and stakeholders promptly receive important information from the company. Refer to the relevant information on the company website.
  4. The effort invested and results obtained by the company in corporate governance and information disclosure has been widely recognized. The company has been awarded an A++ information disclosure assessment rating for four straight years, named a transparent voluntary information disclosure company for eight straight years, and has awarded the top 6% ~ 20% of the listed companies since the first session. From the 2<sup>nd</sup> to the 4<sup>th</sup> session, it has been won the top 5% of the listed companies for three consecutive years. The 5~7<sup>th</sup> sessions were awarded the top 6% ~ 20% of listed companies.

**(IX) Statement on Internal Control**

Public Company's Statement on Internal Control

Represents the effectiveness of both the design and execution

(This statement is applicable when all laws and ordinances are complied herewith)

Where accountant was commissioned to perform ad hoc review on the internal control system, the accountant review report required to be disclosed: None.

- (X) In the most recent years and as of the date of publication of the annual report, in case its employees were punished by law or punishments were imposed by the company due to employee's violation of the company's internal control rules, and in case such punishments may have great impacts on the owners' equity or the company's stock prices, the company should disclose the content of such punishments, the major misconduct, and improvements: None.**

- (XI) Important resolutions of the shareholders' meeting and the Board of Directors during the most recent year and until the publication date of the annual report**

## Important resolutions of the board of directors

Date	Board meeting	Important resolution	Resolution result
2021/03/11	Board meeting	<ol style="list-style-type: none"> <li>Accountants' internal control evaluation opinions, the company's annual internal control effectiveness self-assessment report and internal control statement</li> <li>2020 report on the distribution of employees' compensation and directors' compensation</li> <li>Undertaking of derivative financial product</li> <li>2020 annual business report and financial statements</li> <li>2020 annual earnings distribution</li> <li>Review on the independence and performance appraisal of the accountant</li> <li>Capacity expansion plan</li> <li>Review on the salary adjustment proposal for managers</li> <li>Review the adjustment proposal of the company's employee stock ownership trust bonus</li> <li>To host 2021 Annual General Shareholders Meeting</li> <li>At regular shareholders meetings, matters related to shareholders' proposal rights will be addressed</li> <li>To revise the "Rules of Procedure for the Shareholders' Meeting"</li> <li>To revise the "Procedures for the Acquisition or Disposal of Assets"</li> </ol>	<ol style="list-style-type: none"> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection (NT\$2.8 cash dividends per share).</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection, and proposed to hold the annual shareholders meeting on May 31, 2021.</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> </ol>
2021/05/10	Board meeting	<ol style="list-style-type: none"> <li>Extension of bank credit period and undertaking of derivative financial products</li> <li>Q1 / 2021 financial statements</li> <li>To issue the 5<sup>th</sup> domestic unsecured conversion of corporate bonds in 2021</li> <li>The investment plan of TETC CORP. NINGBO reinvested by the subsidiary TXC (NINGBO) CORPORATION</li> <li>Subsidiary TXC (CHONGQING) CORPORATION phase II plant expansion project</li> </ol>	<ol style="list-style-type: none"> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> </ol>
2021/06/28	Board meeting	<ol style="list-style-type: none"> <li>Proposal for the postponement of the 2021 annual shareholders meeting</li> <li>Proposal for capital increase and repatriation of surplus of subsidiary TXC (NINGBO) CORPORATION</li> </ol>	<ol style="list-style-type: none"> <li>Passed by all attending directors without objection, and postponed to July 20, 2021.</li> <li>Passed by all attending directors without objection</li> </ol>
2021/08/12	Board meeting	<ol style="list-style-type: none"> <li>Undertaking of derivative financial products</li> <li>Q2 / 2021 financial statements</li> <li>Subsidiary TXC (NINGBO) CORPORATION P6 plant expansion project</li> <li>Subsidiary TETC CORP. NINGBO capacity expansion</li> <li>First-level supervisor assignment</li> <li>Reviewed the distribution plan of employees' compensation and directors' compensation of 2020</li> </ol>	<ol style="list-style-type: none"> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> </ol>
2021/11/08	Board meeting	<ol style="list-style-type: none"> <li>Extension of bank credit period and undertaking of derivative financial products</li> <li>Q3 / 2021 financial statements</li> <li>Subsidiary TETC CORP. NINGBO factory construction plan</li> </ol>	<ol style="list-style-type: none"> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> <li>Passed by all attending directors without objection</li> </ol>



Date	Board meeting	Important resolution	Resolution result
2021/12/23	Board meeting	<ol style="list-style-type: none"> <li>1. 2022 annual audit plan</li> <li>2. Discussion of 2021 annual performance bonus plan</li> <li>3. 2022 annual employee compensation and directors' compensation ratio</li> <li>4. 2022 annual review on the accountant fees</li> <li>5. To donate to TXC_ Foundation</li> <li>6. 2022 annual business plan and annual budget</li> <li>7. Self-compiling improvement plan report for financial report.</li> <li>8. Proposed reassignment of the chairman and president of TETC CORP. NINGBO, a mainland subsidiary, and the retirement of the manager of the company.</li> <li>9. To reorganize "Corporate Social Responsibility Committee" and establish a "Sustainable Development Committee (also known as the ESG Committee)" and propose a sustainable development action plan.</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed by all attending directors without objection</li> <li>2. Passed by all attending directors without objection</li> <li>3. Passed by all attending directors without objection</li> <li>4. Passed by all attending directors without objection</li> <li>5. Passed by all attending directors without objection</li> <li>6. Passed by all attending directors without objection</li> <li>7. Passed by all attending directors without objection</li> <li>8. Passed by all attending directors without objection</li> <li>9. Passed by all attending directors without objection</li> </ol>
2022/03/07	Board meeting	<ol style="list-style-type: none"> <li>1. The accountant's internal control assessment opinion, the company's annual self-assessment report on the effectiveness of the internal control system, and the internal control system statement.</li> <li>2. Revise the "Internal Control System and Internal Audit Implementation Rules".</li> <li>3. 2021 Annual Report on the Distribution of Employee Remuneration and Directors' Remuneration.</li> <li>4. Undertaking of derivative financial products</li> <li>5. 2021 annual business report and financial statement.</li> <li>6. 2021 annual earnings distribution</li> <li>7. Self-compiling improvement plan report for financial report.</li> <li>8. Review on the independence and performance appraisal of the accountant</li> <li>9. To host 2022 Annual General Shareholders Meeting</li> <li>10. At regular shareholders meetings, matters related to shareholders' proposal rights will be addressed</li> <li>11. The company accepts the case of whether the shareholder's nomination is included in the list of candidates.</li> <li>12. To re-election of directors</li> <li>13. To nominate candidates for the 14th session of directors (including independent directors)</li> <li>14. To remove the restriction of non-compete agreement of newly elected directors</li> <li>15. To Revise the "Articles of Incorporation"</li> <li>16. To Revise the "Rules and Procedures of Shareholders Meeting"</li> <li>17. To Revise the "Procedures for Election of Directors"</li> <li>18. To Revise the "Procedures for Acquisition or Disposal of Assets"</li> <li>19. TETC CORP. NINGBO, Ltd., a subsidiary of TXC, intends to establish a 100% subsidiary.</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed by all attending directors without objection</li> <li>2. Passed by all attending directors without objection</li> <li>3. Passed by all attending directors without objection</li> <li>4. Passed by all attending directors without objection</li> <li>5. Passed by all attending directors without objection</li> <li>6. Passed by all attending directors without objection (NT\$7.5 cash dividends per share)</li> <li>7. Passed by all attending directors without objection</li> <li>8. Passed by all attending directors without objection</li> <li>9. Passed by all attending directors without objection (to be held on May 31, 2022)</li> <li>10. Passed by all attending directors without objection</li> <li>11. Passed by all attending directors without objection</li> <li>12. Passed by all attending directors without objection</li> <li>13. Passed by all attending directors without objection</li> <li>14. Passed by all attending directors without objection</li> <li>15. Passed by all attending directors without objection</li> <li>16. Passed by all attending directors without objection</li> <li>17. Passed by all attending directors without objection</li> <li>18. Passed by all attending directors without objection</li> <li>19. Passed by all attending directors without objection</li> </ol>

2. Important Resolutions of the 2021 annual shareholders' meeting

Time: 9:30 am, July 20, 2021 (Tuesday)

Place: No. 4 Pingzhen Industrial Park 6<sup>th</sup> Rd., Pingzhen City, Taoyuan County

Implementation of major resolutions:

- (1) Recognize 2020 business report and financial statement; resolution approved by the 2021 shareholders' meeting.
- (2) Recognize distribution of 2020 profits; 2021 shareholders' general meeting, cash dividend of NT\$3.8 per share, full amount issued on September 10, 2021 in accordance with the shareholders' meeting resolution.
- (3) To revise the "Rules and Procedures of Shareholders Meeting": The resolution of the 2021 shareholders' meeting was passed and announced on the company's website and public information observatory
- (4) To revise the "Procedures for Acquisition or Disposal of Assets": The resolution of the 2021 shareholders' meeting was passed and announced on the company's website and public information observatory.

**(XII) Main content of recorded or written statements of dissenting opinions filed by directors or supervisors in connection with important resolutions passed by the board of directors in recent years up to the publication date of the annual reports:**  
**None.**

**(XIII) Summary of company chairman, general manager, accounting supervisor, finance supervisor, internal audit supervisor and R&D supervisor resignations and dismissals in recent years up to the publication date of the annual report:**

Title	Name	Resignation/ Conge Date	Reason
Deputy CEO	Chen Chueh, Shang-Hsin	2021/12/31	Responsibility adjustment in response to the overall operational development of the group

## V. Information on CPA fees

### Change of Certified Public Accountant in 2021: None

Unit : NT\$1,000

Name of the Accounting Firm	Accountant name	Accountant's audit period	Auditing fees	Non-auditing Fees	Total	Remark
Deloitte & Touche	Hsieh, Ming-Chung	From Jan. 1, 2021 to December 31, 2021	3,410	482	3,892	
	Su, Yu-Hsiu					

Note 1: If the company changes its accountant or accounting firm in the current year, please list their audit periods separately and explain the reasons for replacement in the "remark" field. Please disclose the auditing and non-auditing fees in sequence. Non-auditing fees should be annotated to explain its service content.

Note 2: The non-auditing fees are NT\$2,000 for industrial and commercial registration, NT\$340,000 for tax visas, NT\$80,000 for the accountant's opinion on the issuance of corporate bonds, and NT\$60,000 for case services reported by the Investment Review Committee.

- (I) **The amount, ratio and reasons for the decrease in auditing fees shall be disclosed if there is a change in accounting firm and the auditing fees in the year of such change is less than the auditing fees in the previous year: None.**
- (II) **The amount, ratio and reasons for the decrease in auditing fees shall be disclosed if the auditing fees was decrease by more than 15% comparing to that of in the previous year: None.**

## VI. Information on change of accountant's information

### (I) Regarding the former accountants

Date of change			
Reasons and explanations of change			
Explanation whether it was the appointer or the accountant who called for termination or declined the appointment	the parties	accountant	appointer
	situation		
	Proactively terminate the appointment		
	Declined (discontinued) the appointment		
Any issuance of audit report with reserved opinions within the past two years and the reasons thereof.			
Any different opinion with the issuer?	Y		Accounting the principle or practice
			Disclosure of financial statements
			Scope or steps of audit
			Other
	N	V	
	Explanation		
Other disclosures (matters to be disclosed pursuant to Sub-paragraph 1.4 to 1.7 Paragraph 6, Section 10 of the Guidelines)	None		

### (II) Regarding the new accountant

Name of the firm	
Accountant name	
Appointment date	
Pre-appointment consultations regarding the accounting treatment or accounting principles for specific transactions and opinions on the possible issuance of financial reports and the results thereof.	
Written opinions of new accountant stating different opinions to that of the previous accountants	

### (III) Former accountant's reply to the matters stated in Sub-paragraph 1 and 2.3, Paragraph 6, Session 10 of the Guidelines: N/A

**VII. Where the company's chairman, general manager or any officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of is CPA or at an affiliated enterprise of the accounting, the name and position of the person and the period during which the position was held, shall be disclosed: None.**

**VIII. Any transfer of shareholdings and changed equity pledge from the directors, managers and shareholder(s) holding more than 10% of the shares during the most recent year and as of the publication date of the annual report:**

**(I) Changes in equity among the directors, manager and large shareholder(s)**

Title (Note1)	Name	2021		As of April 2, 2022	
		Increase (decrease) in number of shareholding	Increase (decrease) in number of pledged shares	Increase (decrease) in number of shareholding	Increase (decrease) in number of pledged shares
Chairman / CEO	Lin, Wan-Shing	0	0	0	0
Director	Lin, Jin-Bao	(39,000)	0	0	0
Director / Deputy CEO	Chen Chueh, Shang-Hsin (Note 2)	0	0	-	-
Director / President	Kuo, Ya-Ping	0	0	0	0
Director / Assistant Vice President	Huang, Hsiang-Lin (Note 2)	(350,000)	(1,000,000)	0	0
Director	Hsu, Hsing-Hao	0	0	0	0
Director	TLC Capital Co., LTD	0	0	0	0
	Peng, Chih-Chiang	0	0	0	0
Independent Director	Yu, Shang-Wu	0	0	0	0
Independent Director	Tsai, Song-Qi	0	0	0	0
Independent Director	Su , Yan-Syue	0	0	0	0
Independent Director	Wang, Chuan -Fen	0	0	0	0
TXC (NGB) President	Chao, Min-Chiang	0	0	0	0
TXC (CKG) President	Chou, Chien-Fu	(24,000)	0	0	0
TXC (CKG) Executive Vice President	Yu, Fang-Ming	0	0	0	0
Vice President	Lin, Shi-Bo	0	0	0	0
TXC (NGB) Vice President	Chang, Chien-Tsung	(17,000)	0	0	0
Vice President	Cheng, Li-Wei	0	0	0	0
Chief Technology Officer (CTO) / Vice President	Chu, Chih-Hsun	0	0	0	0
Vice President	Kuo, Ya-Han	0	0	0	0
Vice President	Su, Jing-Sheng	(18,000)	0	0	0
Vice President	Lin, Su-Fen	19,000	0	0	0
Vice President	Chen, Chiu-Lin (Note 3)	0	0	0	0
Chief Engineer	Chang, Qi-Zhon	0	0	0	0
Assistant Vice President	Su, Che-Ming	(18,000)	0	0	0
TXC (NGB) Assistant Vice President	Liu, Hsu-Er	(15,000)	0	0	0
Deputy CTO	Chiu, Chih-Hung	9,000	0	0	0
Deputy CTO	Pao, Shih-Yung	0	0	0	0
Chief Financial Officer (CFO) / Vice President	Hong, Guan -Wen	18,000	0	0	0

Note 1: The Company has no major shareholders holding more than 10% of the shares.

Note 2: Mr. Chen Chueh, Shang-Hsin, the deputy CEO, was appointed as the chairman of the related company, and Mr. Huang, Hsiang-Lin, the assistant vice president of the marketing center, was transferred to the president of the related company.

Note 3: Mr. Chen, Chiu-Lin assistant vice president was promoted to vice president.

**(II) Equity transfer information: None.**

**(III) Information of the counterparty of an equity pledge who is also a related party: None.**

#### IV. Information of relationships between TOP 10 shareholders are related parties:

April 2, 2022 Unit: shares

Name	Own held shares		Shares held by spouse, children under twenty (20) years of age		Shareholding in the name of others		Where the relationship among the top 10 shareholders is a related party, spouse, and/or a relative by blood or marriage within second degree of kinship or relationship, please specify the name and relationship		Remark
	number of shares	shareholding ratio	number of shares	shareholding ratio	number of shares	shareholding ratio	name	relationship	
China Life Insurance Co., Ltd. proxy: Tan, Shuo-Lun	8,414,000	2.72%	0	0%	0	0%	None	None	
Chunghwa Post Co., Ltd. proxy: Wu, Hung-Mou	8,234,000	2.66%	0	0%	0	0%	None	None	
Fubon Life Insurance Company, Ltd. proxy: Tsai, Ming-Hsing	7,087,000	2.29%	0	0%	0	0%	None	None	
Lin, Jin-Bao	5,987,263	1.93%	163	0%	0	0%	Lin, Wan-Shing	Brother	
Lin, Wan-Shing	5,030,722	1.62%	75,991	0.02%	0	0%	Lin, Jin-Bao	Brother	
New Labor Retirement Fund	4,518,000	1.46%	0	0%	0	0%	None	None	
Taipei Fubon Commercial Bank Trust Property Account	4,168,548	1.35%	0	0%	0	0%	None	None	
Cathay Life Insurance discretionary Cathay Pacific Investment Trust Investment Account (SG Taiwan Stock Strategy I)	3,950,000	1.28%	0	0%	0	0%	None	None	
JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account of the Manager of the Van Gard Group	3,854,630	1.24%	0	0%	0	0%	None	None	
Huang, Hsiang-Lin	3,789,399	1.22%	0	0%	0	0%	None	None	

Note 1: The top ten shareholders shall be listed in full; corporate shareholder shall list its name and the names of its proxy separately.

Note 2: The calculation of the shareholding percentage refers to the percentage of shares held in his/her/its own name, or under the name of his/her/its spouse, children under twenty years of age, or others.

Note 3: The relationship between above-listed juristic person shareholders and natural person shareholders shall be disclosed pursuant to the regulations governing the preparation of financial reports of the issuer.

Top 10 Shareholder	Major Shareholders of the Juristic Person
China Life Insurance Co., Ltd. proxy: Tan, Shuo-Lun	China Development Finance Holdings Co., Ltd. (100%)
Chunghwa Post Co., Ltd. proxy: Wu, Hung-Mou	Ministry of Transportation and Communications (100%)
Fubon Life Insurance Company, Ltd. proxy: Tsai, Ming-Hsing	Fubon Financial Holding Co. Ltd. (100%)



10. The number of shares held by the company, the company's directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same joint venture, and the combined shareholding percentage.

December 31, 2021 Unit: shares, %

Investees	Investments of the Company		Investments of the directors, supervisors, managers and their investment in business which they have direct or indirect control of.		Comprehensive investements	
	Number of Shares	Share (%)	Number of Shares	Share (%)	Number of Shares	Share (%)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	42,835,294	100	0	0	42,835,294	100
TXC Technology Inc.	300,000	100	0	0	300,000	100
TXC Japan Corporation	2,100	100	0	0	2,100	100
Taiwan Crystal Technology International (HK) Limited	80,000	100	0	0	80,000	100
TXC Europe GmbH	50,000	100	0	0	50,000	100
TAI SHING ELECTRONICS COMPONENTS CORP.	8,802,000	33.34	3,203,500	12.14	12,005,500	45.48
TXC (NINGBO) CORPORATION	0	0	77,241,343	100	77,241,343	100
TXC (CHONGQING) CORPORATION	0	0	247,876,609	100	247,876,609	100
Chongqing All Suns Company Limited	0	0	150,000,000	100	150,000,000	100
Ningbo Jingyu Company Limited	0	0	2,500,000	100	2,500,000	100
NINGBO FREE TRADE ZONE DING KAI INVESTMENT MANAGEMENT COMPANY	0	0	35,050,000	100	35,050,000	100
TETC CORP. NINGBO	0	0	100,000,000	100	100,000,000	100
ChongQing Dingsen Commercial Management Co.,Ltd	0	0	500,000	100	500,000	100
Ningbo Longying Semiconductor Co., Ltd	0	0	2,000,000	40	2,000,000	40

Note: Equity investments of the Company.

## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Capitalization

April 2, 2022 Unit: Shares, NT\$

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
1983.12	10	310,000	3,100,000	310,000	3,100,000	Registered capital	Nil	-
1984.03	10	3,315,200	33,152,000	3,315,200	33,152,000	Capital increase by cash	Nil	-
1989.03	10	8,500,000	85,000,000	8,500,000	85,000,000	Capital increase by cash	Nil	-
1989.10	10	18,000,000	180,000,000	18,000,000	180,000,000	Capital increase by cash	Nil	-
1990.07	10	21,060,000	210,600,000	21,060,000	210,600,000	Capital increase by cash, by capital surplus	Nil	07/10/1990 (79) Tai-Tsai-Cheng(1) no. 01530
1991.08	10	60,000,000	600,000,000	31,590,000	315,900,000	Capital increase by cash, by earnings, by capital surplus	Nil	08/01/1991 (80) Tai-Tsai-Cheng(1) no. 02111
1992.07	10	60,000,000	600,000,000	41,067,000	410,670,000	Capital increase by earnings, by capital surplus	Nil	07/07/1992 (81) Tai-Tsai-Cheng(1) no. 01518
1993.07	10	60,000,000	600,000,000	47,300,000	473,000,000	Capital increase by earnings	Nil	07/14/1993 (82) Tai-Tsai-Cheng(1) no. 30047
1994.07	10	60,000,000	600,000,000	51,557,000	515,570,000	Capital increase by earnings, by capital surplus	Nil	07/07/1994 (83) Tai-Tsai-Cheng(1) no. 31774
1995.06	10	60,000,000	600,000,000	55,681,560	556,815,600	Capital increase by earnings	Nil	06/22/1995 (84) Tai-Tsai-Cheng(1) no. 36958
1996.09	10	100,000,000	1,000,000,000	75,681,560	756,815,600	Capital increase by cash	Nil	09/05/1996 (85) Tai-Tsai-Cheng(1) no. 53631
2000.09	10	100,000,000	1,000,000,000	82,201,820	822,018,200	Capital increase by earnings	Nil	09/06/2000 (89) Tai-Tsai-Cheng(1) no.5237
2001.07	10	260,000,000	2,600,000,000	110,348,515	1,103,485,150	Capital increase by earnings	Nil	05/14/2001 (90) Tai-Tsai-Cheng(1) no. 129296
2001.08	10	260,000,000	2,600,000,000	120,348,515	1,203,485,150	Capital increase by cash	Nil	06/12/2001 (90) Tai-Tsai-Cheng(1) no.135132
2002.09	10	260,000,000	2,600,000,000	137,673,100	1,376,731,000	Capital increase by earnings, by capital increase	Nil	08/21/2002 (91) Tai-Tsai-Cheng(1) no. 0910146351
2003.08	10	260,000,000	2,600,000,000	144,140,534	1,441,405,340	Capital increase by earnings	Nil	08/12/2003 Tai-Tsai-Cheng(1) no. 0920136359
2004.08	10	260,000,000	2,600,000,000	151,810,534	1,518,105,340	Convertible bonds, exercise of employee stock options	Nil	08/18/2004 Ching-Shou-Shang-Zi no. 09301157450
2004.10	10	260,000,000	2,600,000,000	160,779,678	1,607,796,780	Capital increase by earnings	Nil	10/13/2004 Ching-Shou-Shang-Zi no.09301188710
2004.10	10	260,000,000	2,600,000,000	160,784,678	1,607,846,780	Convertible bonds	Nil	10/19/2004 Ching-Shou-Shang-Zi no. 09301199790

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
2005.05	10	260,000,000	2,600,000,000	163,133,882	1,631,338,820	Convertible bonds	Nil	05/03/2005 Ching-Shou-Shang-Zi no. 09401077580
2005.07	10	260,000,000	2,600,000,000	168,068,138	1,680,681,380	Convertible bonds, exercise of employee stock options	Nil	07/25/2005 Ching-Shou-Shang-Zi no. 09401135020
2005.09	10	260,000,000	2,600,000,000	178,181,410	1,781,814,100	Capital increase by earnings	Nil	09/23/2005 Ching-Shou-Shang-Zi no. 09401185020
2005.10	10	260,000,000	2,600,000,000	181,557,883	1,815,578,830	Convertible bonds, exercise of employee stock options	Nil	10/20/2005 Ching-Shou-Shang-Zi no. 09401207340
2006.01	10	260,000,000	2,600,000,000	186,198,661	1,861,986,610	Convertible bonds, exercise of employee stock options	Nil	01/23/2006 Ching-Shou-Shang-Zi no. 09501010180
2006.03	10	260,000,000	2,600,000,000	188,908,827	1,889,088,270	Convertible bonds, exercise of employee stock options	Nil	04/17/2006 Ching-Shou-Shang-Zi no. 09501068450
2006.07	10	260,000,000	2,600,000,000	188,942,532	1,889,425,320	Convertible bonds	Nil	07/20/2006 Ching-Shou-Shang-Zi no. 09501152420
2006.09	10	300,000,000	3,000,000,000	203,711,768	2,037,117,680	Capital increase by earnings	Nil	09/04/2006 Ching-Shou-Shang-Zi no. 09501198120
2006.10	10	300,000,000	3,000,000,000	204,815,282	2,048,152,820	Convertible bonds, exercise of employee stock options	Nil	10/16/2006 Ching-Shou-Shang-Zi no.09501232600
2007.01	10	300,000,000	3,000,000,000	205,698,282	2,056,982,820	Exercise of employee stock options	Nil	01/16/2007 Ching-Shou-Shang-Zi no. 09601010470
2007.04	10	300,000,000	3,000,000,000	206,032,282	2,060,322,280	Exercise of employee stock options	Nil	04/14/2007 Ching-Shou-Shang-Zi no. 09601078450
2007.07	10	300,000,000	3,000,000,000	206,624,577	2,066,245,770	Convertible bonds	Nil	07/27/2007 Ching-Shou-Shang-Zi no. 09601180970
2007.08	10	300,000,000	3,000,000,000	230,7397,19	2,307,397,190	Capital increase by earnings	Nil	08/28/2007 Ching-Shou-Shang-Zi no.09601210120
2007.10	10	300,000,000	3,000,000,000	240,243,456	2,402,434,560	Convertible bonds	Nil	10/22/2007 Ching-Shou-Shang-Zi no. 09601258520
2008.01	10	300,000,000	3,000,000,000	241,552,590	2,415,525,900	Convertible bonds	Nil	01/29/2008 Ching-Shou-Shang-Zi no. 09701022010
2008.01	10	300,000,000	3,000,000,000	241,552,590	2,415,525,900	Convertible bonds	Nil	01/29/2008 Ching-Shou-Shang-Zi no. 09701022010
2008.04	10	300,000,000	3,000,000,000	241,627,148	2,416,271,480	Convertible bonds	Nil	04/11/2008 Ching-Shou-Shang-Zi no. 09701087040
2008.08	10	300,000,000	3,000,000,000	242,464,833	2,424,648,330	Convertible bonds	Nil	08/05/2008 Ching-Shou-Shang-Zi no.09701191720
2008.08	10	350,000,000	3,500,000,000	270,395,056	2,703,950,560	Capital increase by earnings	Nil	08/28/2008 Ching-Shou-Shang-Zi no. 09701819210
2008.11	10	350,000,000	3,500,000,000	271,698,090	2,716,980,900	convertible bonds	Nil	11/17/2008 Ching-Shou-Shang-Zi no. 09701293960
2009.09	10	400,000,000	4,000,000,000	287,312,523	2,873,125,230	Capital increase by earnings	Nil	09/11/2009 Ching-Shou-Shang-Zi

Year/ Month	Issue Price	Authorized Share Capital		Paid-In Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increase by Assets Other Than Cash	Other (Approval document no.)
								no. 0980120690
2009.11	10	400,000,000	4,000,000,000	287,340,930	2,873,409,300	Convertible bonds	Nil	11/11/2009 Ching-Shou-Shang-Zi no. 09801260380
2010.01	10	400,000,000	4,000,000,000	288,727,249	2,887,272,490	Convertible bonds	Nil	01/26/2010 Ching-Shou-Shang-Zi no. 09901016750
2010.04	10	400,000,000	4,000,000,000	290,907,037	2,909,070,370	Employee stock options and convertible bonds	Nil	04/21/2010 Ching-Shou-Shang-Zi no. 09901078530
2010.09	10	400,000,000	4,000,000,000	296,665,178	2,966,651,780	Capital increase by earnings	Nil	09/02/2010 Ching-Shou-Shang-Zi no.09901199850
2010.11	10	400,000,000	4,000,000,000	297,183,178	2,971,831,780	Employee stock options	Nil	11/18/2010 Ching-Shou-Shang-Zi no. 099001257750
2011.04	10	400,000,000	4,000,000,000	296,305,178	2,963,051,780	Employee stock options treasury stock retired	Nil	4/15/2011 Ching-Shou-Shang-Zi no. 100001075170
2011.07	10	400,000,000	4,000,000,000	296,316,207	2,963,162,070	Convertible bonds	Nil	7/26/2011 Ching-Shou-Shang-Zi no. 100001171400
2011.08	10	400,000,000	4,000,000,000	302,242,310	3,022,423,100	Capital increase by earnings	Nil	8/25/2011 Ching-Shou-Shang-Zi no.100001197910
2013.01	10	400,000,000	4,000,000,000	309,757,040	3,097,570,400	Employee stock options and convertible bonds	Nil	1/17/2013 Ching-Shou-Shang-Zi no.10201011600

## 2. Types of Stock

April 2, 2022 Unit: Share

Type of Stock	Authorized Share Capital			Remarks
	Listed (Note)	Unlisted	Total	
Common Stock	309,757,040	190,242,960	500,000,000	

Note : The above stocks are listed company stocks. Statistics from the April 2, 2022 book closure date.

## 3. Shelf Registration Related Information: N/A.

### (II) Composition of Shareholders

April 2, 2022 Unit: Person/Share/%

No.\ Composition	Government Agencise	Financial Institutions	Other Judicial Persons	Individuals	Foreign Institutions and Individuals	Total (Note)
No. of Shareholders	4	22	301	63,978	191	64,496
Shareholding	5,303,197	44,870,153	18,912,599	206,184,054	34,487,037	309,757,040
Shareholding Percentage	1.71	14.49	6.10	66.56	11.14	100.00

Note 1: The above share amount statistics are from the April 2, 2022 book closure date.

Note 2: TSWE primary listed, GTSM primary listed and emerging stock companies shall disclose Chinese

capital shareholding percentages: N/A.

### (III) Equity Dispersion

April 2, 2022 Unit: Share

Share types	Number of Shareholders	Shares	Shares %
1~999	18,606	1,745,782	0.56
1,000~5,000	39,195	72,497,162	23.40
5,001~10,000	3,778	29,786,238	9.62
10,001~15,000	1,015	13,093,461	4.23
15,001~20,000	665	12,419,440	4.01
20,001~30,000	484	12,586,164	4.06
30,001~40,000	210	7,604,079	2.45
40,001~50,000	122	5,637,348	1.82
50,001~100,000	224	15,849,639	5.12
100,001~200,000	89	12,461,394	4.02
200,001~400,000	46	13,516,170	4.36
400,001~600,000	19	9,261,849	2.99
600,001~800,000	9	5,972,954	1.93
800,001~1,000,000	5	4,595,488	1.48
1,000,001 above	29	92,729,872	29.95
Total	64,496	309,757,040	100.00

### (IV) List of Major Shareholders

Name(s), amount and proportion of shares held by shareholder(s) with shareholding ratios that accounted for more than 5% of the equity ratio or accounted for the top ten shareholders:

April 2, 2022 Unit: Person/Share/%

Major Shareholders	Shares	Shares (%)
1、China Life Insurance Co., Ltd.	8,414,000	2.72
2、Chunghwa Post Co., Ltd.	8,234,000	2.66
3、Fubon Life Insurance Company, Ltd.	7,087,000	2.29
4、Lin, Jin-Bao	5,987,263	1.93
5、Lin, Wan-Shing	5,030,722	1.62
6、New Labor Retirement Fund	4,518,000	1.46
7、Taipei Fubon Commercial Bank Trust Property Account	4,168,548	1.35
8、Cathay Life Insurance discretionary Cathay Pacific Investment Trust Investment Account (SG Taiwan Stock Strategy I	3,950,000	1.28
9、JPMorgan Chase Bank Taipei Branch is entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account of the Manager of the Van Gard Group	3,854,630	1.24
10、Huang, Hsiang-Lin	3,789,399	1.22

**(V) Data on share price, net value, profit, and dividend of the past two years**

Item	Year		2020	2021
Marketprice / share (Note 1)	Highest		88.00	144.50
	Lowest		36.10	74.40
	Average		64.91	105.94
Net value per share (Note 2)	Before distribution		31.17	41.19
	After distribution		27.37	(Note 9)
Earnings Per Share	Weight average number of shares (1000's share)		309,757	309,757
	Earnings Per Share (Note 3)	Before adjustment	4.61	10.06
		After adjustment	4.61	(Note 9)
Dividend Per share	Cash dividend		3.80	(Note 9)
	Stock dividend without compensation	Earnings per share	-	(Note 9)
		Stock dividend	-	(Note 9)
	Accrued undistributed dividend (Note 4)		-	(Note 9)
Analysis of rate of return	P/E (Note 5)		14.08	10.53
	P/C (Note 6)		17.08	(Note 9)
	C/P (Note 7)		5.85%	(Note 9)

\* If use profits or capital reserve for raising capital shares appropriate, then it should announce the information of the number of appropriate shares and retroactively adjust market price and cash dividend.

Note 1 : list the highest and lowest price of the common stocks in that year, and the average market price for that year is calculated based on the transaction values and transaction amounts.

Note 2 : Use the number of circulated shares at the end of the year as the base, then the dividend distributed determined in the coming year's stockholders' meeting.

Note 3 : If there is any retroactive adjustment from the stock dividend without compensation, then it should list earning per share on before and after adjustment.

Note 4 : If the equity investment has constraint that limits the undistributed dividend for that year and it is cumulated until to later profitable year. Then it should disclose the cumulative undistributed dividend up to that year.

Note 5 :  $P/E = \text{current year average share price at closing} / \text{earning per share}$ .

Note 6 :  $P/C = \text{current year average share price at closing} / \text{cash dividend per share}$ .

Note 7 :  $C/P = \text{cash dividend per share} / \text{current year average share price}$ .

Note 8 : The financial statements of TXC Corporation were audited or view or certified by CPA.

Note 9 : As of March 7, 2022, the retained earnings of 2021 has not yet admitted by the stockholders' meeting.

## **(VI) Company's dividend policy and its current implementation status**

### **1. Dividend policy as defined in the articles of incorporation :**

If the company generates annual profit, no less than 3% of that profit will be provided to employees as a bonus in the form of cash or company shares, as determined by the board of directors. Recipients of this bonus will include company employees who fulfill certain conditions. The company must apportion a directors' bonus of no greater than 2% of posted profit figures, following the board of directors' decision. Employee and director bonuses are announced at the general meeting of shareholders. However, the company shall retain a portion of funds prior to incurring losses, the amount beyond which will be distributed as bonuses according to the aforementioned proportion.

If there is a profit at the final settling of accounts after paying all taxes and offsetting of losses from previous years, the Company shall first set aside ten percent of the profits as legal reserve. This shall not apply when the legal reserve amounts to the total authorized capital. Director remuneration shall be no more than 2% and employee bonus shall be no lower than 3% of the special reserve allocated from the profits in accordance with the law or after reversal. The remainder together with undistributed earnings from previous periods after an appropriate amount is reserved depending on operating conditions is distributed as shareholder dividends as resolved by the shareholders' meeting. The board of directors is authorized to determine the counterparts for employee stock dividend distribution which include those company employees that conform to certain conditions.

The Company's dividend distribution policy is made in consideration of factors such as industry development being in a growth phase, long-term financial planning and shareholder cashflow requirements. Therefore, the earnings available for distribution for that year, after allocation of the legal reserve and special reserve in accordance with the law, shall be distributed as provided in the previous paragraph. Of this, the cash dividend portion of shareholder dividends shall not be lower than 20% of total dividends.

Specific dividend policy: Dividend payment over the years

Year	Cash Dividend	Stock dividend		X/R transactions date	Shareholders' meeting date	Cash dividend	Stock dividend
		Retained earnings transferred to common stock	Capital surplus transferred to common stock			payment date	payment date
1999	0	0.8	0	2000/09/14	2000/05/13	N/A	2000/11/16
2000	0	2.9	0	2001/06/05	2001/04/26	N/A	2001/07/31
2001	0.2	0.8	0.5	2002/09/12	2002/05/30	2002/10/17	2002/11/27
2002	0.10222	0.4089	0	2003/09/09	2003/06/16	2003/10/16	2003/11/11
2003	0.2999	0.499901	0	2004/09/13	2004/06/24	2004/10/15	2004/11/12
2004	0.480681	0.480681	0	2005/08/31	2005/06/13	2005/10/21	2005/10/21
2005	0.99982162	0.59989298	0	2006/08/09	2006/06/15	2006/09/20	2006/09/20
2006	1.94210210	0.97105104	0	2007/08/09	2007/06/13	2007/09/20	2007/09/20
2007	1.98486059	0.9924303	0	2008/08/12	2008/06/13	2008/09/18	2008/09/18
2008	2	0.5	0	2009/08/24	2009/06/16	2009/09/30	2009/09/30
2009	1.99640807	0.1996408	0	2010/08/12	2010/06/15	2010/09/21	2010/09/21
2010	2.49990694	0.19999253	0	2011/08/03	2011/06/10	2011/09/09	2011/09/09
2011	2.2	0	0	2012/08/20	2012/06/13	2012/09/13	N/A
2012	2.2	0	0	2013/08/19	2013/06/19	2013/09/17	N/A
2013	2.2	0	0	2014/08/17	2014/06/18	2014/09/05	N/A
2014	2.5	0	0	2015/08/20	2015/06/16	2015/09/18	N/A
2015	2.5	0	0	2016/08/11	2016/06/07	2016/09/13	N/A
2016	2.8	0	0	2017/08/15	2017/06/08	2017/09/15	N/A
2017	2.5	0	0	2018/08/15	2018/06/05	2018/09/18	N/A
2018	2.0	0	0	2019/08/15	2019/06/12	2019/09/11	N/A
2019	2.5	0	0	2020/07/30	2020/06/09	2020/08/27	N/A
2020	3.8	0	0	2021/08/20	2021/07/20	2021/09/10	N/A
2021	7.5	0	0	Undetermined	2022/05/31	Undetermined	N/A

Although the company's articles of association do not specify the distribution ratio of the dividends of the shareholders, the ratio of the distribution of the surplus of the preceding paragraph may be adjusted according to the relevant factors such as the actual pre-tax profit, capital budget and capital status of the year, and shall be handled after the resolution of the shareholders' meeting.

Estimated dividend distribution policy for the next three years

1. Employee bonus is 9%~12%
2. Directors' compensation is 1%~2%

The total dividend is based on more than 60% of the current year's profit (net of statutory surplus reserve) or



not less than 30% of the total distributable surplus, and the cash dividend shall not be less than 20% of the total cash dividend and stock dividend.

2. Suggested dividend appropriate in this shareholders' meeting :

Profit distribution for 2021

Unit : NT\$

Item	Amount	
	Sub-total	Sum
<b>Beginning period undistributed profits</b>		<b>2,076,148,453</b>
Net profit after tax for this year	3,116,984,205	
Adjusted retained earnings from investments accounted for using equity method	(140,813)	
Remeasurement of defined employee benefit plans to retained earnings	(8,138,470)	
The amount of undistributed profits		3,108,704,922
Setting aside 10% legal reserve		(310,870,492)
Revise the setting aside special reserve		346,761,432
<b>Profits available for distribution</b>		<b>5,220,744,315</b>
Distribution Item:		
Cash Dividends (NT\$7.5 per share)		(2,323,177,800)
<b>End period of undistributed profits</b>		<b>2,897,566,515</b>

Note: Allocation of 2021 undistributed profit shall be given priority for the above profit distribution.

Chairman: **Lin, Wan-Shing**

Manager: **Kuo, Ya-Ping**

Accounting Supervisor: **Hong Guan-wen**

**(VII) The effect of the shareholder's proposed stock grants on the Company's business performance and earnings per share: N/A (The Company did not offer stock grants this time).**

## **(VII) Employee bonus and rewards for directors and auditors**

### 1. The principle of surplus distribution in accordance with company regulations:

If the company generates annual profit, no less than 3% of that profit will be provided to employees as a bonus in the form of cash or company shares, as determined by the board of directors. Recipients of this bonus will include company employees who fulfill certain conditions. The company must apportion a directors' bonus of no greater than 2% of posted profit figures, following the board of directors' decision. Employee and director bonuses are announced at the general meeting of shareholders. However, the company shall retain a portion of funds prior to incurring losses, the amount beyond which will be distributed as bonuses according to the aforementioned proportion.

If there is a profit at the final settling of accounts after paying all taxes and offsetting of losses from previous years, the Company shall first set aside ten percent of the profits as legal reserve. This shall not apply when the legal reserve amounts to the total authorized capital. Director remuneration shall be no more than 2% and employee bonus shall be no lower than 3% of the special reserve allocated from the profits in accordance with the law or after reversal. The remainder together with undistributed earnings from previous periods after an appropriate amount is reserved depending on operating conditions is distributed as shareholder dividends as resolved by the shareholders' meeting. The board of directors is authorized to determine the counterparts for employee stock dividend distribution which include those company employees that conform to certain conditions.

The Company's dividend distribution policy is made in consideration of factors such as industry development being in a growth phase, long-term financial planning and shareholder cashflow requirements. Therefore, the earnings available for distribution for that year, after allocation of the legal reserve and special reserve in accordance with the law, shall be distributed as provided in the previous paragraph. Of this, the cash dividend portion of shareholder dividends shall not be lower than 20% of total dividends.

### 2. Accountant procedures if a current period's estimated employee dividend, the basis of director/supervisor bonus amounts and calculations for stock dividend figures differ from the amounts that are actually apportioned:

- (1) The basis of estimating the current period's estimated employee bonus and director/supervisor bonus figures: please see the aforementioned (VI).1. Stock dividend policy.
- (2) The basis for calculating stock dividends apportionments: if the company has not apportioned stock dividends during this period, please disregard.
- (3) Accounting procedures if the current period's actual apportioned value differs from the estimated figures: when a significant change occurs to the dividend value approved by the board of directors, which adjustment is due to annual expenses. If the figure remains changed by the day of the general meeting of shareholders, the matter will be processed according to the updated accounting estimate, and amounts transferred onto accounts according to general meeting of shareholder decision.

### 3. Proposal by the Board of Directors for surplus distribution in 2021:

As proposed by the Board of Directors on March 7, 2022 surplus distribution for employee bonus and directors' compensation are as follows:

- (1) Propose to allocate employee bonus in cash amounting to NT\$ 354,226,497 and directors'

compensation to NT\$59,037,750. There is no difference between the planned allocation amount from expense for employee bonus and surplus in the 2021 financial statement. So, no adjustment for income and loss is required.

- (2) The proposed distribution of employee compensation (stocks) and its share of the net profit after tax and total employee compensation for the current period: N/A.
  - (3) Propose to allocate employee bonus and directors' compensation in accordance with par value setting earnings per share at: NT\$10.06.
4. The Company Board of Directors on surplus allocation in 2020:  
The actual surplus allocation of employee bonus and directors' compensation is according to resolution adopted by the shareholders meeting on July 20, 2021.
- (1) Actual employee bonus and directors' compensation in cash are respectively: NT\$163,489,369 and NT\$27,248,228.
  - (2) No difference between the proposed allocation adopted by the Board of Directors and the resolution by shareholders meeting.

**(IX) Buyback of Common Stock: None**

## II. Convertible Corporate Bond

### (I) Handling of corporate bonds

March 7, 2022

Types of Corporate Bonds (Note2)	The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds (Note5)
Issue Date	July 26, 2021
Fair Value	NT\$100,000 per bond
Issuance and Trading Location (Note3)	N/A
Issue price	Issued at full face value
Total Value	NT\$1,200,000,000
Rate	The coupon rate is 0%
Tenor	3 years (expiration date July 26, 2024)
Guarantee Agency	N/A
Consignee	Yuanta Bank
Underwriting Agency	Yuanta Securities
Certified Lawyer	Chiu, Ya-Wen
CPA	Deloitte & Touche Hsieh, Ming-Chung, Su, Yu-Hsiu
Repayment Method	The bondholders shall be converted into ordinary shares of the Company in accordance with Article 10 of the Company's Fifth Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures, or the Company shall redeem in advance in accordance with Article 17 of these Measures, or the Company shall be operated by a securities firm. Except for the cancellation of premises repurchase, the company will repay the bonds held by the bondholders in cash within seven business days from the day following the maturity of the convertible corporate bonds.
Outstanding Principal	NT\$1,200,000,000
Redemption or Early Settlement Terms	(1) This bond will start from the next day (October 27, 2021) after the expiration of three months after the issuance and end forty days (June 17, 2024) before the expiration of the issuance period (maturity date), if the company's ordinary shares If the closing price of the stock on the Taiwan Stock Exchange has exceeded the current conversion price of the bond by more than 30% (inclusive) for 30 consecutive business days, the company may send the bond by registered mail within the following 30 business days. Holder (subject to the register of bondholders on the fifth business day prior to the date of dispatch, and for bondholders who acquire the bond due to trading or other reasons thereafter, it shall be announced by way of announcement) 1. A "Bond Callback Notice" that expires within 30 days (the aforesaid period starts from the date of dispatch by the company, and the expiry date of

Types of Corporate Bonds (Note2)	<p>The 5<sup>th</sup> domestic unsecured conversion of corporate bonds (Note5) the period is the base date for bond callback, and the aforesaid period shall not be the period of suspension of conversion as specified in Article 9), and Please write to the OTC Buying Center for an announcement, and within five business days after the base date of the bond call, the bond holder's bond will be collected in cash at the bond face value.</p> <p>(2) From the next day (October 27, 2021) three months after the issuance of the bonds to the forty days before the expiration of the issuance period (maturity date) (June 17, 2024), if the convertible corporate bonds are in circulation When the outstanding balance is less than 10% of the original total issued amount, the Company may, at any time thereafter, send the bondholders by registered mail (the ones on the register of bondholders on the fifth business day prior to the date of dispatch shall be the For the bondholders who acquire the bonds due to trading or other reasons, the bondholders will be notified by way of announcement) a "Bond Callback Notice" with a 30-day expiration date (the aforementioned period starts from the date of dispatch by the company) and the expiry date of the period shall be the base date for bond recovery, and the aforesaid period shall not be the period of suspension of conversion in Article 9), and the OTC Buying Center shall make an announcement in writing, and within five business days after the base date of bond recovery, the bond denomination shall be paid in Cash back the bond from the bondholder.</p> <p>(3) If the bondholder does not reply in writing to the company's stock agency before the date of the bond call-back as stated in the "Bond Callback Notice" (it will take effect when it is served, and the postmark date will be used as proof), The company will redeem the bond in cash at the bond face value within five business days after the bond call-back base date.</p> <p>(4) If the company executes the withdrawal request, the deadline for bondholders to request for conversion is the second business day after the day when the over-the-counter trading of the converted corporate bonds is terminated.</p>
Restrictive clause (Note4)	None
Name of credit rating agency, rating date, corporate bond rating results	N/A

Types of Corporate Bonds (Note2)		The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds (Note5)
Additional rights	Amount of ordinary shares, overseas depositary receipts or other marketable securities converted (exchanged or subscribed) up to the date of publication of the annual report	As of the date of publication of the annual report, there has been no request for conversion of ordinary shares by bondholders, and the amount of unexecuted conversion is NT\$1,200,000,000.
	Issuance and conversion (exchange or subscription) approach	Please refer to the company's 5 <sup>th</sup> domestic unsecured convertible corporate bond issuance and conversion measures
Issuance and conversion, exchange or share subscription method, issuance conditions may dilute the equity and the impact on existing shareholders' rights and interests	The conversion price of the domestic unsecured convertible corporate bonds issued this time is currently NT\$133.7 per share. It is assumed that when the corporate bonds are fully converted into ordinary shares, the equity dilution ratio to the existing shareholders is 2.82%, so the existing shareholders' equity should not be greatly affected	
The name of the custodian institution for the subject of the exchange	N/A	

Note 1: The handling of corporate bonds includes public offering and private placement of corporate bonds being handled. Publicly offered corporate bonds in process refer to those that have been valid (approved) by the Association; privately offered corporate bonds in process refer to those that have been approved by the board of directors.

Note 2: The number of fields is adjusted according to the actual number of transactions.

Note 3: Fill in for overseas corporate bonds.

Note 4: Such as restrictions on the distribution of cash dividends, foreign investment or the requirement to maintain a certain proportion of assets, etc.

Note 5: For private placements, it should be marked in a prominent way.

Note 6: For conversion of corporate bonds, exchange of corporate bonds, general declaration of issuance of corporate bonds or corporate bonds with stock options, the information on conversion of corporate bonds, exchange of corporate bond information, general declaration of issuance of corporate bonds and Attached is the stock option corporate bond information.

**(II) Convert corporate bond data**

Types of corporate bonds (Note 1)		The 5 <sup>th</sup> domestic unsecured conversion of corporate bonds	
Year		2021	As of March 7,2022
Item			
Convert corporate bond market price (Note2)	High	121.20	116.00
	Low	109.40	110.00
	Average	116.92	113.60
Convert price		NT\$ 133.7	NT\$133.7
Issuance (transaction) date and conversion price at the time of issuance		July 26, 2021 NT\$ 138	July 26, 2021 NT\$ 138
Ways of fulfilling conversion obligations (Note 3)		issue new shares	issue new shares

Note 1: The number of fields is adjusted according to the actual number of transactions.

Note 2: If overseas corporate bonds have multiple transaction locations, they are listed separately by transaction location.

Note 3: Delivery of issued shares or issuance of new shares.

Note 4: Information for the year ending on the date of printing the annual report should be filled in.



- III. Preferred Shares : None**
- IV. Issuance of Oversea Depositary Shares : None**
- V. Status of Employee Stock Option Plan : None**
- VI. Status of Employee Restricted Stock : None**
- VII. Status of New Share Issuance in Connection with Mergers and Acquisitions:  
None**

## VIII. Financing Plans and Implementation

### (I) The plan and implementation of the funds from the issuance of corporate bonds

#### 1. The content of the plan for the issuance and conversion of corporate bonds

- (1) Approval date and document number of the Financial Supervision and Administration Commission of the Executive Yuan: July 1, 2021 【No. 1100347527】
- (2) The approval date and document number of the Republic of China Securities OTC Trading Center as a consortium legal person: July 20, 2021 【No. 11000074062】
- (3) Total funds required for the project: NT\$1,200,000,000.
- (4) Source of funds: Issuance of the fifth domestic unsecured convertible corporate bonds in 2021  
Denomination: NT\$100,000  
Period: Three years / Coupon rate: 0 %  
Total Amount: NT\$1,200,000,000
- (5) Fund application plan, estimated progress and possible benefits:
  - i. Fund utilization plan projects, estimated progress

Unit : NT thousand

Project	Estimated Completion Date	Total funds required	Estimated progress of fund utilization			
			2021		2022	
			Q3	Q4	Q1	Q2
Repay bank loan	Q3'2021	600,000	600,000	—	—	—
Purchase machinery and equipment	Q2'2022	679,399	50,000	200,000	200,000	229,399
Total		1,279,399	650,000	200,000	200,000	229,399

The company declared and issued the fifth domestic unsecured convertible corporate bonds with a total amount of NT\$1,200,000,000. In June 2021, it submitted an application to the Financial Supervisory Commission. It plans to conduct public underwriting in the form of enquiry and purchase, according to the predetermined plan. After the completion of fund raising in the third quarter of 2021, it will be used to pay for the purchase of machinery and equipment and the repayment of bank loans. The repayment of bank loans has been completed according to the plan, and the purchase of machinery and equipment is more advanced than expected the backwardness is mainly due to the long acceptance period of the relevant purchased equipment and the unpaid follow-up payment. The equipment will continue to be purchased according to the plan. The use of funds and the estimated progress should be reasonable.

#### ii. Anticipated possible benefits

The company's total capital utilization in this plan is NT\$1,279,399,000, which is mainly used to purchase machinery and equipment and repay bank loans. The expected benefits are as follows:

##### a. Purchase machinery and equipment

In order to meet the market demand and expand the scale of operation, the NT\$679,399 thousand in this project is used to purchase machinery and equipment to develop the wafer-level packaging process. It is estimated that the production volume, sales volume, operating income, operating profit and operating profit of quartz products can be increased as follows:

Unit: 1000 PCS/NT\$1000

Year	Item	Production	Sales Volume	Sales Amount	Gross Profits	Operating Profits
2021	Crystal Product	6,000	6,000	70,560	23,849	18,204
2022		99,000	99,000	1,108,800	358,142	269,438
2023		108,000	108,000	1,149,120	344,276	252,347
2024		108,000	108,000	1,058,400	286,191	201,519
Total		321,000	321,000	3,386,880	1,012,458	741,508

b. Repay bank loan

The company is expected to repay the bank loan of NT\$ 600,000,000 in the project of this financing plan. The 5<sup>th</sup> domestic unsecured convertible corporate bond declared and issued this time is expected to be repaid in accordance with the bank loan contract immediately after the completion of the fundraising. It can save NT\$1,300,000 in interest expenses, and save about NT\$3,900,000 in interest expenses every year since 2021, and can improve the financial structure

2. Execution situation

Unit : NT thousand

Project	Implementation status		Q4'2021	As of Q4' 2021	Reasons for being ahead or behind and improvement plan
Repay bank loan	Amount	Plan	—	600,000	Completed as planned
		Actual	—	600,000	
	Status	Plan	—	100%	
		Actual	—	100%	
Purchase machinery and equipment	Amount	Plan	200,000	250,000	Due to the long acceptance period of the relevant purchased equipment, the follow-up payment has not yet been paid
		Actual	12,686	80,860	
	Status	Plan	29.44%	36.80%	
		Actual	1.87%	11.90%	
Total	Amount	Plan	200,000	850,000	Due to the long acceptance period of the relevant purchased equipment, the follow-up payment has not yet been paid
		Actual	12,686	680,860	
	Status	Plan	15.63%	66.44%	
		Actual	0.99%	53.22%	

**(II) The previous cash capital increase plan and its implementation: None**

# Chapter 5 Business Information

## I. Business Contents

### (I) Business Scope

#### (1). Major Business Contents

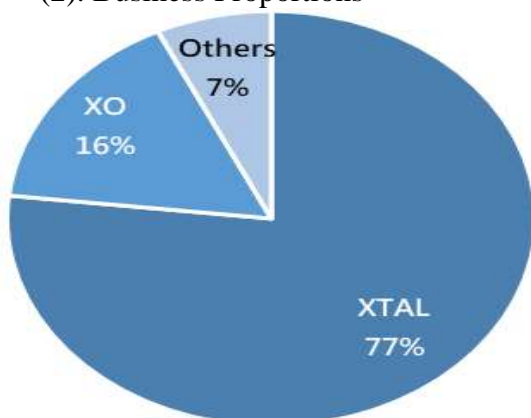
TXC is a professional frequency control component and sensory component manufacturer. Since the company's founding in December, 1983, it has been devoted to research and development, design, production, and sale of quartz component product series. Products include high precision, high quality quartz crystal, automotive crystal, crystal oscillators, and timing modules. Market demand has led TXC to develop multiple kinds of sensors using independent core technology.

TXC's products that are widely used in mobile communication, wearable devices, IoT, and automotive electronics markets. Over the years, we have upgraded customer value objectives and offered customers a variety of frequency control components for module design-in requirements to provide a total solution to satisfy the overall requirements of customers. TXC performance with regard to price, quality, delivery time and service continues to exceed customer expectations time and time again.

### Plays a Significant Role in Providing Timing Solutions

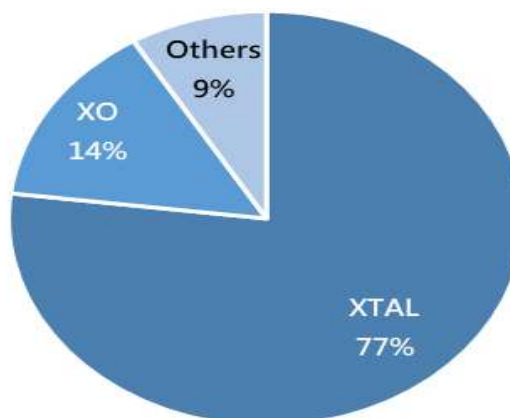


#### (2). Business Proportions












2021 Consolidated Revenue  
NT\$ 14,261,153 thousands


(inclu. property sales was NT\$ 15,244,851 thousands)



2020 Consolidated Revenue  
NT\$ 11,048,392 thousands

(3). Company's current products

Product Type	Type	Product Size	Product Picture
Crystals	SMD Glass Sealing Crystals	3.2 x 2.5mm 2.5 x 2.0mm , 2.0 x 1.6mm	
	SMD Seam Sealing Crystals	3.2 x 2.5mm 2.5 x 2.0mm , 2.0 x 1.6mm 1.6 x 1.2mm , 1.0 x 0.8mm	
	SMD AuSn Sealing Crystals	1.6 x 1.2mm , 1.2 x 1.0mm	
	SMD Seam Temperature Sensing Crystals (TSX)	2.5 x 2.0mm , 2.0 x 1.6mm 1.6 x 1.2mm , 1.2 x 1.0mm	
	SMD kHz Crystals(Tuning Fork)	3.2 x 1.5mm , 2.0 x 1.2mm 1.6 x 1.0mm , 1.2 x 1.0mm	
Oscillators	SMD Crystal Oscillators (CMOS)	5.0 x 3.2mm 3.2 x 2.5mm , 2.5 x 2.0mm 2.0 x 1.6mm , 1.6 x 1.2mm	
	SMD Crystal Oscillators (Differential)	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm	
	SMD kHz Crystal Oscillators	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm	
	SMD Voltage Controlled Crystal Oscillators (VCXO)	7.0 x 5.0mm , 5.0 x 3.2mm 3.2 x 2.5mm	
	Oven Controlled Crystal Oscillators (OCXO)	14 x 9 mm(SMD type) 19.7 x 7.5mm (SMD type) 7.0 x 5.0 mm(SMD type)	
	SMD Temperature Compensated Crystal Oscillators (TCXO)	3.2 x 2.5mm , 2.5 x 2.0mm 2.0 x 1.6mm , 1.6 x 1.2mm	
	Precise SMD Temperature Compensated Crystal Oscillators (TCXO Stratum-3)	7.0 x 5.0mm (4 Pad) 7.0 x 5.0mm (10Pad) 5.0 x 3.2mm	
Sensors	Light Sensors	2.5 x 2.0mm	
	Air Sensors	2.0 x 2.0mm	
	Thermal Sensors	24 x 24mm	

Product Type	Type	Product Size	Product Picture
Automotive	Glass Sealed Crystal / Seam Sealed Crystal /XO/TCXO /TSX/kHz Crystal Oscillators/ kHz Crystals (Tuning Fork)	8.0 x 4.5mm , 5.0 x 3.2mm 3.2 x 2.5mm , 3.2 x 1.5mm 2.5 x 2.0 mm , 2.0 x 1.6 mm 1.6 x 1.2 mm	

(4). Scheduled new products development

According to the development strategy and market demand, the company will continue to invest in R & D resources, actively develop new technologies, take "miniaturization, high stability, modularization" as the product development policy, and expand the market share of high-end applications and high added value products. Based on the company's core technology, the company has developed horizontally and actively entered the fields of optics, microelectronics, sensors and medical electronics. In the face of rapid changes and fierce competition in domestic and foreign markets, the company plans to focus on the following new product development:

i. Development of miniaturized products

After years of taking root in quartz component technology, the company has been synchronized with the world's leading manufacturers. The company successfully mass produced the smallest 1.0x 0.8x0.30mm quartz crystal component on the market, and started the R&D plan of 320 MHz ultra-high frequency quartz crystal components to meet the needs of future product miniaturization and 5G related requirements. as the main force of the next generation of miniaturized products. In order to meet the needs of future product miniaturization and 5G related requirements, the company will continue to develop higher precision process technology, achieve the pre layout of its own engineering technology, and realize product development with high cost-performance ratio, low energy consumption, high vibration resistance and large frequency and wide range.

ii. Development of automotive electronics products

TXC won the IATF-16949 quality operating system certification and completed the version conversion of ISO 9001/IATF 16949-2016. The products continue to move forward in technology, safety, quality and other aspects to improve to the highest quality reliability of grade 0. Currently, the products developed are small-scale, wide temperature range temperature compensated quartz oscillator (TCXO) and suitable for grade 0 quartz components. We are ready for the growth momentum of automotive electronic products.

iii. Development of advanced crystal vibrator and oscillator and module products

Continue to invest in the development of advanced oscillators to meet the high-performance requirements of emerging 5G applications. In 5G mobile phones, we will focus on the miniaturization of temperature compensated quartz oscillator (TCXO) with high stability, low phase noise and low power consumption to meet the technical requirements of new generation millimeter wave. In 5G network equipment, most of the equipment needs to be equipped with optical fiber communication module to complete high-speed data transmission. The miniaturized HFF low jitter XO required by the module is the focus of the company's development investment. In 5G base station, various new

application specifications such as low noise, high stability, high temperature resistance, anti vibration, airtightness and miniaturization need to be meTXC's miniaturized high-precision constant temperature controlled oscillator module (Miniature OCXO), wide temperature range high stability temperature compensated quartz oscillator (Stratum-3 TCXO) and high frequency oscillator/voltage controlled oscillator (HFF XO/VCXO) products will continue to be put into use to meet the application and development of 5G or next generation communication technology.

iv. Development of sensing application products

In the thermal image sensing layout, we are working with partners to develop far-infrared thermal imagers for automatic driving night vision. The developed vacuum ceramic heterojunction packaging technology will be extended to the monitoring and action sensing temperature sensor packaging services.

v. Development trend of future terminal application products

		2022	2023	2024
Product	MHz Crystal	<ul style="list-style-type: none"> <li>3225 Xtal Ultra HFF.</li> <li>1210 Xtal Ultra HFF</li> </ul>	<ul style="list-style-type: none"> <li>1008 Xtal Bio.</li> <li>1008 Xtal HFF</li> <li>1008 Xtal Low</li> <li>1210 Xtal Ultra Low Freq.</li> </ul>	<ul style="list-style-type: none"> <li>0806 Xtal HFF</li> </ul>
	MHz Crystal Thermistor	<ul style="list-style-type: none"> <li>1612 TSX HFF.</li> <li>1612 TSX High</li> </ul>	<ul style="list-style-type: none"> <li>1210 TSX HFF.</li> <li>©1612 TSX HFF</li> </ul>	<ul style="list-style-type: none"> <li>1210 TSX Ultra High Power</li> <li>1008 TSX High Power</li> </ul>
	XO	<ul style="list-style-type: none"> <li>2016 XO (&lt;2.1GHz)</li> <li>3225 XO (485MHz)</li> </ul>	<ul style="list-style-type: none"> <li>1612 XO (&lt;2.1GHz)</li> <li>2016 XO</li> </ul>	<ul style="list-style-type: none"> <li>1210 XO (1-52MHz)</li> </ul>
	VCXO	<ul style="list-style-type: none"> <li>2016 VCXO &lt;2.1GHz</li> </ul>	<ul style="list-style-type: none"> <li>7050 VCXO (Ultra Low PJ)</li> </ul>	
	TCXO	<ul style="list-style-type: none"> <li>1612 TCXO (SIP)</li> <li>1409 S3 TCXO (Low PN)</li> </ul>	<ul style="list-style-type: none"> <li>5032 S3-TCXO (High)</li> </ul>	<ul style="list-style-type: none"> <li>1210 TCXO</li> <li>© 2016 TCXO (G1)</li> </ul>
	OCXO	<ul style="list-style-type: none"> <li>5032 OCXO(95°C)</li> </ul>	<ul style="list-style-type: none"> <li>7050 OCXO(105°C)</li> <li>1409 OCXO (High Stability)</li> </ul>	<ul style="list-style-type: none"> <li>3225 OCXO (Mini)</li> </ul>
	SENSOR	<ul style="list-style-type: none"> <li>1610 Plastic Molding 0.5mm thickness Prox/ALS</li> </ul>	<ul style="list-style-type: none"> <li>384x288 Thermal Image Sensor</li> <li>80x80/160x120 Thermal Image</li> <li>Hall Sensor T type package</li> <li>80x80/160x120 Thermal Camera Module</li> </ul>	<ul style="list-style-type: none"> <li>384x288 Thermal Camera Module</li> </ul>
	3Q		<ul style="list-style-type: none"> <li>0806 76.8MHz</li> </ul>	<ul style="list-style-type: none"> <li>0806 Ultra thin 320MHz</li> </ul>

Note : ©表示車載用產品

## (II) The Industry

### (1). Current industry status and development

In response to the rapid development of the industry in the new era of 5G communication, in order to meet the design trend of mobile terminals and intelligent electronic products, the design trend is toward integration, high-function computing, and multi-processing. Short, small, precise and thin have become the development trend of the integration level of quartz crystal components. Due to the development and progress of production technology, microelectronics technology has laid a good technical foundation for the miniaturization of intelligent electronic products, mobile terminals and other products. In addition, the design

and application of the micro-electromechanical system also provides technical reference and technical inspiration for the processing of quartz crystal raw materials, and accelerates the development of quartz crystal components to miniaturization and high precision.

In the international market, the production of high-end quartz crystal components and their raw materials is mainly concentrated in Japan, Taiwan, the United States and other places, while the production enterprises of quartz crystal components in Taiwan and mainland China have developed rapidly in recent years. The technical level and production scale, process technology and product quality are close to international advanced enterprises

From the horizontal comparison of the three elements of quartz component technology: frequency, accuracy, and size, it is known that Japanese manufacturers are in a leading position in technology and have excellent product improvement capabilities in terms of accuracy and size, and can further measure them. production, automated production. As for Taiwanese manufacturers, in the early days, they followed the market development and directly purchased raw materials, equipment and processes, mass-produced products, and focused on rapid market launch. Recently, they have gradually internalized technology into their own capabilities and improved them through the improvement of equipment and process capabilities.

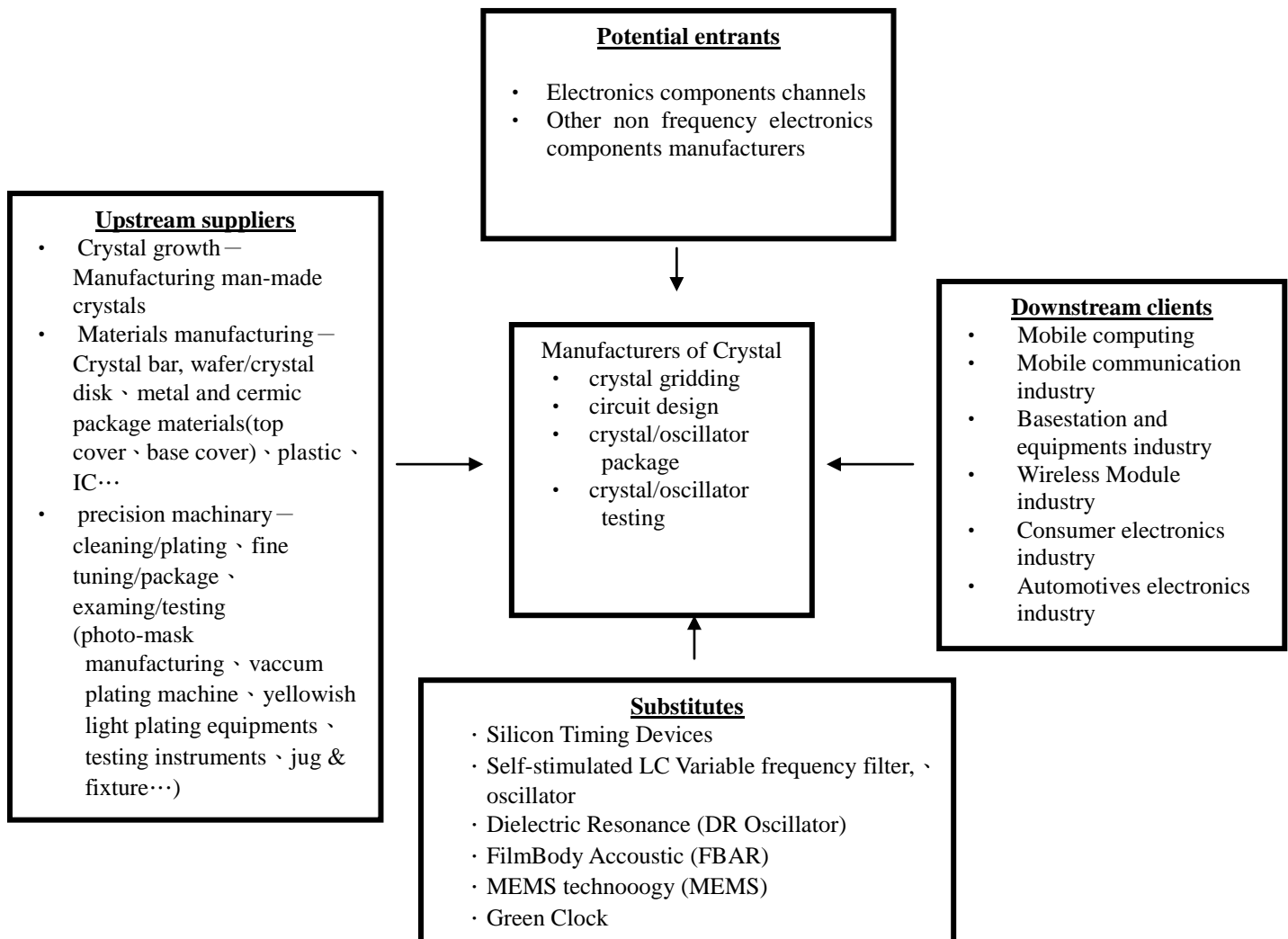
Key element	European, USA manufactures	Japanese manufactures	Taiwanese manufactures	China manufactures
Frequency	Middle	Very high	Very high -middle	Middle-low
Precision	Middle	Very high	Very high -middle	Middle-low
Size	Middle	Very high	Very high -middle	Middle-low

Currently, in Taiwan the major crystal manufacturers are TXC Corp, Siward Crystal Technology, Taitien Electronics, Tai-Saw Technology, Harmony Electronics, and EChina Technology. Currently TXC Corp has the highest market share in Taiwan.



(2). Market relationship of up, middle, and down stream companies

Crystal components are our major product and it is also the basic electronics parts. Our upstream industries include crystal growth, material manufacturing, and precision machinery. The downstream applications include information technology, wire and wireless communications, consumer electronics, and network products etc. The relationship between the up, middle, and downstream manufacturers is given in the below diagram:



(3). Development Trend of Crystal Industry

i. Quartz components industry development trend

Quartz component products are important components of electronic products. In order to match the vigorous development and trend of future terminal applications, its future product type, product precision and size will develop towards the following trends:

(a). Miniaturization, SMD trend

The goal of miniaturization will focus on the development of technologies such as single chip IC, chip design and manufacturing, packaging and testing; taking SMD type frequency components as an example, the current length and width dimensions have been developed from  $3.2 \times 2.5\text{mm}$ ,  $2.5 \times 2.0\text{mm}$ ,  $2.0 \times 1.6\text{mm}$ , and then to  $1.6 \times 1.2\text{mm}$ ,  $1.2 \times 1.0\text{mm}$ ,  $1.0 \times 0.8\text{mm}$ , or even smaller  $0.8 \times 0.6\text{mm}$ ; the height of the components has also been from 1.2mm, 0.9mm, 0.8mm, 0.7mm, 0.5mm to 0.35mm , 0.30mm, 0.25mm improvement. In addition to the size reduction achieved by SMD packaging, it can also be connected with the industrial chain of downstream customers; including the technology development trend of front-end chipset, product design trend of brand customers and SMT production of related customers, etc., and all can achieve adaptation.

- (b). High frequency low noise, high precision and high stability oscillator module
- 5G wireless communication system is mainly composed of RRU or AAU, front-haul network, BBU or CU/DU, back-haul network, core network and access network.
- High frequency and low noise: through the high frequency basic wave crystal matching etching technology autonomously developed by our company, we have completed the development of high frequency ( $> 200\text{MHz}$ ) and low noise crystal oscillator (XO) and voltage controlled crystal oscillator (VCXO) to meet the requirements of 5G communication optical module and RF system.
- High precision: the TCXO with high precision ( $+ / - 100\text{ppb}$ ) and high temperature ( $- 40 \sim 105 \text{ }^\circ\text{C}$ ) is developed to meet the needs of 5G AAU requirements through the customized dual circuit temperature compensation circuit and low disturbance quartz crystal matching customized temperature compensation algorithm.
- High stability: the first constant temperature crystal oscillator (OCXO) in the industry is completed through the innovative patented embedded ceramic heater packaging technology, surface mounted SC-cut crystal and customized temperature control circuit. This product has the advantages of miniaturization ( $9.7 \times 7.5\text{mm}$ ), and is especially suitable for providing the synchronous system of the basic frequency unit.
- Based on the evolution of various high-speed transmission systems, the corresponding frequency components move towards the direction of high frequency, modularization, high precision and high stability. We have developed all kinds of oscillator modules through our own packaging, resonators and customized IC technologies, which is conducive to the simplification of customer circuit design to meet the performance requirements of 5G applications.

The products are as the below list

No	Projects	PKG	Type	Features
		(mm)		
1	High Frequency XO (~2GHz)	7.0×5.0	CMOS	High Frequency
		5.0×3.2	LVPECL	High Precision(ppm)
		3.2×2.5	LVDS	Low Noise
		2.5×2.0	HCSL	Low Jitter
2	High Frequency VCXO (~2GHz)	7.0×5.0	CMOS	High Frequency
		5.0×3.2	LVPECL	High Precision(ppm)
		3.2×2.5	LVDS	Low Noise 、 Low Jitter Broadband regulation

No	Projects	PKG	Type	Features
3	High Frequency SO (above 150MHz)	7.0×5.0 5.0×3.2	LVPECL LVDS	High Frequency Low Noise
4	TCXO	3.2×2.5 2.5×2.0 2.0×1.6 1.6×1.2	Clipped Sine	High Stability(ppm)
5	Stratum 3 TCXO	7.0×5.0 5.0×3.2	Clipped Sine CMOS	Ultra High Stability(ppb)
6	OCXO	14 × 9 9.7×7.5 7.0×5.0	LVC MOS HCMOS Sinewave	Ultra High Stability(ppb)

#### ii. Sensor industry development trend

Full screen has become an important feature of smart phones. There are two major development directions to keep part of the bang space and to narrow the frame. The product form, size and characteristics of optical sensor will develop towards two trends of miniaturization and underneath the screen.

COVID-19 has spread throughout the world since the beginning of 2020. With the development of the epidemic, body temperature monitoring has been cited as the fastest and easiest initial screening method. For a while, various public places are vying to set up body temperature monitoring systems. In a short period of time, thermal sensing components from medium and long-distance body temperature measuring devices such as cameras to ear thermometers/forehead thermometers and other short-distance thermal sensing elements were sold out in a short time. According to YOLE's statistics, thermal sensing elements will be sold in 2020. The year-on-year growth is about 76% compared to 2019, and the subsequent market demand is expected to grow by more than 30% each year.

#### (4). Competition Situation

##### i. Frequency components:

Due to the unreasonable price cutting competition in the frequency component industry for a long time, the Japanese industry has been unable to get rid of the financial deficit for years. With the application trend of 5G, AIoT high stability, high temperature and ultra miniaturization products, the manufacturers are limited by their technical ability, have the capacity and ability to provide the frequency component manufacturers that meet 5G and AIoT products, and have been focused on the top 5 in the market. Therefore, frequency components with the continuous development of 5G and AIoT industries, it is expected that 5G will accelerate the situation favoring big players and promote the transformation of industrial ecology.

However, products with high stability, high temperature and ultra miniaturization are in urgent need of rigorous product design and stringent production conditions, including investment and preparation of special production equipment are a test of the R & D and

manufacturing capabilities of manufacturers, especially the ability to optimize cost structure. The marketing team of the company has linkws to reference designs of various front-end IDH manufacturers and grasped the trend of production materials, market supply and demand, long-term operation and cultivation of clients, which has made the prices return to a reasonable level, to promote the company to build a reasonable profit, and improve the health of the industrial chain.

ii. Sensors

In the past two years, the appearance design of smart phones has changed rapidly, which has affected the size and functional requirements of the sensor of customers. In addition, the main competitors have launched various customized designs, leading to the company's past competitive advantage in small single hole facing severe challenges, and directly affecting the adoption of new cases in major customers. Secondly, the competitor's product design adopts plastic packaging, which has a comparative advantage in cost, simultaneously impacts the sensor market price, affects the order receiving and faces severe alternative competition.

3. Technology and Recent Research and Development

(1) Ratio of R&D expense of total revenue during recent years up to December 31, 2021

Units : NT\$ 1,000 , %

Year	2020	2021 (Note)
Net Revenue	11,048,392	14,261,153
R&D expense	769,441	945,213
R&D Expense/Net Revenue (%)	6.96	6.63

Note : exclude property sales

(2) Research and Development Results

Products development - Crystal	<ul style="list-style-type: none"> <li>1、 SMD 3.2 x 2.5 mm Crystal for Mobile, Networking, Infra, Automotive</li> <li>2、 SMD 2.5 x 2.0 mm Crystal for Mobile, Networking, Infra, Automotive</li> <li>3、 SMD 2.0 x 1.6 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>4、 SMD 1.6 x 1.2 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>5、 SMD 1.2 x 1.0 mm Crystal for Mobile, Wearable, IOT, Networking</li> <li>6、 SMD 1.0 x 0.8 mm Crystal for Mobile, Wearable</li> <li>7、 SMD 2.5 x 2.0 mm TSX for Mobile, Automotive</li> <li>8、 SMD 2.0 x 1.6 mm TSX for Mobile, Wearable, Automotive</li> <li>9、 SMD 1.6 x 1.2 mm TSX for Mobile, Wearable</li> <li>10、 SMD 1.2 x 1.0 mm TSX for Mobile, Wearable</li> </ul>
Products development - Oscillator	<ul style="list-style-type: none"> <li>1、 SMD Seam XO 2.0 x 1.6 mm 2~54 MHz</li> <li>2、 SMD Seam XO 1.6 x 1.2 mm 2~54 MHz</li> <li>3、 SMD 1.6 x 1.2 mm Oscillator for Automotive</li> <li>4、 SMD 7.0 x 5.0 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>5、 SMD 5.0 x 3.2 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>6、 SMD 2.5 x 2.0 mm Oscillator for Differential Output Oscillator for Telecom</li> <li>7、 SMD 2.5 x 2.0 mm Oscillator for Automotive</li> <li>8、 SMD 2.0 x 1.6 mm Oscillator for Automotive</li> <li>9、 SMD 7.0mm x 5.0mm High Frequency XO/VCXO (2.1GHz) for Base SMD 3.2 x 2.5 mm Crystal for Mobile, Networking, Infra, Automotive</li> </ul>

	<ul style="list-style-type: none"> <li>10、 SMD 2.5 x 2.0 mm Crystal for Mobile, Networking, Infra, Automotive</li> <li>11、 SMD 2.0 x 1.6 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>12、 SMD 1.6 x 1.2 mm Crystal for Mobile, Wearable, IOT, Networking, Infra, Automotive</li> <li>13、 SMD 1.2 x 1.0 mm Crystal for Mobile, Wearable, IOT, Networking</li> <li>14、 SMD 1.0 x 0.8 mm Crystal for Mobile, Wearable</li> <li>15、 SMD 2.5 x 2.0 mm TSX for Mobile, Automotive</li> <li>16、 SMD 2.0 x 1.6 mm TSX for Mobile, Wearable, Automotive</li> <li>17、 SMD 1.6 x 1.2 mm TSX for Mobile, Wearable</li> <li>18、 SMD 1.2 x 1.0 mm TSX for Mobile, Wearable</li> <li>19、 SMD 5.0mm x 3.2mm High Frequency XO/VCXO (2.1GHz) for Base Station, Networking, Infrastructure</li> <li>20、 SMD 3.2mm x 2.5mm High Frequency XO/VCXO (2.1GHz) for Base Station, Networking, Infrastructure</li> <li>21、 SMD 5.0 x 3.2 mm Stratum-3 VC-TCXO for Base Station, Small-cell, Networking, Infrastructure</li> <li>22、 SMD 5.0 x 3.2 mm Stratum-3 VC-TCXO with high temperature and low phase noise for Base Station</li> <li>23、 SMD 3.2 x 2.5 mm HFF VCXO for Base Station, Networking, Infrastructure</li> <li>24、 SMD 3.2 x 2.5 mm TCXO for GPS and Mobile</li> <li>25、 SMD 2.5 x 2.0 mm TCXO for GPS and Mobile</li> <li>26、 SMD 2.0 x 1.6 mm TCXO for GPS and Mobile</li> <li>27、 SMD 1.6 x 1.2 mm TCXO for GPS and Mobile</li> <li>28、 SMD 1.6 x 1.2 mm Low Profile TCXO for GPS and Mobile SIP Module</li> <li>29、 SMD 3.2 x 2.5 mm TCXO for Automotive</li> <li>30、 SMD 2.5 x 2.0 mm TCXO for Automotive</li> <li>31、 SMD 2.0 x 1.6 mm TCXO for Automotive</li> <li>32、 SMD 7.0 x 5.0 mm Stratum-3 TCXO with high temperature and low phase noise for Base Station</li> <li>33、 SMD 7.0 x 5.0 mm Stratum-3 TCXO for Base Station, Small-cell, Networking Infrastructure</li> <li>34、 RTC 10.1 x 7.4 mm for smart utilities devices, electric meters, gas meters</li> <li>35、 SMD 1.6 x 1.2 mm 32k TCXO for wearable device</li> <li>36、 SMD7.0 x5.0mm Miniaturized Oven-Controlled Crystal Oscillator for 5G RRHs, Small Cells</li> <li>37、 SMD 9.7 x 7.5mm Miniaturized Oven-Controlled Crystal Oscillator for telecommunication, stratum-level and base-station</li> <li>38、 DIP 25 x 25 mm OCXO for stratum-level and base-station</li> <li>39、 SMD 5 x 3.2 mm Miniaturized Oven-Controlled Crystal Oscillator for 5G RRU, Small Cells, and TSN</li> </ul>
Products development - Sensor	<ul style="list-style-type: none"> <li>1、 SMD 4.0 x 2.4mm Ambient Light Sensor and Proximity Sensor with Integrated IR LED for Mobile Phone</li> <li>2、 SMD 2.5 x 2.0mm Ambient Light Sensor and Proximity Sensor with Integrated IR LED for Mobile Phone</li> <li>3、 SMD 3 in 1 Light Sensor 2.5 x 2.0 mm for Smartphone, Tablet, DSLR, Smart wearable , Fitness devices</li> <li>4、 SMD 3 in 1 Light Sensor 4.5 x 0.9 mm for Smartphone, Tablet, Smart wearable , Fitness devices</li> <li>5、 1.6 x 1.6 mm 3-axis electronic compass for Sensor application</li> </ul>
Products development - Blank	<ul style="list-style-type: none"> <li>1、 Inverted MESA BLK 1.3 x 1.03mm</li> <li>2、 Inverted MESA BLK 1.6 x 1.14mm</li> <li>3、 Inverted MESA BLK 2.49 x 1.83mm</li> <li>4、 Inverted MESA BLK 0.763 x 0.670mm</li> </ul>
Patents and Academic publications	<p><b>【Patents】</b></p> <ul style="list-style-type: none"> <li>1、 Structure and production method of the piezoelectric quartz oscillator chip</li> <li>2、 Quartz crystal oscillator</li> <li>3、 Crystal oscillator with layout structure for the miniaturization of size</li> <li>4、 Grooved resonator unit packaging structure</li> </ul>

- 5、 Light sensor chip packaging structure
- 6、 Stacked light sensor chip packaging structure
- 7、 Thru-hole resonator device wafer level packaging structure
- 8、 Thru-hole resonator device wafer level packaging structure manufacturing method
- 9、 Thru-hole resonator device wafer level packaging structure manufacturing method
- 10、 Improved resonator wafer grade packaging structure
- 11、 Strengthen hermetic sealing of oscillator wafer grade packaging structure
- 12、 Partitioned side-by-side photo-sensing chip package structure
- 13、 Micro aerosol sensing components
- 14、 Micro aerosol sensing device with self-cleaning function
- 15、 Quartz oscillator plate
- 16、 OVEN CONTROLLED CRYSTAL OSCILLATOR CONSISTING OF HEATER-EMBEDDED CERAMIC PACKAGE
- 17、 TEMPERATURE-CONTROLLED AND TEMPERATURE-COMPENSATED OSCILLATING DEVICE AND METHOD THEREO
- 18、 Micro aerosol sensing element (thermophoresis)
- 19、 Infrared sensor

For the patents or possible patents of TXC, please refer to relative patent database  
<http://www.tipo.gov.tw/ch/>

**【Papers】**

- 1、 The World's Smallest Quartz-Based OCXO for 5G Synchronization Applications (English), 2021
- 2、 A Novel Miniature OCXO Using Hermetically Sealed Ceramic Package (English), 2020
- 3、 Highly Stable Miniaturized OCXO with HeaterEmbedded Ceramic Package (English), 2018
- 4、 Development of High-Stability Miniaturized Oven Controlled Crystal Oscillator (English), 2016
- 5、 Anchor loss reduction of quartz resonators utilizing phononic crystals. (English), 2015
- 6、 A Perspective for the Quartz Crystal Devices Industry and Technologies in Taiwan and China. (English), 2014
- 7、 A Study for the Relationship between Drive Level and the Activity Energy in Arrhenius Accelerated Aging Model for the Small Quartz Resonators. (English), 2014
- 8、 A Study on Raising the Fundamental TS-mode Resistance by Energy Trapping for 3rd Overtone. (English), 2014
- 9、 Laser Measurement and Identification of Vibration Modes of AT-cut Quartz Crystal Resonators. (English), 2013
- 10、 The Study of Aging Frequency Drift Mechanism for Quartz Crystal Resonators. (English), 2013
- 11、 Advanced TSV-Based Crystal Resonator Devices Using 3-D Integration Scheme With Hermetic Sealing. (English), 2013
- 12、 TSV-based quartz crystal resonator using 3D integration and Si Packaging technologies. (English), 2013
- 13、 A Brief View of the Current State of the Development and Aging Performance of Fixed Frequency Surface Acoustic Wave (SAW) Oscillator (English), 2012
- 14、 Properties of Miniature X- and Z'-Elongated Rectangular AT-CUT Quartz Resonators of Different Sizes (English), 2012
- 15、 Vibration Mode Identification and Coupling Assessment with the Mindlin Plate Equations and Measurements is a Quartz Crystal Plate (English), 2012
- 16、 Aging Performance of Small Size MHz Quartz Crystal Under High Drive (English), 2011
- 17、 Inharmonic Overtones in Partially Plated AT-cut Quartz Crystal Plates (English), 2011
- 18、 The Study of Activation Energy (Ea) by Aging and High Temperature Storage for Quartz Resonators' Life Evaluation (English), 2011
- 19、 An Efficient AT-cut quartz Crystal Resonator Design Tool for Activity Dip in Working Temperature Range (English), 2011

#### 4. Long and short term sales and marketing plan

##### (1). Short-term Development Plan

###### i. Marketing Strategy

- A. Focus on and accelerate the promotion and penetration of 5G Infrastructure/Automotive target customers
- B. In response to the product application in the 5G Infrastructure market, enhance the deployment of AOM/XO full-size products and customer promotion, and adjust and meet customer needs in real time based on the supply and demand of the semiconductor market
- C. Strengthen the 1st Design win of Automotive Tier 1 IC Design House
- D. Improve the customer structure of small-sized products and the sales structure of special customer specifications to diversify customer groups and reduce the risk of customer concentration
- E. Continue to introduce process automation and customer order requirements B2B (system docking) according to the goals of each stage, streamline the process and manpower, and ultimately improve the response speed of demand scheduling
- F. Through the practice of intelligence, mobilization and big data analysis in information systems (BI), it assists business personnel in the formulation and judgment of sales strategies

###### ii. SMD Manufacturing Strategy

- A. Focus on improving and reducing manufacturing costs: Strengthen the quality assurance system and cross-departmental collaboration, effectively and balance the use of resources, remove or reduce sluggish, wasteful, and ineffective costs, actively improve the cost of poor quality (COPQ), continue to improve production efficiency, and maintain high gross profit and high-quality competition Advantage
- B. Accelerate the improvement of new product mass production efficiency: In response to the miniaturization of 5G high-frequency products and the demand characteristics of a small amount and variety, implement the New Product Introduction (New Product Introduction) process tolerance evaluation and production efficiency, and ensure that the new product volume and product quality meet the demand (Time to Volume & Time to Market) to meet the rapidly changing needs of customers and the market, and effectively support the company's revenue and gross profit growth goals
- C. Build equipment independent development capabilities: continue to recruit equipment development related software and hardware talents, transplant existing single-point optimization key equipment functions to independently develop new equipment, reduce dependence on constrained overseas suppliers, and introduce SECS/GEM communication standards to enable The machines in the factory gradually realize the goal of intelligent manufacturing and establish the company's long-term competitive advantage
- D. Complete digital system platform tools: Accelerate the upgrade of the intelligent production information system and the integration of related data platforms(Engineer Data Analysis System), reduce abnormal operations, improve operational efficiency, and strengthen the accuracy, completeness and timeliness of on-site related data collection to

improve the speed of problem solving and the quality of operational decision-making analysis

iii. MEMS Strategy

- A. Develop advanced wafer process technology: Accelerate the development of wafer process-related technologies such as quartz etching and yellow light development to meet future market competition and to meet the requirements of miniaturization, high frequency, high stability, and harsh application environment conditions for a large number of products such as 5G, Internet of Things, and automotive electronics Needs
- B. Improve chip design and development capabilities: With the development of advanced wafer process technology, the chip design and development capabilities will be upgraded to a higher level of technology, such as SC-cut, Inverted-MESA, and Photo-AT. At the same time, it combines the two core advanced technologies of wafer process and chip design to innovate the existing process and stabilize the mass production capacity to meet the special needs of the market, and accelerate the expansion of the application layout of 5G and IoT products
- C. Cooperate with crystal design and advanced packaging and testing technology capabilities to meet product market demands for miniaturization, high drive, high frequency, high stability, and harsh application environmental conditions
- D. Combining internal and external resources, adjust the proportion of high- and low-value operations, and concentrate resources to develop core technologies and products.
- E. Complete digital system platform tools: Accelerate the upgrade of the intelligent production information system and the integration of related data platforms, reduce abnormal operations, improve operational efficiency, and strengthen the accuracy, completeness and timeliness of on-site related data collection to improve the speed of problem solving and the quality of operational decision-making analysis

iv. Quality Assurance Strategy

- A. To meet customer expectations and long-term trust as the orientation, pursue the goal of zero risk in the operation process and zero defect in product quality, and continue to promote the quality awareness activities of all employees and the optimization of various operations.
- B. To focus on the process management of the quality, delivery and cost of R&D of highly stable and miniaturized products in the New Product Introduction (NPI, New Product Introduction) process, and optimizes simultaneous engineering operations, reduces the number of design changes and reduces COPQ losses
- C. Expand product testing, verification equipment automation, intelligence and EDA system data integration and analysis capabilities
- D. Promote the effectiveness of suppliers' management of products and processes that are free of hazardous substances in compliance with international standards, and promote the formulation of management operations for continuous operations and emergency response to disasters
- E. Strengthen supplier quality management of main raw materials
- F. Continue to promote the quality activities of "three-seeing and four-nothing" to prevent the risk of bad failure in the production process, and through QRQC management, the prevention and detection of production abnormal events can be quickly and effectively introduced to reduce COPQ



#### v. Product R&D Strategy

- A. R&D for Crystal oscillator: According to the market and customer requirements, the next-generation XO, VCXO, TCXO and OCXO and other products are developed. In terms of technology, the capabilities of customized integrated circuits, special packaging, temperature compensation algorithms and signal integrity will be strengthened to support new product development needs. In addition, the next-generation 6G communication technology is also the focus of research. The development of new products will focus on miniaturization, thinning, low phase noise, high precision, high frequency and wide temperature to meet the application of next-generation communication systems.
- B. R&D for Sensor: Start the transformation to increase the design and packaging and testing services of sensors and specific application devices, mainly for vacuum packaging, automotive and special industrial application sensors, to maximize the value of packaging technology and equipment
- C. R&D for Advanced products: Combining Taiwan's most advantageous semiconductor advanced technology and management system, develop next-generation ultra-miniaturized wafer-level packaging and key advanced process technologies for quartz frequency control components, and build a R&D management system customized to the company's needs to shorten R&D time process, avoid errors, and accelerate the completion of engineering prototypes for next-generation products
- D. R&D for Crystal: To meet the requirements related to the miniaturization of future products and 5G, continue to develop higher-precision process technology to achieve the pre-layout of our own engineering technology, and to achieve products with high cost performance, low energy consumption, high shock resistance and large frequency bandwidth. develop.

#### vi. Supply chain strategy

- A. Group production capacity planning: In order to increase the degree of satisfaction of demand and maximize production capacity in response to changes in product order structure, the construction of production equipment retains a certain degree of flexibility in adjustment between production items, and flexibly dispatches production capacity of the group , in addition to its own production capacity, the supply strategy adopts a moderate risk diversification mechanism, so there are also mature products provided by OEM partners with a production capacity of about 60~80KK/M to meet the order demand
- B. Production and sales balance plan: As far as market applications are concerned, there will be more new application requirements for the demand for quartz crystals, so it is expected to show substantial growth. The main increase in demand is the application demand of related products such as automotive market applications, 5G communication market, network servers, WiFi 6, NB, AR/VR.... It is expected that the demand in the first half of the year will be significantly higher than the overall production capacity due to the problem of the length of the client side. Although only about 85% of the production capacity is operating. Therefore, the product supply strategy will be leveled production, and moderate planned production (about 10% of the total production capacity) will be adopted in the first half of the year to meet the growth needs in the second half of the year. In addition, mature products use the capacity provided by third-party manufacturers in a timely manner according to the demand to make up for the lack of own capacity, so as to

- meet the needs of customers and avoid excessive expansion of capacity at the same time
- C. Material Supply Assurance Program
- a. Since the outbreak of the epidemic, the production capacity of material suppliers has been severely affected by the epidemic, so that their capacity expansion plans have been frequently delayed. Coupled with frequent logistics obstructions, the supply of materials is often in a state of tight supply. Therefore, starting from the end of 2021, when the overall industrial demand is slowing down, the stock of key materials will be moderately raised to the level of 1.5 to 2 months to meet the production demand and business forecast after the second quarter of 2022, while avoiding Shortage of materials or supply interruptions due to changes in the epidemic at any time.
  - b. In 2021, there will be a serious shortage of global semiconductor production capacity. It is estimated that this shortage will continue to the end of 2022 or even 2023. For semiconductor materials, a supply guarantee strategy of negotiating annual supply capacity with suppliers will continue to be adopted to ensure the supply of semiconductor materials. In addition, for key raw materials with a limited supply source or a single supply source, the test, approval and preparation of alternative materials are accelerated.
  - c. The Group's production materials are purchased and dispatched jointly, and the material trading business is also moderately developed to obtain the most favorable material costs, enhance product competitiveness and effectively reduce the risk of supply and high inventory.
  - d. Miniaturized, high-precision and high-frequency products will be the main sales force in the future. For product development progress, cost management, material supply capacity scheduling, mass production supply deployment, etc., all will be put into delivery in the highest priority order to avoid mature products. In a highly competitive field and can maintain product and technology leadership in the industry, continue to maintain high profitability and growth momentum
- D. Group inventory management: By the end of 2022, the group's inventory turnover ratio is targeted to be controlled at 5.0, and the individual inventory of Pingzhen Plant is above 7.0. Items that are planned to be produced in the first half of the year must strictly control the inventory shipments to ensure that sales are completed in the second half of the year. The execution of weekly debiting requirements for HUB warehouse inventory is required to monitor customer usage. At the same time, manage and control the inventory over 90 days of age, and schedule and dispose of it in a timely manner.
- E. Create an intelligent supply chain
- a. Promote the operation of the automation system platform for delivery verification and review, and introduce a more highly visible information system to improve the efficiency of personnel operations. The goal is to increase the per capita operation efficiency by more than 10%
  - b. Warehousing automation drives:  
The first stage of automatic construction operations such as automatic opening, sealing and weighing has been completed and launched in mid November, 2021.  
The second stage will be the construction of debit and labeling automation equipment, which is expected to be completed in December, 2022.  
The third stage of automatic inbound and outbound storage operations will also begin equipment construction in 2023.

After the completion of these three stages, the overall warehousing operation will be completed automatically, and the allocation of manpower is also expected to be reduced by 10%..

## (2). Long-term Development Plan

- i. Pay attention to 5G's business operation schedule in various countries, and the technological development pace of major manufacturers, actively invest resources in R & D of relevant application products, and layout 5G target customers.
- ii. We are committed to developing high-precision frequency control components for high-level products applied to infrastructure including: fiber channel, Gigabit Ethernet, SDH-SONET (synchronous optical fiber transmission), small cell (small base station), and office communication.
- iii. Continue to develop miniaturized products to meet the application trend of Internet of things modularization, mobile communication and consumer electronic products.
- iv. Actively expand the customer base of automotive electronics and deepen the customer base relationship, and continuously develop the frequency control components used in automotive electronics, with the primary goal of meeting the stringent quality and stability requirements.
- v. All sales operations will continue to deepen and actively expand the Korean market, and strengthen the distribution of sales channels in Southeast Asia, India, Vietnam, Israel and other markets, so as to provide localized customer services in line with the customers in various regional markets. Based on the market of Greater China, we will continue to explore the demand of emerging markets to expand market share, and continue to pursue the growth goal of becoming a global leader in quartz crystal industry
- vi. We will continue to develop timing and sensor products in line with the market and customer applications. To explore new product applications and diversified product management strategies to open up blue ocean business opportunities.
- vii. The project-based leadership organization and the lean team work together to comprehensively improve operational efficiency and combat capabilities.

## II. Marketing & Sales Situation

### (I) Market Analysis

#### (1) Market for our major products

The product trend is toward to small and light. The products that use the SMD crystal will have a higher percentage than others. In the future, Asia still is the major OEM center, and the products from Asia are still very high. TXC would still need to work hard on the market expansion in America, Europe and Japan.

Regional sales distribution of our major products in the past two years :

Unit: NTS 1,000

Rigion \Year	2020		2021 (inclu. Property sales)	
	Amount	%	Amount	%
America	196,788	1.78	321,142	2.11
Europe	140,656	1.27	215,536	1.41
Asia	10,337,281	93.57	13,941,998	91.45
Taiwan	367,786	3.33	743,598	4.88
Others	5,881	0.05	22,577	0.15
Total	11,048,392	100.00	15,244,851	100.00

#### (2) Market growth momentum

Under the influence of the epidemic in the past two years, many new business models spawned by the epidemic are constantly evolving. CS&A's mid-2021 report maintains a cautiously optimistic attitude towards the overall output value from 2022 to 2024. It is expected that the epidemic in 2022 will gradually ease. Coupled with the development of device upgrades driven by the expansion of multiple application scenarios around the 5G industry, it is estimated that the overall demand for products will remain strong in 2022. The TXC marketing team looks at 2022 positively and optimistically. However, it is still necessary to continue to pay attention to the development of the epidemic situation and the overall economic situation, and to focus on the core applications of 5G and AIoT industries, as well as the expansion of target customers and new cases.

The growth of demand for related technological equipment and products must come from human nature. In recent years, due to the impact of COVID-19, the technology and equipment used in the overall life/work/social behavior model will shift the focus and support accordingly, such as laptops and online conference platforms and servers used in response to a substantial increase in demand, including that we also see that due to the factors of changes in terminal demand, the transformation thinking of the overall industry/enterprise is more humanized/service-oriented.

Therefore, we can see that the development of technology and communication has

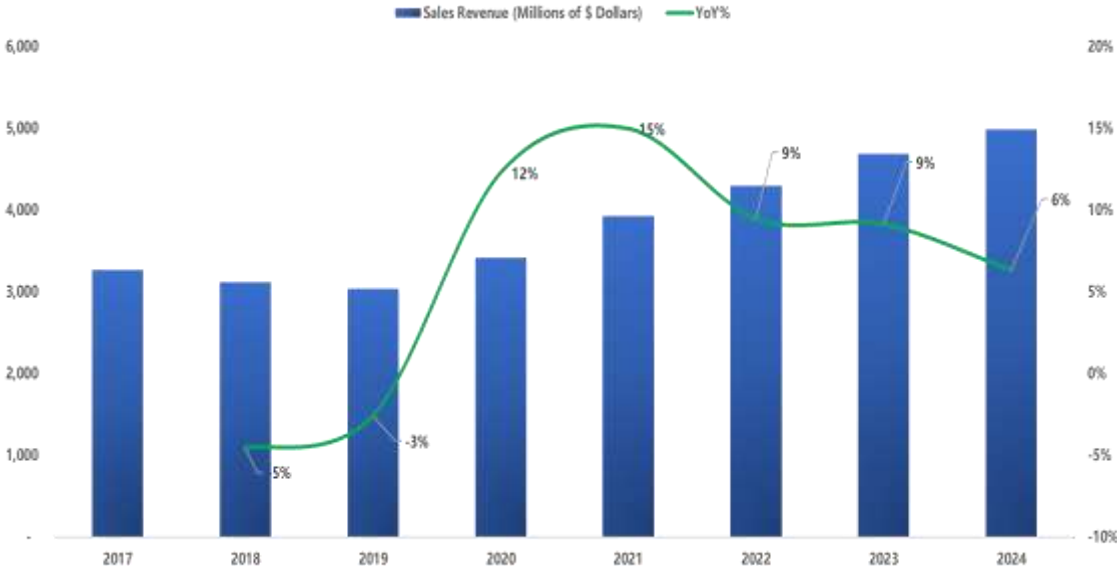
changed people's living habits, and even advanced to change the mode of social operation. In the future, it will definitely change the world and become a new generation revolution. Therefore, product planning, in line with the trend of semiconductor technology development, miniaturization and high-end products, is to continue to cooperate with the continuous development of technology. Continue to drive the demand for technology products to rise. At the same time, as 5G gradually enters a mature stage and the demand for electrification/intelligence in the automotive electronics industry continues to increase, according to the CS&A 2021 annual report and the TXC marketing team cautiously optimistically predict that the demand for Timing Products will continue to maintain an average YoY of more than 6% in the next three years.

### Technology Derives from Humanity



Global Timing Market

Unit: USD Million ; yoy%

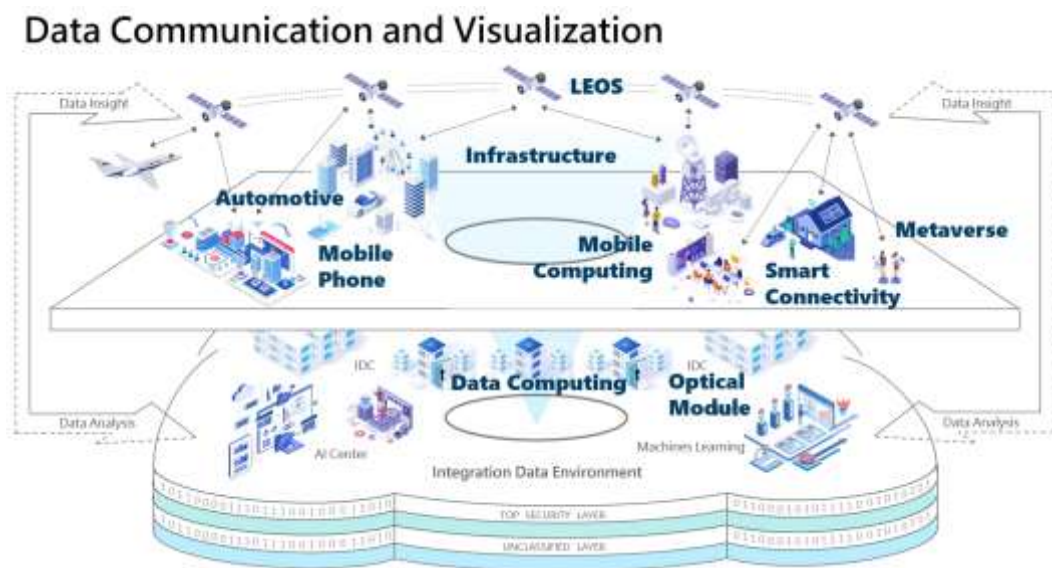


Source : CS&A, 2021 & TXC

### (3) Key application deployment

In particular, we should pay attention to the key application opportunities, which are the communication technology that has been moving forward and the development of data processing deeply embedded in AI. This is all to allow people to communicate with external people, things, and things, various platforms and innovative applications can be thoroughly used. , and then play a more comprehensive and infinite possible industrial application development.

From the perspective of the technology field, any communication depends on information transmission and data processing. Therefore, through the definition of 5G full architecture and automotive electronics, we can more comprehensively present the overall electronic technology and communication ecosystem to expand business opportunities in these key industries.



Simultaneously looking forward to the development of the semiconductor industry in the next few years, it is classified according to the output value and compound annual growth rate of different semiconductor categories, whether it is Mobile Phone, AI, HPC, Infrastructure and other related fields that require advanced processes, or automotive electronics with mature processes. MCU and ubiquitous Connectivity devices, these key application development trends that are closely related to Timing Products have formed the continuous expansion of the ecosystem and demand. Therefore, we can continue to have our roots and look at the overall growth of the industry in the next few years.



#### (4) Product development

In response to market growth and the technical development and specification requirements of key applications in various fields, the company has comprehensively strategically planned the development of applicable and matching products according to the requirements of key technologies and parameters, so as to grasp the expected growth momentum of the target in the future.



Corresponding to the development of the 5G terminal network ecosystem in recent years, it will comprehensively drive a new wave of growth momentum for various application terminal devices. Simultaneously with the semiconductor packaging SIP technology to achieve the evolution of small modularization, it will more vigorously promote the device demand for enterprise and terminal consumer behavior network planning. The related applications required for the above-mentioned device interconnection will continue to have strong demand for timing products and various sensing components, and the trend of specification requirements is expected to continue to move towards high frequency, miniaturization, ultra-low jitter and ultra-low phase noise, etc. direction development

## Intelligence of Things Ecosystem Solutions



Based on 3GPP's goal setting for 5G external transmission rate and human needs combined with the development of science and technology, the transmission rate of 5G infrastructure equipment, computers and terminal devices has been continuously improved. The rate of several years has doubled directly, coupled with the integrated design, the trend of ultra-high frequency, ultra-high stability, ultra-low jitter, ultra-low phase noise, and miniaturization of Timing's high-end products continues to move forward.

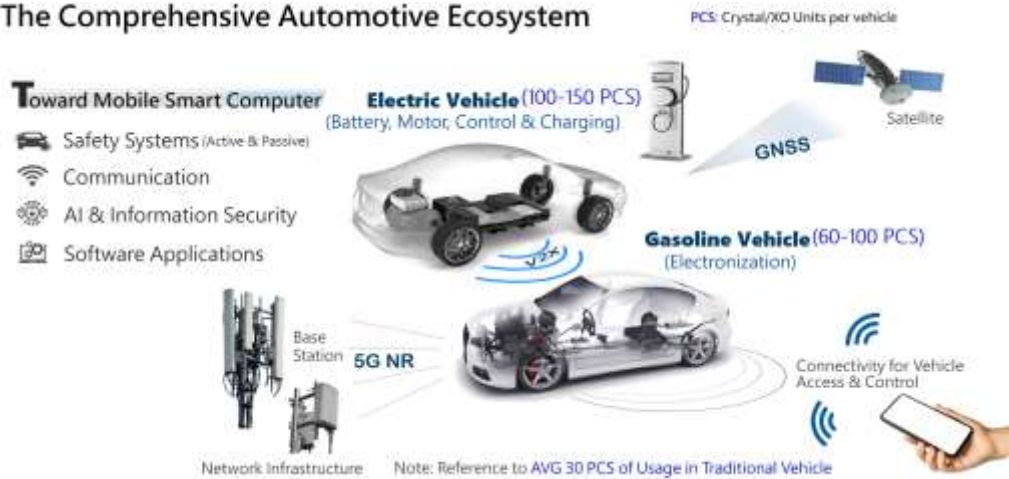
## Network Infrastructure Solutions



According to estimates, the output value of automobiles will reach 6 trillion US dollars in 2035, of which the output value of automotive electronics will be 4 trillion US dollars. This strong value-added development means that traditional car manufacturers have increased the proportion of digital electronics for each major application design year by year (CAGR 19% During 2021-2035) and emerging electric vehicle manufacturers in line with the policies of various governments are also in full swing to accelerate their development (CAGR 30% during 2021-2030). At the same time, complying with the 5G low-latency requirements will also promote the demand for in-vehicle communication devices, including in-vehicle 5G NR and V2X. It is estimated that by 2030, 50% of new cars will be equipped with functions such as in-vehicle communication. In addition, for the development towards fully automatic driving Level 4/5, it is also necessary to plan to carry more than 40 Sensors to improve the overall ADAS system to assist driving safety.



## The Comprehensive Automotive Ecosystem



Regardless of whether traditional automotive electronics or the field of electric vehicles that boldly use innovative technologies are developing towards full digital electronics and then fully evolving into smart cockpits and fully autonomous vehicle planning and development, this will improve the development of Crystal, TSX, CMOS XO, TCXO and Sensor have strict specifications and reliability requirements and continue to vigorously promote more opportunities in the automotive field.

Whether traditional automotive electronics or the field of electric vehicles that boldly use innovative technology is developing towards full digital electronics and then fully evolving into smart cockpits and fully autonomous vehicles. Planning and development, this will increase the level of Crystal, TSX, and CMOS that must comply with vehicle regulations. XO and TCXO have strict specifications and reliability requirements and continue to vigorously promote more opportunities in the automotive field.

## Automotive Main Applications Deployment



5. Niches competition, the advantages/disadvantages of the future development, and the response strategies.

<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. We will further develop the market and provide local services for the design and manufacturing of customers.</li> <li>2. Professional manufacturing team, stable quality and mass production cost advantage.</li> <li>3. High precision and miniaturized products continue to be developed and introduced into mass production, constantly narrowing the technical distance with Japanese manufacturers.</li> <li>4. Professional marketing and application engineering team to meet the needs of customers, and provide technical support for the design and mass production process of various products.</li> </ol>	<ol style="list-style-type: none"> <li>1. We need to continue to strengthen the capacity of mass production of ultra miniaturized products.</li> <li>2. Restricted by front-end process automation of chips.</li> <li>3. The equipment and key raw materials have a long lead time in delivery, so it is difficult to meet the sudden demand of the market.</li> <li>4. The inadequate sensor components development layout and the lack of early planning lead to the product not being launched in time to meet customer needs.</li> </ol>
<b>Opportunities</b>	<b>Threatness</b>
<ol style="list-style-type: none"> <li>1. Deeply cultivate the technology leaders of various industries in China, and the brand customer management strategy drives TXC to stabilize its capacity.</li> <li>2. The design centers of automotive electronics supply chain and chipset plant have been moved to the mainland China one after another, which has the same competitive advantage.</li> <li>3. 5G applications drive applications of miniaturization, high frequency, and wide temperature, and the increase in the usage of Oscillator, both increase the average price and profit of products.</li> <li>4. The high-level, high-precision and high stability products and market construction are becoming more and more complete, and seeking niche market and products continue to be the stable profit source of the company.</li> <li>5. Based on the advantages of deep cultivation in China, TXC increases the opportunity of importing materials</li> </ol>	<ol style="list-style-type: none"> <li>1. Japanese manufacturers have comparative advantages in brand, raw material production and technical ability, and cost structure.</li> <li>2. Alternative competitive products threaten some low-end applications and put pressure on current product quotations.</li> <li>3. Trade disputes have led to the separation of China and the United States, which will affect the distribution of customers' manufacturing locations, increase logistics costs, and test logistics operations.</li> <li>4. The demand for ultra-miniaturized products is excessively concentrated in a single customer, and there is a risk of demand fluctuations.</li> <li>5. The supply of semiconductors is still tight, and IC supply sources are facing longer delivery times and restrictions on allocation.</li> <li>6. The acquisition of client ICs is also affected by the supply and demand of semiconductors, and there are long and short materials, which makes the changes in orders aggravated and difficult to grasp.</li> </ol>

<b>Respond Strategies</b>	
1. Strengthen the overseas marketing team, target 5G Infrastructure and Automotive, and actively develop Tier 1 and IDH (IC Design House) customers in Europe, the United States, Japan, and South Korea.	
2. In line with China's localization policy, actively complete the introduction of the relevant domestic program Design House, and pay close attention to the trends of Chinese competitors.	
3. Strengthen the development of new products, new markets and new customers, and adjust strategies and resources in real time.	
4. Real-time and close confirmation of client needs for flexible deployment and continuous attention to the development of alternative products.	
5. Strengthen the engineering and technical capabilities of each plant and accelerate the promotion of intelligent production.	
6. Continue to introduce relevant professional communication and automotive industry components research and development talents at home and abroad, strengthen product research and development capabilities, and focus on Time to Market strategic planning.	
7. Accelerate product development and market expansion of sensing components.	
8. Create superior products, some products adopt strategic alliance, division of labor and cooperation, optimize cost structure and increase profit.	

## II Major products' important applications and their manufacturing process

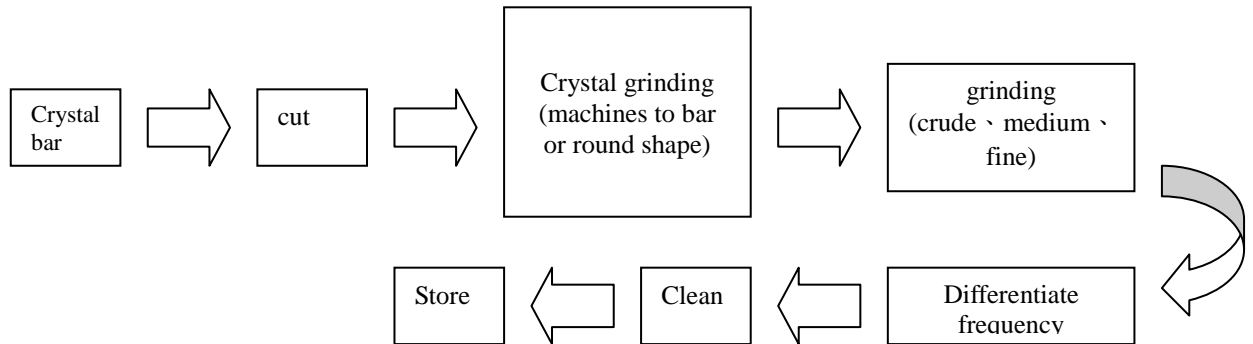
### (1) Major products' important applications

Product		Major Application
Crystals		Wired/Wireless, Module, Smart phone/Future phone, Bluetooth, Telephone terminal, Automotive,STB, NB/DT, Wearable, AR/VR, Game Console, Storage, Medical equipment
Crystal Oscillators	CXO、SO	Base station,Wired/Wireless, Fiber optics communication, Mining machine ,Telphony terminal equipments, NB/DT, Server, storage device, Game Console, Automotive
	VC-TCXO、TCXO	Smart phone/Future phone, Base Station, Satellite Communication, Wired/Wireless, Bluetooth, GPS/GNSS, Fiber optics communication, Automotive
	VCXO、VCSO	Base Station, Satellite Communication, Wired/Wireless, Fiber Optics Communication, Phony terminal equipment、Counter/Synthesizer
	OCXO	Base Station, Satellite Communication, GPS/GNSS, Wired/Wireless, Fiber Optics Communication
Sensor		Mobile device, Wearable
Tuning Fork		Smart phone/Future phone, Smart Home, Wireless Networking, NB/DT, Automotive, Wearable

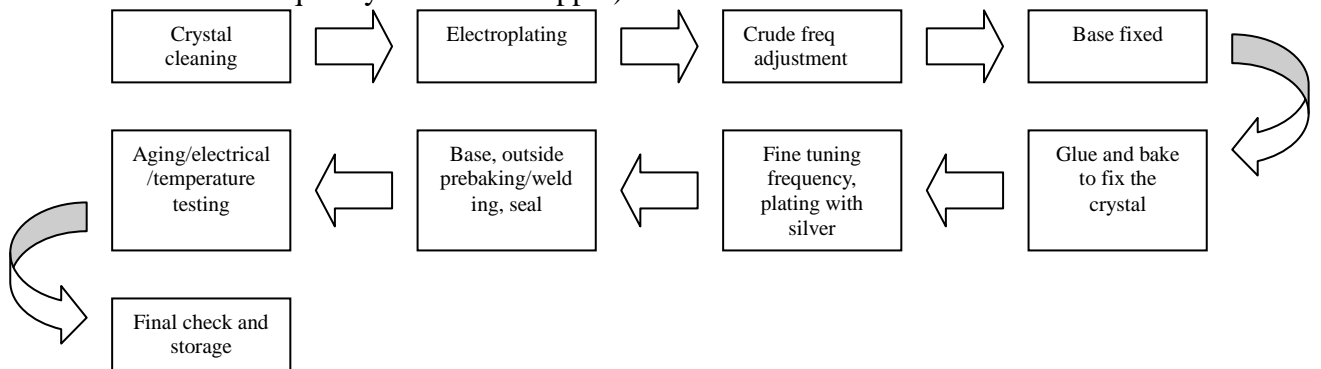
(2) Manufacturing Process

Steps for crystal components manufacturing are: first we need to manufacture the quartz crystal needed for the electrical material. It involves the cutting, polish, cleaning of the wafer form. Then with the mechanical arms to place the wafer on the base and fixed with the silver based glue. Then package it under vacuum. For oscillators it is necessary to add one more unit of oscillating circuit IC with golden line conduction via amplified output of crystal chip oscillation. It requires more IC placement and wire bonding process compared to the quartz crystal.

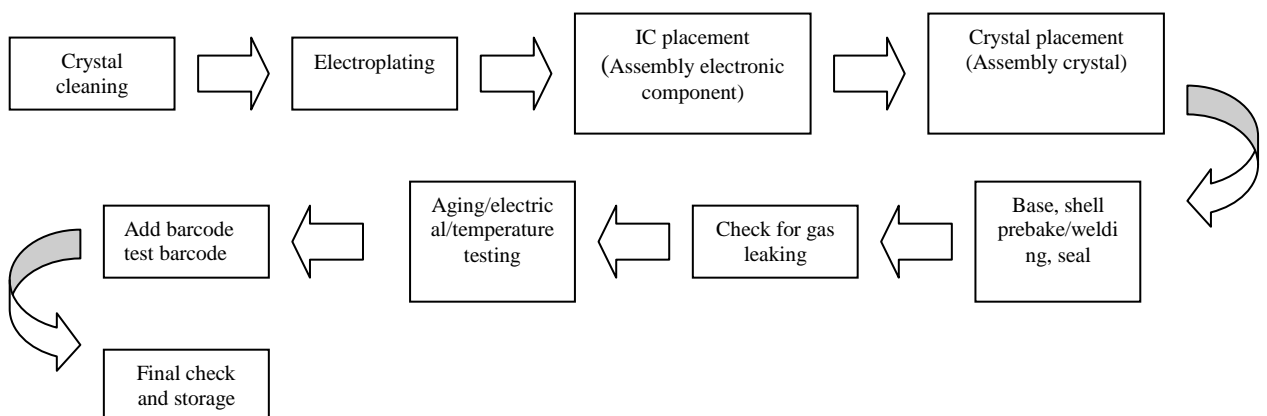
i. Pre-manufacturing process – quartz crystal.



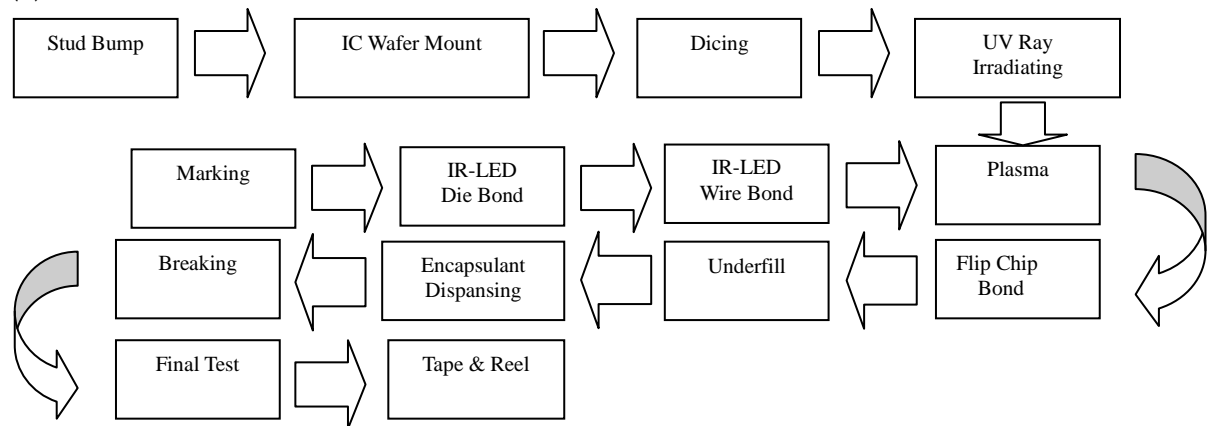
ii. Post-manufacturing process – quartz crystal (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency. Fine tuning the electroplating that would reduce frequency error to 3~10ppm)



iii. Post manufacturing process – crystal oscillator (use silver, gold, nickel for electroplating, and the process would reduce crystal frequency.)



### (3) Light Sensor manufacturing process



### III. State of the major materials suppliers

The major materials for crystal and crystal oscillators include the base, wire bond, IC package, crystal slice and crystal bars. Major materials in light sensors are ceramic substrate, IC, VCSEL and packaging tape.

- (1) All the materials come from the at least two suppliers, and this would minimize the risk of all materials coming from a single supplier. Our company's procurement depends on the buying terms, state of supply, and specifications; before the materials to be ordered. And, it also depends on some special conditions that we would adjust the ratio of buying materials and this approach would help us not too concentrated the ordering from a single supplier, or running the risks of the orders being interrupted.
- (2) All the suppliers have long term relationship with us. And, our friendship is good. With our company is growing strongly, these suppliers would also take highest priority to satisfy our company needs. Annually, we also meet with our suppliers on regular or irregular base to review our purchasing terms and any room for the improvement. This also helps a stable and continuous relationship in the materials supply.
- (3) In considering the steady material supply, our company will provide the Rolling Forecast to the suppliers and the production preparations. This can shorten the delivery time and an assurance of on time delivery. If there is any unusual situation, these suppliers will accommodate our needs to assure a stable supply.

#### IV. The suppliers and customers over than 10% of the past two years

##### (I) Main Suppliers

Unit : NT\$1,000

2020				2021			
Company	Amount	Percentage of annual procurement (%)	Relationship with TXC	Company	Amount	Percentage of annual procurement (%)	Relationship with TXC
K Company	1,023,876	17.58%	None	K Company	905,369	13.82%	None
Others	4,799,803	82.42%	None	Others	5,645,649	86.18%	None
Total	5,823,679	100.00%		Total	6,551,018	100.00%	

##### (II) Main Clients

Unit : NT\$1,000

2020				2021			
Company	Amount	Percentage of annual sales (%)	Relationship with TXC	Company	Amount	Percentage of annual sales (%)	Relationship with TXC
F Company	1,768,487	16.01%	None	F Company	2,325,125	15.26%	None
Others	9,279,905	83.99%	None	Others	12,919,726	84.74%	None
Total	11,048,392	100.00%		Total	15,244,851	100.00%	

##### (III) Reasons for the increase or decrease

###### A. Purchase

The company's main products are quartz series products (quartz crystals, quartz crystal oscillators) and light sensors. Its main procurement items in the last two years include IC, bases, wafers, covers, precious metals and other raw materials. Imported from abroad, due to the improvement of self-manufacturing ability and manufacturing process, in recent years, the chips have been gradually transferred to self-manufactured or supplied by mainland factories; in addition, due to the continuous growth of market demand, most of the products sold are self-made from various production bases, and the insufficient quantity is supplied to foreign products. The company has been in contact with various suppliers for many years, and the relationship is good. The relevant guarantee clauses have been specified in the purchase contract for important raw materials, and the materials should be supplied by more than two suppliers as far as possible. There should be no supply interruption or excessive supply. Concentration risk, there is no significant change in substance.

###### B. Sales

The company's main products are quartz series products (quartz crystals, quartz crystal oscillators) and sensors, and its sales targets are mainly downstream application manufacturers such as information, communications, Netcom, and consumer products. Due to changes in the industrial environment, 5G drives the increase in demand for terminal application products. With the addition of new products and capacity expansion, sales and revenue increase. The company's main customers are all major

international manufacturers. In the future, it looks forward to automotive, Internet of Things, and communications. And 5G related application products continue to grow, so there is no excessive concentration of sales and risks.

#### V. Production and monetary values for the past two years

Unit: 1000 PCS/NT\$1000

Year Major products\	2020			2021		
	Capacity	Production	Value	Capacity	Production	Value
Crystal Product	4,160,000	5,913,550	10,141,799	4,860,000	6,692,344	12,634,346
Others	-	-	-	-	-	-
Total	4,160,000	5,913,550	10,141,799	4,860,000	6,692,344	12,634,346

#### VI. Volumes of sales and monetary values of the past two years

Unit: 1000 PCS/NT\$1000

Year Major products\	2020				2021			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Crystal Product	168,566	415,001	6,077,428	10,633,391	245,590	708,530	6,830,529	13,552,623
Others (inclu. Property sales)	-	-	-	-	-	-	-	983,698
Total	168,566	415,001	6,077,428	10,633,391	245,590	708,530	6,830,529	14,536,321

### III Employees' average years in service, age, and educational background distribution

Year		2020	2021
Total Number Employees	Engineer	667	651
	Administrative	683	655
	Sale	118	131
	Technicians/Operators	1,899	2,137
	Total	3,367	3,574
Average Age		33.40	33.79
Average Years in Service		5.90	6.21
Distribution of Educational Background	Ph.D.	0.53%	0.44%
	M.S.	5.79%	5.91%
	B.S.	41.70%	43.60%
	High School	25.81%	29.25%
	Below High School	26.17%	20.80%

## **IV Data on our environmental protection expense**

### **(I) Description of environmental punishment**

Pingzhen plant, Ningbo plant and Chongqing plant of the company have no relevant environmental penalty issues.

### **(II) Description of the application, payment or establishment of a pollution facility establishment permit or pollution discharge permit or a pollution prevention and control fee or a person of a special unit for environmental protection that is required by law**

- (1) Pingzhen factory is responsible for the production of chips and quartz components. According to the regulations, it has applied to the local competent authority for relevant license documents for waste, waste water and fixed pollution sources generated in the production process, and set up relevant environmental protection personnel to operate and maintain according to the requirements of the license documents, so as to maintain the effective operation of relevant treatment facilities. In 2021, we carried out energy-saving measures such as water-saving improvements in washing towers, the purchase of high-efficiency lighting fixtures for replacement, energy-saving improvements in air-conditioning cooling towers, and replacement of air compressors with new ones, which reduced power consumption by approximately 40,000 kWh per month, and continued active follow-up Promote energy-saving work, conduct investigations and identification of energy use efficiency of large energy consumers such as lighting, ice water mainframes, motors, air compressors, and water pumps, so as to implement energy-saving improvement measures, and hope that we can continue to do another distraction to reduce environmental impact. The total amount of expenditure in 2021 was about NT\$ 7.5 million. The main purpose was the improvement of energy-saving measures, air pollution fees, environmental clean-up, work environment testing, operation and maintenance of pollution prevention equipment, and protective gear.
- (2) Ningbo plant continues to maintain the largest production capacity of quartz components in the world. In the process of production and operation, it pays special attention to environmental governance and social contribution, so as to actively respond to the requirements of the newly implemented "environmental protection law", strictly abide by the bottom line and meet and exceed the requirements of local environmental protection law enforcement. In 2021, a total of RMB537,900 was spent on environmental governance Among them, water quality (COD, ammonia nitrogen) monitoring equipment is added to the sewage treatment station to ensure that the discharge water meets the discharge standards. The company has greatly improved its awareness of daily environmental protection. In order to implement the corporate responsibility for the prevention and control of solid waste pollution, the soil and groundwater sampling points around the areas where the pollutants in the plant are at high risk, 50 soil tests are in line with the "Soil Environmental Quality Construction Land". The screening value of the second category of land use and the groundwater tested in the Soil Pollution Risk Management and Control Standard conform to the



Category IV standard of the Groundwater Quality Standard. 4 sampling points of waste gas around the factory area, 100% of the detected 4 key pollutant indicators meet the national air quality standard, and the excellent grade rate reaches 80%, showing that the air pollution control measures are effective

- (3) Chongqing plant has smooth operation of environmental protection facilities, stable product quality, and good operation status of all equipment. In order to meet the "environmental protection law" and local environmental protection requirements, and ensure the hardware requirements of operation, maintenance and management of environmental protection facilities, a total of RMB2,390,000 was spent on environmental governance in 2021, to complete the optimization and maintenance of the prevention and treatment equipment of environmental protection facilities, including the operation and maintenance of various waste water and waste gas treatment facilities, the inspection and replacement of various environmental monitoring instruments and various inspections, the waste and exhaust Raschig ring and the internal and external cleaning of the washing tower, environmental inspection, and waste water station treatment. Capacity improvement, low-nitrogen boiler transformation, etc.; in order to comply with national environmental protection policies and regulations, and to meet changes in local standards, RMB 1.03 million was invested to transform the original gas boiler with nitrogen oxides  $\leq 30\text{mg}/\text{m}^3$ , and successfully passed the Environmental Protection Bureau of the High-tech Zone Organize experts for on-site inspection; actively apply for cleaning audit, and with the participation and coordination of all the company, successfully pass the inspection and approval of the High-tech Zone Ecological Environment Bureau; actively apply for a green factory in Chongqing, successfully pass the inspection and acceptance of experts, and obtain the municipal green factory The factory is certified and approved; the hazardous waste is disposed of legally, and the disposal cost is about RMB 290,000; relying on self-monitoring and third-party regular testing data, the operation optimization, maintenance and adjustment of each treatment facility are carried out to achieve 100% discharge standards. In November 2021, it successfully passed the local third-party environmental monitoring, and registered and reviewed the national pollution discharge permit in accordance with the law, and successfully passed and obtained a receipt. Actively develop feasible projects for energy saving and carbon reduction, hoping to reduce the impact on the environment.

### **(III) The implementation of safety and health**

- (1) The Pingzhen factory has established an occupational safety and health committee in accordance with the law. There are currently 11 members, 4 of whom are elected. Occupational safety and health meetings are held every quarter to discuss and deal with occupational safety and health related issues. And completed the certification of the ISO 45001 occupational safety and health management system in 108, looking forward to the establishment of new standards to improve the safety and health technology of the factory, reduce overall operating risks and reduce operating losses. In 2021, in addition to regularly inspecting the appropriateness of the fire safety equipment in the factory, it also set up automatic fire extinguishers in high-risk areas of the factory through activities to reduce workplace risks and improve safety awareness. Carry out relevant improvements, and

conduct AED first aid training and disaster prevention and evacuation drills, so as to build the accident protection ability and resilience of plant personnel, and jointly protect workplace safety. In addition, a number of health promotion activities such as employee health checks, flu vaccinations, physical fitness activities, muscle building and fat reduction activities, and lectures on promoting physical and mental health are also provided to continue to create a healthy workplace; for shifts, night work, For high-risk employees with abnormal workload such as long hours of work that may cause diseases, on-site service physicians and health care staff provide interview guidance and health management measures to prevent employees from suffering from cerebrovascular disease due to overwork, and to achieve early detection, The purpose of early treatment is to ensure the physical and mental health of relevant employees. For occupational safety and health-related training, education and training such as new recruits and on-the-job training are also carried out in accordance with relevant laws and regulations. For accidents that occur in the factory area, the investigation, improvement and reporting to the competent authority are also completed in accordance with relevant regulations, and continuous e-management is carried out. To simplify the process and implement information communication to make chemical and contractor management procedures more complete. In terms of response to emerging infectious diseases, for the currently threatening COVID-19, the "Severe Special Infectious Pneumonia (COVID-19) Response Manual" was established by members of the response team as a response strategy for epidemic response in the factory area. The strategy mainly includes: Response Common sense, preparation of anti-epidemic materials, attendance guidelines, implementation of divided offices and other necessary management matters, etc., and timely revisions in accordance with the guidelines and anti-epidemic strategies announced by the Centers for Disease Control and Prevention Announcement: Regarding the health and safety status of plant personnel, in addition to regular monitoring and evaluation by the occupational safety unit, it also continues to encourage colleagues to be vaccinated to improve their own protection, and timely conduct rapid screening for high-risk groups and implement rapid screening of the whole plant. Ensure the health and safety of all personnel in the plant. In addition, through the sharing of epidemic prevention-related courses and the promotion of epidemic prevention bonuses, we continue to strengthen colleagues' awareness of epidemic prevention to achieve the goal of "zero infection for all employees".

- (2) Ningbo Plant has been guided by local production safety regulations and requirements since 2012. The company's production safety management committee has combined with the social responsibility management system operation team to integrate labor rights, health and safety, environmental energy, business ethics, management systems, etc. Resources related to health and safety includes the establishment of a safety production room and an on-site improvement team to comprehensively manage and promote factory safety production management issues. In 2021, the company was equipped with 1 full-time safety officer, 9 part-time safety management personnel, and 11 chemical administrators, and signed 58 safety production responsibility letters throughout the year. Combined with the team strength of 5S on-site improvement activities in 5 production workshops, the achievement was achieved. There is no occupational disease and the safety production management goal of zero occurrence of work-related injuries of minor or above throughout the year. Minor

injury incidents are controllable, and incidents are reported and handled in compliance with work-related injury management requirements. Throughout the year, each production workshop implements the management requirements of safety production standardization (light industry level 3), implements dual control measures for risk control and hidden danger rectification, conducts mutual safety inspections every month, weekly inspections of teams, daily self-inspections of posts, and internal internal inspections throughout the year. There were 145 monthly inspections and 6 external EHS inspections. A total of 50 hidden dangers were found in internal and external inspections, and 100% of the rectifications were completed. The annual investment in occupational health and safety management costs was about RMB 1.319 million (about RMB 1,014 per person per year, including occupational health and safety management costs). Hazardous environment monitoring, occupational health examination for 127 people, maintenance of fire protection facilities, safety training, work injury insurance, occupational safety evaluation, labor protection, etc.); in 2021, combined with the opening of the P5 factory building and the change and improvement of the whole factory layout, the whole factory occupation was carried out according to law. Health and safety "three simultaneous" control effect evaluation and qualified acceptance; in June 2021, RMB 856,000 was invested in the first fire compliance rectification since the chemical warehouse and the temporary storage area for finished materials were put into use, and obtained Ningbo The first safety evaluation report on the use and storage of hazardous chemicals since the establishment of the factory; In 2021, a of comprehensive compliance to start the three-level education on safety production at the factory level, workshop and team level, with 584 qualified people and 100 new recruits %, and held the first "Safety Production Month" safety knowledge online and offline competition, and the participation rate of all employees reached 60% to continuously strengthen the safety production awareness of all employees. , in order to ensure the systematic implementation and implementation of the company's safety and health management activities. In 2021, we have continued to insure key positions with safety production liability insurance, in order to reduce operational risks and respond to the local government's initiative to be a "model student of safety production".

- (3) The Chongqing plant established the "Safety Production Management Committee" in March 2013. It has always followed local safety production regulations and the requirements of the government safety production supervision and management department to carry out safety production management activities, and completed the [Safety Production Standardization Enterprise] according to the requirements of the local government. The recognition of the third-level certificate. In order to achieve the goal of zero industrial accidents, the safety production room organizes each unit to conduct a cross-departmental safety inspection every month. The production units are divided into departments and carry out safety inspections every week, and are divided into teams and groups, and safety inspections are carried out every day; In addition, the safety production room holds monthly meetings to track the lack of improvement to ensure that potential safety hazards are eliminated immediately. At the same time, the safety production room also has a complete mechanism for investigation, reporting and handling of industrial safety incidents, so that no major safety incidents have occurred in the factory so far. The Work Safety Supervision Bureau inspects the factory from time to time every year, and no obvious violations or defects are found. In addition, the safety production

room also supervises all departments to do a good job in safety production three-level education, work injury insurance, occupational hazard detection and evaluation, PPE protection, occupational health examination, equipment improvement and other related work. According to statistics related to safety production investment in 2021 is about RMB 800,000.

#### **(IV) Description of hazardous substance management system**

The protection of the global environment is an important issue in the 21st century. Based on the belief of protecting the earth and benefiting the next generation, as well as the corporate responsibility of environmental protection to jointly maintain the overall ecological environment, the company undertakes the mission of contributing to the society and actively promotes environmental management activities in a prudent manner.

The Company's zero hazardous substances policies are as follows:

In order to fulfill the goal of green earth citizens, we promise:

- (1) According to the most stringent regulations or customer requirements, to be the best green product partner for customers.
- (2) Confirm the operation of the organization and provide resources, promote environmental education, and strengthen the environmental awareness and objectives of all staff and supply partners.
- (3) Design green products, pay attention to products and production process without harmful substances.
- (4) Carry out continuous improvement through relevant activities of the company to achieve the goal of sustainable operation of the company.

The company complies with RoHS 2.0 (2011/65/EU), (EU) 2015/863, WEEE (2012/19/EU), (EU) no 757/2010, REACH(EC) No 1907/2006 Directive requirements that lead (PB), cadmium (CD), mercury (Hg), hexavalent chromium (Cr6 +, PBB, PBDE, DiBP, DEHP, DBP, BBP, PFOS and other substances shall be prohibited in accordance with international standards since July 1, 2006. Based on regulations and customer requirements, in addition to IECQ QC 080000 certification of hazardous substance process management system, and green purchasing activities as the basis for continuous provision of green products to users; in order to ensure product quality in line with green related environmental protection regulations, strictly control the use of environmental management substances in products, and also require the supplier's products to comply with the company's regulations on environmental management substances, so that from design to manufacture of products, at present, there are 106 environmental management substances, in order to meet the conditions of non-use, non-mixing and non-pollution from product design to manufacturing and shipment, thereby reducing the impact of products and services on the environment; in order to strengthen the management of green products in the supply chain , Encourage suppliers to import IECQ QC 080000 Hazardous Substances Process Management System in addition to the basic ISO 9001 quality system to implement the implementation of environmental management activities.

**(V) Other supplementary briefing**

In order to strengthen the fulfillment of corporate social responsibility, TXC is regularly audited to ensure that the code of conduct and procedures in labor, health and safety, environment, ethics and management systems are consistent with the "RBA Responsible Business Alliance Code of Conduct". In addition, the 2021 "Greenhouse Gas Inventory Report" was verified by the British Standards Institute (BSI) in accordance with the new ISO 14064-1:2018 Greenhouse Gas Inventory Standard. Corporate social welfare activities in 2021 please refer to the company's website for details.

In the future, we will continue to promote various environmental, safety and health-related activities in the factory to ensure the safety and sanitation of the working environment and maximize the safety of colleagues. The company's detailed information on the promotion and tracking of environmental protection is posted on the company's website.

Items	Main contents of EHS promotion
1	Activities to reduce workplace risks and increase safety awareness
2	Stress management, physical and mental relaxation activities
3	Physical fitness (muscle gain and fat loss) activities
4	Influenza vaccine factory injection activities
5	COVID-19 zero infection activities
6	Factory lighting fixtures adopt low-energy lighting fixtures (LED) case
7	Energy saving case for air conditioning cooling tower
8	Air compressor replacement and energy saving case

## V Labor Relations

### (I) Employee welfare measures

#### (1) Employee welfare

Since the establishment of the company, there has been a harmonious relationship between employer and employee. As of the latest year and the date of printing of the annual report, there has been no loss caused by employer/employee disputes. Since the establishment of the company, there has been no major labor and capital disputes. In addition to handling employer/employee meetings, employee opinion surveys, employee symposiums and foreign employee symposiums in accordance with the law, the company has also set up employee opinion boxes and other opinion response channels to protect the rights and interests of employees. We have spared no efforts in preserving employee benefits. The welfare measures of employees are as follows:

Insurance & retirement	Labor, health, group insurance, retirement reserve, housing fund (mainland subsidiary), social insurance (mainland subsidiary)
Profit sharing	Employee compensation, shareholding trust, Spring Festival bonus, autumn festival bonus and performance bonus
Gift money	Three festivals gift money, birthday gift money, marriage gift money, childbirth gift money, hospitalization gift money, funeral gift money
Medical insurance	1. Group insurance: life insurance, major disease insurance, accident injury insurance, accident medical treatment, hospitalization medical treatment, occupational disaster insurance 2. Regular health examination: physical examination, blood routine examination, vision examination, hearing examination, liver function examination, blood lipid examination, urine examination, chest X-ray photography, etc 3. Supervisor health examination 4. Old age commercial insurance, serious illness medical insurance and basic medical insurance (mainland subsidiary)
Activities	Tourism activities at home and abroad, staff sports meeting, yearly events, various ball games, special store discounts, diversified staff association activities, relief massage station service, health promotion seminars/activities ,family days, various theme activities held according to festivals
Emergency relief	Subsidy according to the actual situation of employees
Book reading	Buy all kinds of books, magazines, newspapers, VCD/DVD multimedia for employees to read and enjoy
Other welfare	Improve promotion channels, overseas company development opportunities and overseas company training opportunities, pay performance bonus

	according to operation conditions, commendation of senior excellent employees, annual outstanding project commendation, annual outstanding employee commendation, employee proposal award, employee children scholarship, patent award, project award, further education subsidy
Facilities	Staff canteen, staff dormitory, bike/car parking space, billiard room, basketball court, badminton court, gymnasium, nursing (milk collection) room, infirmary, convenience store, training classroom, library, chess and card room (mainland subsidiary)

(2) Employee education and training

- i. The Company provides employees a multiple learning environment. Colleagues can continually challenge their growth limit through internal/external training, OJT, KM (knowledge management system), reading clubs, online/physical library, and supervisor/peer instruction. At the same time, through the new employees/professional technology/supervisor coaching/general knowledge course/self-development education and training system to bring maximum satisfaction for employees! On the other hand, through planning of job category/job level, work rotation, project allocation and overseas assignments to integrate their lives with their careers and enable them enjoy the happiness of growth in knowledge and skills and develop a bright future.
- ii. The Company has established Education and Training Guidelines and Mandatory Occupational Course Guidelines and our subsidiaries have established Employee Promotion and Reassignment Guidelines to plan related training courses in accordance with occupational and professional requirements in order to improve employee knowledge and skills, overall quality of employees and operation performance. Related education and training performance in 2021 is listed in the table below:

(a) PCF Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(NT\$)
1. Management Training	13	13	642	1,445	346,300
2. Job Training	139	183	4,338	11,249	1,023,805
3. General Training	6	11	704	344	-
4. New employees Training	19	19	166	1,590	-
Total	177	226	5,850	14,628	1,370,105

(b) NGB Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(RMB)
1. Management Training	15	32	483	1,112	67,800
2. Job Training	31	54	1,179	13,011	298,499
3. General Training	36	36	14,269	31,497	5,100
Total	82	122	15,931	45,620	371,399

(c) CKG Factory

Item	No. of Class	No. of Sessions	No of Trainees	No. of Hours	Expense(RMB)
1. Management Training	8	11	351	3,444	960
2. Job Training	13	25	1,103	2,206	68,500
3. General Training	34	34	5,360	6,332	-
4. Project & Other Training	2	2	122	489	-
Total	57	72	6,936	12,471	69,460



- iii. The financial people obtained the relevant license specified by the competent authority
- A. The Company's three finance supervisor qualified for Professional Certification of Finance and Accounting Supervisor of Publicly-listed Companies sponsored by the R.O.C. Accounting Research Development Fund.
  - B. One financial staffs of the Company acquired the Internal Auditor Certificate issued by the Internal Auditing Association.
  - C. One financial staff of the Company acquired the Stock Professional Services certification test issued by the Securities and Futures Bureau, Financial Supervisory Commission.
  - D. One financial staff of the Company acquired the Certified Public Accountant issued by the Ministry of Examination.
  - E. Two financial staff of the Company acquired the Certified Accountant issued by the Ministry of Examination.
  - F. One financial staffs of the Company acquired the Certificate of Securities Salesperson issued by the Ministry of Examination.
  - G. Two financial staffs of the Company acquired the Certificate of PMP (Project Management Professional)
  - H. Two of the Company's financial officer has obtained the "Certificate of Proficiency Test for Associated Persons of Securities Firms" issued by the Securities and Futures Institute
  - I. One of the Company's financial officer has obtained the "Certificate of Proficiency Test for Elementary Loan Officer" issued by the Securities and Futures Institute
  - J. Two financial personnel of the company have obtained the certificate of basic corporate governance aptitude test issued by the Certification Foundation

### (3) Pension System Implementation

TXC's employee retirement measures are fixed according to labor standard laws; in accordance with period legal reminders, reaseave 9% of monthly salary for retirement preparatory funds are paid into the Bank of Taiwan, and an Occupational Retirement Preparatory Fund Supervisory Committee is then responsible for managing and using the retirement fund. Starting July 1<sup>st</sup>, 2005, in accordance with labor retirement fund regulations, reaseave 6% of monthly salary for monthly retirement payments are transferred into special individual retirement accounts established by the department of labor; A separate appointed agent retirement fund was established in January 2007, reaseave 8% of monthly salary for employee pension to ensure that retirement plans are managed professionally.

### (4) Labor and Management Negotiations and Employee Rights

In addition to handling labor-management meetings in accordance with the law, the company also organizes employee satisfaction surveys, employee discussions, and foreign personnel meetings, and sets up multiple channels of communication such as employee suggestion boxes, and is committed to providing a smooth communication channel so that the company's direction and employees' opinions can be fully realized. Communicate and serve as the basis for improving and providing a better working environment and conditions. Based on the protection of employees' work safety and the protection of the work environment and personal safety of employees, in addition to the establishment of the "Occupational Safety and Health Committee", regular committee meetings are held to review the effectiveness of business promotion and occupational safety and health matters, and various management measures are also in place. And ask their colleagues to fully implement. In addition to insuring group insurance every year,

the company regularly holds occupational safety and health lectures, and sends people to participate in relevant occupational safety and health courses, and set up "TXC Emergency Response Plan" and "Environmental Safety Management Manual" to ensure the protection of their colleagues. Please refer to our website for safety and calm response to emergencies. In order to achieve the goal of zero disasters, the company will revise the annual emergency contingency plan and the environmental safety management manual from time to time, and then formulate detailed execution operations according to the content of the plan, and the implementation of the project schedule and content by the public institution, and then through the audit system. Exploring the lack of implementation, setting the emergency contingency plan for the next year, the management manual for environmental safety and health, and reviewing the amendments at any time according to the implementation process and auditing, etc., to reduce the risk of damage to the public institutions, in order to achieve the ultimate goal of zero disaster.

**(II) The losses suffered in the recent years due to labor disputes, and the estimated current and future estimated amounts and corresponding measures:** None.

**(III) Either there is a defined employee behavior or ethical code**

The company has set a second edition of the "TXC Code of Conduct" in both Chinese and English to regulate the behavioral ethics of all subordinates of the company.

**(IV) Fulfillment of social responsibility**

There company's corporate social responsibility has always including three aspects: corporate philanthropy, corporate governance and environmental safety & health. In the future, related resources from external units that have been cooperating over a long period with our company will be fully integrated. This combined with the high level of enthusiasm and caring shown by our volunteer employees and the newly established charity and compassion foundation will show our commitment to displaying a spirit of 'giving back to society', making maximum use of limited resources and encouraging the joint participation of neighboring communities and companies. By making a greater impact with our philanthropic activities, TXC will set out a path for sustainable operations and expand the reach of our philanthropy. For the implementation of sustainable development, please refer to the company's website and sustainability report.

## VI Information and Communication Security Management

### (I) Describe the information security risk management framework, the information security policy, the specific management plan and the resources invested in the information security management, etc.

#### 1. Information Security Management Organizational Structure

The company has established an information security committee to promote information security management. The general manager serves as the chairman, the information security chief (and convener) is concurrently held by the top director of the management center, the deputy convener is concurrently held by the top director of the Netcom Information Office, and the convening committee is held by each center. The supervisor is concurrently held, and a review meeting is held at least once a year. In addition, depending on business needs or major changes, when there is a risk of affecting information security, a meeting may be held from time to time. In addition, in order to implement information security management, the Information Security Executive Team under the Information Security Committee is responsible for the implementation and control of various information security operations, as well as information security incident handling and emergency response. The information security audit team is responsible for conducting information security internal audit and tracking at least once a year according to the information security internal audit plan.

#### 2. Information Security Policy

"In order to ensure the safe use of internal information, TXC Corporation avoids improper disclosure of information and enables the continuous operation of various business information operations, maintain the effectiveness of internal management systems, and strengthen the confidence and satisfaction of customers and suppliers etc. related parties."

#### 3. Information Security Objectives and Training

In order to maintain the confidentiality, integrity and availability of the company's information assets, through the joint efforts of all colleagues to achieve the following goals:

- (1) Protect information about the company's business activities from unauthorized access, modification and improper disclosure.
- (2) Protect the correctness of the company's important business information processing.
- (3) Maintain the high availability of the company's information operations.
- (4) Handle information security education and training, and communicate information security-related publicity in supervisory meetings to promote employees' awareness of information security and strengthen their awareness of related responsibilities.
- (5) Implement information security internal audit system to ensure the implementation of information security management

In order to ensure the achievement of information security goals and objectives, the effectiveness of the evaluation will be monitored at ordinary times. The situation should be notified and corrective measures should be taken when any suspected non-compliance event occurs, and the information security goal promotion situation should be reported to the information security management committee. Through information security education and training and promotion activities, and to convey information security-related publicity in the supervisor meeting, in order to promote employees' information security intentions and strengthen their awareness of related responsibilities.

#### 4. Investment resources

- (1) Since the company introduced the ISO27001 information security management system in 2011, it has continued to pass the annual regular third-party verification, and passed the annual verification of the ISO27001 information security management system in September 2021. The validity period of the certification is from September 2021 to September 2022.
- (2) The company uses the Cyber-Defense Matrix architecture to plan the information security protection network. In 2020, it focused on vulnerability scanning and analysis, anti-virus, UPAS (IP management and network access control, email defense, and strengthened firewall construction and area defense to avoid single point of failure. Caused the network failure of the whole company. In 2021, in order to strengthen the internal network defense, import endpoint management and file encryption, and strengthen internal and external information security protection.
- (3) In 2022, we will strengthen the necessity of each domain firewall, endpoint management, and email defense. At the same time, we will continue to strengthen information security awareness through monthly information security e-newsletters and annual plant-wide information security publicity.

**(II) List the losses, possible impacts and countermeasures caused by major information security incidents in the most recent year and up to the date of publication of the annual report. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated.**

1. Information monitoring, audit and enforcement results from the fourth quarter of 2020 to the third quarter of 2021 were reported to the board of directors on December 23, 2021.
- 2 The company has not had any major cyber attacks or other related information security incidents that impacted the company's operations in 2021.

## VII Important Contracts

Company	Contractual Nature	Contract Party	Start Date-End Date	Main Content	Limitation Clause
TXC	Software licensing	American Oracle Co., Ltd.	2002/09~ Permanent licensing	Oracle ERP R12.1.3	Licensing, transfer prohibited
	Software licensing	Hualing Technology Co., Ltd.	2002/09~ Permanent licensing	Signing flow Agentflow	Licensing, transfer prohibited
	Software licensing	American Oracle Co., Ltd.	2011/04~ Permanent licensing	Oracle Agile PLM	Licensing, transfer prohibited
	Software licensing	Zitong Computer Co., Ltd.	2011/08~ Permanent licensing	GUI/VAT Product licensing	Licensing, transfer prohibited
	Software licensing	American Oracle Co., Ltd.	2013/12~ Permanent licensing	Oracle WebLogic & WebCenter Portal	Licensing, transfer prohibited
	Software licensing	Shuowang Information Co., Ltd.	2014/10~ Permanent licensing	(SmartKMS 8)Knowledge Management System	Licensing, transfer prohibited
	Software licensing	XuLian Technology Co., Ltd	2015/03~ Permanent licensing	Training Master (CTMS)	Licensing, transfer prohibited
	Software licensing	XuLian Technology Co., Ltd	2015/03~ Permanent licensing	Power Master (CSAS)	Licensing, transfer prohibited
	Software licensing	Zitong Computer Co., Ltd	2019/11~ Permanent licensing	CiMes Software product licensing	Licensing, transfer prohibited
	Software licensing	Feixunte Technology Co., Ltd	2020/01~ Permanent licensing	EAP SECS Development Tools - Runtime License RMS Site Limited License	Licensing, transfer prohibited
	Software licensing	Zitong Computer Co., Ltd	2021/05~ Permanent licensing	Recruitment management system authorization	Licensing, transfer prohibited
	Software licensing	Zitong Computer Co., Ltd	2021/05~ Permanent licensing	Area-PP (Privacy Guard) authorization	Licensing, transfer prohibited
TXC (NGB)	Software licensing	Hangzhou Jinmai Software Co., Ltd.	2010/07~ Permanent licensing	CAD Internet version software licensing	No transfer without consent
	Software licensing	Hangzhou Yinyang Information Co., Ltd.	2017/05~ Permanent licensing	Office2016 and WinPro Licensing	Licensing, transfer prohibited
	Software licensing	Yanwei Trading (Shanghai) Co., Ltd.	2017/12~ Permanent licensing	SolidWorks standard 2017 package	Licensing, transfer prohibited
	Software licensing	Guangzhou Saiyi Information Technology Co., Ltd.	2018/06/28~ Permanent licensing	Smart factory	Licensing, transfer prohibited
	Software licensing	Shanghai Chuangsheng Information Technology Co., Ltd.	2018.10~ Permanent licensing	UG10000-WISD and NX11110	Licensing, transfer prohibited

TXC (NGB)	Software licensing	Fansoft Software Co., Ltd.	2020.04~ Permanent licensing	Electronic Data Analysis System	Licensing, transfer prohibited
	Software licensing	Shanghai Fanwei Network Technology Co., Ltd.	2020.04~ Permanent licensing	Pan Micro OA	Licensing, transfer prohibited
	Software licensing	Aijia Software (Suzhou) Co., Ltd.	2020.12~ Permanent licensing	HCP System	Licensing, transfer prohibited
	Software licensing	Shanghai Jinge Information Technology Co., Ltd.	2021.03~ Permanent licensing	RFID application software	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2021.08~ Permanent licensing	Zenon software system	Licensing, transfer prohibited
	Software licensing	Shanghai Jiuwu Internet Technology Co., Ltd.	2021.08~ Permanent licensing	DataStation System Software	Licensing, transfer prohibited
	Software licensing	Suzhou Guantong Automation Technology Co., Ltd.	2021.12~ Permanent licensing	Power balance automatic control project	Licensing, transfer prohibited
TXC (CKG)	Software licensing	Shanghai Hupu Information Technology Co., Ltd.	2014.08~ Permanent licensing	Intranet security management software	Licensing, transfer prohibited
TXC	Bank financing	China Trust Bank	2020.01.03~2025.01.03	Medium and long term loans	None
TXC (NGB)	Bank financing	China Trust Bank	2020.02.27-2022.02.26	Medium and long term loans	None
TXC (CKG)	Bank financing	China Trust Bank	2020.09.25~2021.09.24	Short-term loans	None

## Chapter 6 Financial Information

### I. Abbreviated Balance Sheets and P/L Statements for the Past 5 Years

#### (I) Abbreviated Consolidated Balance Sheets (IFRS)

Unit : NT\$ 1,000

		Financial information for the post 5 years (Note1)				
		2017	2018	2019	2020	2021
Current assets		7,983,192	7,117,289	7,945,036	9,587,601	11,369,852
Property, plant and equipment (Note 2)		4,369,810	4,110,722	4,054,149	4,808,588	5,843,828
Intangible assets		8,013	21,831	27,816	41,684	51,890
Other assets (Note 2)		1,041,784	1,311,884	1,341,769	2,163,838	3,537,698
Total assets		13,402,799	12,561,726	13,368,770	16,601,711	20,803,268
Current liabilities	Before distribution	2,276,802	2,088,860	2,796,519	5,093,290	4,894,702
	After distribution	3,051,195	2,708,374	3,570,912	5,712,804	(Note 6)
Long-term liabilities		1,961,406	1,722,026	1,874,500	1,853,415	3,148,872
Total liabilities	Before distribution	4,238,208	3,810,886	4,671,019	6,946,705	8,043,574
	After distribution	5,012,601	4,430,400	5,445,412	7,566,219	(Note 6)
Interests attributable to parent company		9,122,699	8,750,840	8,697,751	9,655,006	12,759,694
Common stock		3,097,570	3,097,570	3,097,570	3,097,570	3,097,570
Capital surplus		1,665,224	1,665,116	1,666,690	1,668,269	1,696,784
Retained earnings	Before distribution	4,242,994	4,243,060	4,457,863	5,235,929	7,167,557
	After distribution	3,468,601	3,623,546	3,683,470	4,616,415	(Note 6)
Other interests		116,911	(254,906)	(524,372)	(346,762)	797,783
Treasury Stock		0	0	0	0	0
Non-controlling interests		41,892	0	0	0	0
Total stockholders' equity	Before distribution	9,164,591	8,750,840	8,697,751	9,655,006	12,759,694
	After distribution	8,390,198	8,131,326	7,923,358	9,035,492	(Note 6)

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

\* For financial data that has used international accounting reporting standards for less than five years, table (2) should be prepared separately with financial data which uses our country's financial accounting standards.

Note 1: The years which have not yet been audited and certified by a CPA should be noted.

Note 2: The assessment date and reassessed value amount should be listed for assets which have been reassessed in that year.

Note 3: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

Note 4: For the above amounts after distribution, the amounts listed should be based on the following year's shareholders

meeting resolution.

Note 5: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.

Note 6: Earnings in 2021 have not yet passed shareholders' meeting resolution as of March 7, 2022.



**(II) Abbreviated Balance Sheets (IFRS)**

Unit : NT\$ 1,000

		Financial information for the post 5 years (Note1)				
		2017	2018	2019	2020	2021
Current assets		4,068,933	3,896,214	3,924,645	5,176,579	7,295,454
Property, plant and equipment (Note 2)		2,109,112	1,894,487	1,961,704	2,328,906	2,621,486
Intangible assets		543	170	3,692	8,984	15,190
Other assets (Note 2)		6,526,246	6,162,079	6,214,496	6,918,239	8,898,855
Total assets		12,704,834	11,952,950	12,104,537	14,432,708	18,830,985
Current liabilities	Before distribution	1,628,509	1,626,245	1,794,064	3,036,340	3,132,441
	After distribution	2,402,902	2,245,759	2,568,457	3,655,854	(Note 6)
Long-term liabilities		1,953,626	1,575,865	1,612,722	1,741,362	2,938,850
Total liabilities	Before distribution	3,582,135	3,202,110	3,406,786	4,777,702	6,071,291
	After distribution	4,356,528	3,821,624	4,181,179	5,397,216	(Note 6)
Interests attributable to parent company		9,122,699	8,750,840	8,697,751	9,655,006	12,759,694
Common stock		3,097,570	3,097,570	3,097,570	3,097,570	3,097,570
Capital surplus		1,665,224	1,665,116	1,666,690	1,668,269	1,696,784
Retained earnings	Before distribution	4,242,994	4,243,060	4,457,863	5,235,929	7,167,557
	After distribution	3,468,601	3,623,546	3,683,470	4,616,415	(Note 6)
Other interests		116,911	(254,906)	(524,372)	(346,762)	797,783
Treasury Stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total stockholders' equity	Before distribution	9,122,699	8,750,840	8,697,751	9,655,006	12,759,694
	After distribution	8,348,306	8,131,326	7,923,358	9,035,492	(Note 6)

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

\* For financial data that has used international accounting reporting standards for less than five years, table (2) should be prepared separately with financial data which uses our country's financial accounting standards.

Note 1: The years which have not yet been audited and certified by a CPA should be noted.

Note 2: The assessment date and reassessed value amount should be listed for assets which have been reassessed in that year.

Note 3: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

Note 4: For the above amounts after distribution, the amounts listed should be based on the following year's shareholders meeting resolution.

Note 5: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.

Note 6: Earnings in 2021 have not yet passed shareholders' meeting resolution as of March 7, 2022.

**(III) Abbreviated Consolidated P/L Statements (IFRS)**

Unit : NT\$ 1,000

Year Item	Financial information for the post 5 years (Note1)				
	2017	2018	2019	2020	2021
Net operating revenue	8,781,552	8,156,268	8,430,970	11,048,392	15,244,851
Gross profit	2,186,077	1,827,626	2,007,091	3,332,806	5,627,229
Operating income	802,056	533,301	632,138	1,617,660	3,474,745
Nonoperating gains and losses	272,877	200,196	132,439	91,057	222,098
Income before income tax	1,074,933	733,497	764,577	1,708,717	3,696,843
Continuing operations net Income	951,017	644,249	671,782	1,429,287	3,116,984
Discontinuing operations net Loss	0	0	0	0	0
Net income (loss)	951,017	644,249	671,782	1,429,287	3,116,984
Other comprehensive income (net amount)	(692,288)	(246,756)	(106,931)	300,782	1,136,266
Total comprehensive income	258,729	397,493	564,851	1,730,069	4,253,250
Net income attributable to parent company	962,655	644,350	671,782	1,429,287	3,116,984
Net income attributable to non-controlling interests	(11,638)	(101)	0	0	0
Comprehensive income attributable to parent company	270,367	397,594	564,851	1,730,069	4,253,250
Comprehensive income attributable to non-controlling interests	(11,638)	(101)	0	0	0
Earnings per share	3.11	2.08	2.17	4.61	10.06

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

\* For financial data that has used international accounting reporting standards for less than five years, table (2) should be prepared separately with financial data which uses our country's financial accounting standards.

Note1: The years which have not yet been audited and certified by a CPA should be noted.

2: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

- 3: Gains (losses) from discontinued operations are listed as net amounts after income tax deduction.
- 4: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.
- 5: Earnings in 2021 have not yet passed shareholders' meeting resolution as of March 7, 2022.

**(IV) Abbreviated P/L Statements (IFRS)**

Unit : NT\$ 1,000

Year Item	Financial information for the post 5 years (Note1)				
	2017	2018	2019	2020	2021
Net operating revenue	7,054,964	6,556,906	6,672,071	9,140,414	11,680,702
Gross profit	1,256,789	1,015,820	1,074,968	1,946,727	3,396,773
Operating income	452,816	324,442	303,472	978,319	2,232,857
Nonoperating gains and losses	572,854	362,445	408,074	647,492	1,289,729
Income before income tax	1,025,670	686,887	711,546	1,625,811	3,522,586
Continuing operations net Income	962,655	644,350	671,782	1,429,287	3,116,984
Discontinuing operations net Loss	0	0	0	0	0
Net income (loss)	962,655	644,350	671,782	1,429,287	3,116,984
Other comprehensive income (net amount)	(692,288)	(246,756)	(106,931)	300,782	1,136,266
Total comprehensive income	270,367	397,594	564,851	1,730,069	4,253,250
Net income attributable to parent company	962,655	644,350	671,782	1,429,287	3,116,984
Net income attributable to non-controlling interests	0	0	0	0	0
Comprehensive income attributable to parent company	270,367	397,594	564,851	1,730,069	4,253,250
Comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	3.11	2.08	2.17	4.61	10.06

\* If individual financial reports are prepared, the Company shall also prepare condensed balance sheets and statements of income for the past five years.

\* For financial data that has used international accounting reporting standards for less than five years, table (2) should be prepared separately with financial data which uses our country's financial accounting standards.

Note1: The years which have not yet been audited and certified by a CPA should be noted.

2: Listed companies or companies with securities sold by securities firms should list the annual report publishing dates up to the previous quarter. Whether or not the financial data has been certified, audited or both should also be noted.

3: Gains (losses) from discontinued operations are listed as net amounts after income tax deduction.

4: For financial data which requires self-correction or revision as notified by the competent authorities, the corrected or revised amounts should be listed and the circumstances and reasons should be noted.

5: Earnings in 2021 have not yet passed shareholders' meeting resolution as of March 7, 2022.

**(V) Name and audit opinions of the Certified Public Accountant during the past 5 years**

Year	Accounting firm	Certified Public Accountant	Audit opinions
2017	Deloitte & Touche	Lin, I-Hui, Weng, Po-Jen	No reserved opinions
2018	Deloitte & Touche	Lin, I-Hui, Weng, Po-Jen	No reserved opinions
2019	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions
2020	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions
2021	Deloitte & Touche	Hsieh, Ming-Chung, Su, Yu-Hsiu	No reserved opinions

Note: 1. Explanation for the change of accountants during the past five years:

Due to organizational changes, mergers and internal personnel and work arrangements of the accounting firm, as well as to be in line with the corporate governance measures.

## II. Financial Analysis for the past 5 Years

### (I) Consolidated Financial Analysis (IFRS)

Unit : NT\$ 1,000

Year		Financial analysis for the post 5 years				
		2017	2018	2019	2020	2021
Capital Structure Analysis	Debt ratio (%)	31.62	30.34	34.94	41.84	38.66
	Long-term fund to fixed assets ratio (%)	254.61	254.77	260.78	239.33	272.23
Liquidity Analysis	Current Ratio (%)	350.63	340.73	284.10	188.24	232.29
	Quick Ratio (%)	277.70	250.96	205.84	128.45	175.7
	Times interest earned (%)	5,000	3,696	3,389	8,069	8,997
Operating performance Analysis	Average AR turnover(times)	3.05	3.02	2.99	3.43	4.02
	Average AR turnover(days)	119.67	120.86	122.07	106.41	90.79
	Average inventory turnover(times)	4.36	3.81	3.33	3.18	3.53
	Average payment turnover(times)	5.02	4.96	4.30	4.28	4.76
	Average inventory turnover(days)	83.71	95.80	109.60	114.77	103.39
	Fixed assets turnover(times)	2.03	1.92	2.07	2.49	2.86
	Total assets turnover(times)	0.62	0.63	0.65	0.74	0.82
Profitability Analysis	Turn on total assets (%)	6.86	5.09	5.32	9.65	16.84
	Turn on total equity (%)	10.04	7.19	7.70	15.58	27.81
	Paid-in capital ratio (%)	34.70	23.68	24.68	55.16	112.18
	Net margin (%)	10.83	7.90	7.97	12.94	20.45
	Earnings per share(Basic) Note I	3.11	2.08	2.17	4.61	10.06
Cash Flow	Cash flow ratio (%)	73.06	51.15	59.49	37.31	74.12
	Cash flow adequacy ratio (%)	127.04	116.90	113.47	87.85	82.96
	Cash flow reinvestment ration (%)	4.92	1.87	6.29	6.52	12.01
Leverage	Operating leverage	2.0191	2.5348	2.2142	1.5253	1.3040
	Financial Leverage	1.0281	1.0398	1.0382	1.0134	1.0121

Please explain the reasons of changes in financial ratio for the post two years (No needs for analysis if change of financial ratio is less than 20%)

1. The increase in current ratio and quick ratio was mainly due to the increase in cash and cash equivalents compared with the same period of last year and the decrease in short-term borrowings compared with the same period of last year.
2. The increase in interest coverage ratio was mainly due to the increase in net profit before tax and interest compared

with the same period last year.

3. The increase in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share was mainly due to the increase in net profit after tax compared with the same period last year.
4. The increase in cash flow ratio and cash reinvestment ratio was mainly due to the increase in net cash flow from operating activities after deducting cash dividends compared with the same period last year.
5. The decrease in operating leverage was mainly due to the fact that the increase in operating profit over the same period last year was greater than the increase in net sales after deducting variable costs and expenses.

Note : Glossary :

1. Capital Structure Analysis

(1) Debt ratio =  $\frac{\text{Total liabilities}}{\text{Total assets}}$

(2) Long-term fund to fixed assets ratio =  $\frac{(\text{Total stockholders' equity} + \text{Long-term liabilities})}{\text{Net Fixed Assets}}$

2. Liquidity Analysis

(1) Current Ratio =  $\frac{\text{current assets}}{\text{current liabilities}}$

(2) Quick Ratio =  $\frac{(\text{current assets} - \text{Inventories} - \text{Prepaid expenses})}{\text{current liabilities}}$

(3) Times interest earned =  $\frac{\text{Earnings before interest and taxes}}{\text{Interest expenses}}$

3. Operating performance Analysis

(1) Average collection turnover =

$\frac{\text{Net sales}}{\text{Average trade Receivables}}$

(2) Days sales outstanding =  $\frac{365}{\text{Average collection turnover}}$

(3) Average inventory turnover =  $\frac{\text{Cost of good sold}}{\text{Average inventory}}$

(4) Average payment turnover =  $\frac{\text{Cost of good sold}}{\text{Average trade Payables}}$

(5) Average inventory turnover(Days) =  $\frac{365}{\text{Average inventory turnover}}$

(6) Fixed assets turnover =  $\frac{\text{Net sales}}{\text{Net Fixed Assets}}$

(7) Total assets turnover =  $\frac{\text{Net sales}}{\text{Total assets}}$

4. Profitability Analysis

(1) Turn on total assets =  $\frac{[\text{Net income} + \text{Interest expenses} \times (1 - \text{Effective tax rate})]}{\text{Average total assets}}$

(2) Turn on total equity =  $\frac{\text{Net income}}{\text{Average stockholders' equity}}$

(3) Net margin =  $\frac{\text{Net income}}{\text{net sales}}$

(4) Earnings per share =  $\frac{(\text{Net income} - \text{Perferred stock dividend})}{\text{Weighted average number of shares outstanding}}$

5. Cash Flow

(1) Cash flow ratio =  $\frac{\text{Net cash provided by operating activities}}{\text{current liabilities}}$

(2) Cash flow adequacy ratio =  $\frac{\text{Five-year sum of cash from operations}}{\text{Five-year sum of capital expenditures, inventory additions, and cash dividend.}}$

(3) Cash flow reinvestment ration =  $\frac{(\text{Cash provided from operating activities} - \text{Cash dividend})}{(\text{Grosss fixed assets} + \text{investment} + \text{Other assets} + \text{Working capital})}$

6. Leverage

(1) Operating leverage =  $\frac{(\text{Net sales} - \text{Variable cost})}{\text{Income from operations}}$

(2) Financial Leverage =  $\frac{\text{Income from operations}}{(\text{Income from operations} - \text{Interest expenses})}$

**(II) Financial Analysis (IFRS)**

Unit : NT\$ 1,000

Year Item		Financial analysis for the post 5 years				
		2017	2018	2019	2020	2021
Capital Structure Analysis	Debt ratio (%)	28.20	26.79	28.14	33.10	32.24
	Long-term fund to fixed assets ratio (%)	525.17	545.09	525.59	489.34	598.84
Liquidity Analysis	Current Ratio (%)	249.86	239.58	218.76	170.49	232.90
	Quick Ratio (%)	190.42	177.65	169.02	131.84	188.85
	Times interest earned (%)	6,818	5,620	5,805	16,903	30,031
Operating performance Analysis	Average AR turnover(times)	3.01	2.98	2.96	3.45	3.54
	Average AR turnover(days)	121.26	122.48	123.31	105.79	103.10
	Average inventory turnover(times)	6.16	5.67	5.99	7.40	6.85
	Average payment turnover(times)	4.77	4.73	4.45	4.77	4.95
	Average inventory turnover(days)	59.25	64.37	60.93	49.32	53.28
	Fixed assets turnover(times)	3.39	3.28	3.46	4.26	4.72
	Total assets turnover(times)	0.53	0.53	0.55	0.69	0.70
Profitability Analysis	Turn on total assets (%)	7.24	5.31	5.67	10.83	18.80
	Turn on total equity (%)	10.22	7.21	7.70	15.58	27.81
	Paid-in capital ratio (%)	33.11	22.18	22.97	52.49	113.72
	Net margin (%)	13.65	9.83	10.07	15.64	26.68
	Earnings per share(Basic) Note I	3.11	2.08	2.17	4.61	10.06
Cash Flow	Cash flow ratio (%)	38.87	32.50	47.04	22.78	65.35
	Cash flow adequacy ratio (%)	98.70	87.45	83.22	66.65	67.96
	Cash flow reinvestment ration (%)	(1.77)	(1.93)	1.68	(0.58)	4.97
Leverage	Operating leverage	1.8095	1.9043	2.0813	1.3841	1.2059
	Financial Leverage	1.0349	1.0399	1.0429	1.0100	1.0100

Please explain the reasons of changes in financial ratio for the post two years (No needs for analysis if change of financial ratio is less than 20%)

1. The increase in the ratio of long-term funds to real estate, plant and equipment was mainly due to the increase in the conversion of long-term loans to short-term loans due within one year, and the increase in real estate, plant and equipment.
2. The increase in current ratio and quick ratio was mainly due to the increase in cash and cash equivalents compared with the same period of last year and the decrease in short-term borrowings compared with the same period of last year.
3. The increase in interest coverage ratio was mainly due to the increase in net profit before tax and interest compared with the same period last year.
4. The increase in return on assets, return on equity, ratio of net profit before tax to paid-in capital, net profit ratio and earnings per share was mainly due to the increase in net profit after tax compared with the same period last year.



5. The increase in cash reinvestment ratio was mainly due to the increase in net cash flow from operating activities after deducting cash dividends compared with the same period last year..

Note : Glossary :

1. Capital Structure Analysis

(1) Debt ratio =  $\frac{\text{Total liabilities}}{\text{Total assets}}$

(2) Long-term fund to fixed assets ratio =  $\frac{(\text{Total stockholders' equity} + \text{Long-term liabilities})}{\text{Net Fixed Assets}}$

2. Liquidity Analysis

(1) Current Ratio =  $\frac{\text{current assets}}{\text{current liabilities}}$

(2) Quick Ratio =  $\frac{(\text{current assets} - \text{Inventories} - \text{Prepaid expenses})}{\text{current liabilities}}$

(3) Times interest earned =  $\frac{\text{Earnings before interest and taxes}}{\text{Interest expenses}}$

3. Operating performance Analysis

(1) Average collection turnover =

$\frac{\text{Net sales}}{\text{Average trade Receivables}}$

(2) Days sales outstanding =  $\frac{365}{\text{Average collection turnover}}$

(3) Average inventory turnover =  $\frac{\text{Cost of good sold}}{\text{Average inventory}}$  °

(4) Average payment turnover =  $\frac{\text{Cost of good sold}}{\text{Average trade Payables}}$

(5) Average inventory turnover(Days) =  $\frac{365}{\text{Average inventory turnover}}$

(6) Fixed assets turnover =  $\frac{\text{Net sales}}{\text{Net Fixed Assets}}$

(7) Total assets turnover =  $\frac{\text{Net sales}}{\text{Total assets}}$

4. Profitability Analysis

(1) Turn on total assets =  $\frac{[\text{Net income} + \text{Interest expenses} \times (1 - \text{Effective tax rate})]}{\text{Average total assets}}$  °

(2) Turn on total equity =  $\frac{\text{Net income}}{\text{Average stockholders' equity}}$  °

(3) Net margin =  $\frac{\text{Net income}}{\text{net sales}}$  °

(4) Earnings per share =  $\frac{(\text{Net income} - \text{Perferred stock dividend})}{\text{Weighted average number of shares outstanding}}$

5. Cash Flow

(1) Cash flow ratio =  $\frac{\text{Net cash provided by operating activities}}{\text{current liabilities}}$

(2) Cash flow adequacy ratio =  $\frac{\text{Five-year sum of cash from operations}}{\text{Five-year sum of capital expenditures, inventory additions, and cash dividend.}}$

(3) Cash flow reinvestment ration =  $\frac{(\text{Cash provided from operating activities} - \text{Cash dividend})}{(\text{Grosss fixed assets} + \text{investment} + \text{Other assets} + \text{Working capital})}$

6. Leverage

(1) Operating leverage =  $\frac{(\text{Net sales} - \text{Variable cost})}{\text{Income from operations}}$

(2) Financial Leverage =  $\frac{\text{Income from operations}}{(\text{Income from operations} - \text{Interest expenses})}$

### III. Audit Committee's Review Report

#### **TXC Corporation Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2021 business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution, of which the consolidated financial statements and the individual financial statements have been audited by independent auditors Mr. Hsieh, Ming-Chung and Ms. Su, Yu-Hsiu of Deloitte & Touche. The business report, consolidated financial statements, the individual financial statements and proposal of earnings distribution have been recognized by Audit Committee according to Article 14-4 of the Securities Exchange Act and Article 219 of the Corporate Act. Please examine.

2022 shareholder meeting of the company

Convener of the Audit Committee : **Yu, Shang-Wu**

March 7, 2022

**IV Consolidated Financial statements of the most recent year:  
Please refer to Appendix 1**

**V The Company's unconsolidated financial statements audit by a certified public accountant for the most recent year:  
Please refer to Appendix 2**

**VI Where there is any financial difficulty in the Company and affiliates during the most recent year and as of the date the annual report was published, impact thereof on the financial status of the Company:N/A**

## Chapter 7 Review of Financial Conditions, Operating Results, and Risk Management

### I. Financial Statement

Unit: NT\$1,000

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	11,369,852	9,587,601	1,782,251	18.59
Non Current Assets	9,433,416	7,014,110	2,419,306	34.49
Total Assets	20,803,268	16,601,711	4,201,557	25.31
Current Liabilities	4,894,702	5,093,290	(198,588)	(3.90)
Non Current Liabilities	3,148,872	1,853,415	1,295,457	69.90
Total Liabilities	8,043,574	6,946,705	1,096,869	15.79
Share Capital	3,097,570	3,097,570	0	0
Capital Surplus	1,696,784	1,668,269	28,515	1.71
Retained Earnings	7,167,557	5,235,929	1,931,628	36.89
Other Equity	797,783	(346,762)	1,144,545	330.07
Non-Controlling Interests	0	0	0	0
Total Equity	12,759,694	9,655,006	3,104,688	32.16

Explanation for the analysis on the changes during the past two years. (This analysis can be exempted if the change is less than 20%)Explanation:

1. The increase in non-current assets was mainly due to the adjustment of the evaluation of non-current financial assets measured at fair value through other comprehensive gains and losses, and the expansion of production lines to increase real estate, plant and equipment, and prepaid equipment payments.
2. The increase in non-current liabilities was mainly due to the issuance of corporate bonds this year and the equipment investment subsidy obtained by the local government for Ningbo plant and Chongqing plant and transferred to deferred income.
3. The increase in other equity was mainly due to the increase in unrealized benefits of financial assets measured at fair value through other comprehensive gains and losses.
4. The increase in retained earnings and total equity was mainly due to the increase in net profit after tax over the same period last year.

## II. Financial Performance

### (I) Comparative analysis table for the operating results

Unit: NT\$1,000

Year	2021	2020	Increase(Decrease) Amount	Change %
Items				
Sales	15,244,851	11,048,392	4,196,459	37.98
Cost of Goods Sold	(9,617,622)	(7,715,586)	(1,902,036)	24.65
Gross Profit	5,627,229	3,332,806	2,294,423	68.84
Operating Expenses	(2,152,484)	(1,715,146)	(437,338)	25.50
Profit from Operations	3,474,745	1,617,660	1,857,085	114.80
Non-Operating Income and Expenses	222,098	91,057	131,041	143.91
Profit before Income Tax	3,696,843	1,708,717	1,988,126	116.35
Income Tax Expense	(579,859)	(279,430)	(300,429)	107.51
Net Profit for The Year	3,116,984	1,429,287	1,687,697	118.08
Other Comprehensive Income (Loss)	1,136,266	300,782	835,484	277.77
Total Comprehensive income (Loss) for The Year	4,253,250	1,730,069	2,523,181	145.84
Explanation for the analysis on the changes during the past two years. (This analysis can be exempted if the change is less than 20%)Explanation:				
1. The increase in sales revenue, cost of goods sold, operating gross profit, operating expenses, operating net profit, net profit before tax, income tax expense, net profit for the current period, and total comprehensive profit and loss for the current period was mainly due to operating growth.				
2. The increase in non-operating income and expenditure was mainly due to the increase in net foreign currency exchange benefits.				

### (II) Expected sales quantity and its basis

In 2021, the company will adhere to a cautious and conservative attitude. In addition to the support of existing customer orders, it will still plan to increase the production capacity of new products and optimize the production process of products. As the company gradually obtains customer certification for automotive electronics and high-end precision products And acknowledged that it is expected that revenue will be contributed by the expansion of new products and production lines, and continue to refine precision products with miniaturization, high frequency, and low energy consumption, under the conditions of effective customer relations and product diversification , The total combined sales is expected to reach more than 5 billion, and the global market share can be maintained at about 12%~15%. The estimated target is to become the top manufacturers in the global quartz industry.

### III. Cash Flow

Unit: NT\$1,000

Beginning Cash Balance	Net Cash Provided by (Used in) Operating Activities of the year	Cash Inflow (Outflow) of the year	Cash Over and Short	Cash shortage remedy	
				Investing plan	Financing plan
2,218,277	3,627,726	1,413,368	3,631,645	NA	NA

**(I) Analysis on changes in cash flow of the year:**

The Company's net cash inflow for the year 2021 was NT\$1,413,368,000 and the changes in cash flow from various operating activities are as follows:

- (1) Operating activities: inflow amount NT\$3,627,726,000
- (2) Investing activities: outflow amount NT\$1,860,228,000
- (3) Financing activities: outflow amount NT\$329,116,000

**(II) Remedy for cash shortage and liquidity analysis: None.**

**(III) Cash liquidity analysis for the coming year:**

Unit: NT\$1,000

Beginning Cash Balance	Net Cash Provided by (Used in) Operating Activities of the year	Cash Inflow (Outflow) of the year	Cash Over and Short	Cash shortage remedy	
				Investment plan	Financing plan
3,631,645	3,000,000	(1,500,000)	2,131,645	NA	NA
Expected cash shortage remedy and liquidity analysis: None					

### IV. Impact of major annual capital expenditure on financial operations

The main major capital expenditure of the company in 2021 is to pay for the expansion of production line equipment and the upgrade of miniaturized products and equipment, in order to meet market customer demand and optimize the company's product mix and technical specifications. On the basis of the consolidated financial statements, the amount paid for the purchase of fixed assets in 2021 was NT\$2.113 billion, and the prepayment for equipment was NT\$184 million, accounting for approximately 15.06% of the net sales. We continued to expand production capacity and invest in new products. Development, it is expected to inject operational growth momentum into the company's long-term development plan, and has no significant impact on financial business in the short term.

**V. The main reasons for the profit or loss resulted from joint venture policies in the most recent year, the improvement plan thereof and the investment plan for the coming year:**

Explanations Projects	Amount	Policies	Main reasons for the profit or loss	Improvement plan	Other future investment plan
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	NT 1,150,767,000	Investment Ning-Bo Plant, OBU	The main reason for profit this year is the increase in production capacity, yield rate and product quality.	Continue to introduce excellent talents and require to improve yield rate and quality standards.	Other related expansion investment plans are under continuous evaluation.
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	NT 53,217,000	Trading	The main reason for this year's profit is that the company's operating activities have begun to expand	Continue to maintain the company's operating performance	None

**VI. Risks analysis and assessment**

**(I) Policies and organizational structure of risk management**

The Company's risk management policy is to establish a risk management mechanism for risk identification, measurement, supervision and control, and to configure an integrated risk management system. To conduct risk management, analysis and evaluation on the following issues: 1. Business / Law / Regulations / Standards; 2. Changes in political environment; 3.; Changes in economic / financial environment; 4. Natural disasters (climate change); 5. Technology and information; 6. Competitive environment; 7. Facilities / equipment; 8. Business / market operations; 9. Related Supply chains; 10. Financial operations; 11. Community / Environmental Security and Hygiene; and 12. Personnel etc., total 12 items and 88 indicators, in order to develop mitigation strategies and operational continuity plans to eliminate, reduce, transfer, accept risks, and promote appropriate risk management-oriented business model, achieving operational goals to enhance shareholder value, and major risks such as marketing market, production operation, human resource planning, new product development progress, and financial accounting control faced by various business operations, except in addition to the original system norms and treatments, actively develop advanced and highly sensitive procedures and guidelines for supervision, evaluation, and risk management to balance safety and efficiency, and establish economically effective business operation models, such as strengthening the establishment of information systems, strengthen early warning and monitoring capabilities and promote the ISO22301 and ISO31000 risk management systems related to risk identification and management; and have completed the establishment and certification of ISO27001 Information Security Management Systems and AEO.

The Company has formulated the measures for key operational risk management for each

identifiable risk and approved by the board of directors. The framework and guidelines for the Company's key operational risks are provided to all departments for related risk identification and evaluation, and the response is formulated according to the results of the measures and supervision plan, so that the identified potential key operational risks can be minimized by daily supervision, management and control. The Company has established a risk response organization, with the general manager acting as the convener to coordinate the promotion and operation of the risk management plan. Several central authority and responsibility units are organized for the purpose to promote a variety of risk management.

- Administrator Center: The roles and responsibilities of the management center: Arrangement and response of human resources, evaluation of financial risks, execution of various insurance operations, maintenance of operating system configuration, establishment and maintenance of environmental safety and health, review and establishment of laws and regulations, and media public relations and external coordination matters etc.
- R & D Center: The roles and responsibilities of the R & D Center: Put in place the emergency response measures for R & D operating environment, risk assessment of new product development, and R & D progress control
- Marketing Center: The roles and responsibilities of the Marketing Center: Collection and establishment of market information, coordination between the production and marketing departments, establishment and handling of customer relationships, and tracking and collection of account receivable.
- Manufacturing Center: The roles and responsibilities of the Manufacturing Center: Put in place the emergency response measures for production operations, production contingency plan and specifications, manpower support and allocation plans, and on-site environmental safety contingency plans..
- MEMS Center: The roles and responsibilities of the MEMS Center (Microelectromechanical Systems Center): Put in place the emergency response measures for production operations, production contingency plan and specifications, manpower support and allocation plans, and on-site environmental safety contingency plans
- Supply Chain Center: The roles and responsibilities of the Supply Chain Center: Development of a supplier contingency plan, put in place the emergency response measures for procurement, development of alternative plans for import and export transportation, customs declaration, customs clearance, insurance-related operations and equipment purchase.
- Quality Assurance Center: The roles and responsibilities of the Supply Chain Center:



Development of document data storage plans, control of Disaster-damaged products and quality control, and put in place the emergency response measures for product testing operations

Internal Audit Dept.: The roles and responsibilities of the Internal Audit Dept.: Regularly check whether the implementation of risk control of each central unit is actually performed according to the Company's internal control and audit plan, and preparing for an audit report based on the actual audit results.

Occupational Safety and Health Management Office: The roles and responsibilities of the Audit Office: Supervision of environmental safety and health management such as environmental safety and health review / risk assessment to ensure safety and health normal operation of the health system.

**(II) Impact of recent year interest rates changes, exchange rate fluctuation and inflation on the profit or loss of the Company and the future countermeasures therefor.**

(1) Impact of recent year interest rates on the profit or loss of the Company and the future countermeasures therefor:

i Impact of interest rates on the profit or loss of the Company and the subsidiary

In 2021, the net interest of the Company and its subsidiary was NT\$41,553,000 and the Company's interest expense will be increased by approximately NT\$5,594,000 for every 0.25% increment in the market interest rate.

ii Future countermeasures

Since the Company and its subsidiary have sound financial structure together with the gradual expansion of the Company's business scale, it has close long-term cooperation with the banks. Through the bank's assistance, it has been able to obtain better interest rates and terms to improve its financial structure, enrich medium and long-term working capital and reduce the risks of interest rate changes. Its financing costs have been lower than the average market interest rate.

(2) Impact of recent year exchange rate fluctuation on the profit or loss of the Company and the future countermeasures therefor:

i Impact of exchange rate fluctuation on the profit or loss of the Company and subsidiary

Due to nature of the industry, the Company's foreign procurement of raw materials account for about 80% and export income accounted for more than 90%, therefore, exchange rate control is relatively important. In 2021, the sharp fluctuations in exchange rates has made hedging operations relatively difficult. However, the Company and subsidiary have established appropriate risk management mechanisms to avoid risks. In the future, the Company's gross margin will be affected by approximately 0.5%, for every 1% market exchange rate appreciation.

ii Future countermeasures

As for the response to exchange rate changes, the Company and subsidiary have established a risk assessment team to adopt dynamic natural hedging. The remaining mainly undertakes hedging instruments such as spot exchange transactions and/or

foreign exchange forward contract to reduce risks by maintaining a high hedging ratio.

- (3) Impact of the recent year inflation on the profit or loss of the Company and the future countermeasures therefor:
- i Impact of inflation on the profit or loss of the Company and subsidiary  
The Company's expenses will be increased by approximately NT\$21,524,000 for every 1% increment in inflation.
  - ii Future countermeasures  
In recent years, there has been little impact on the costs and prices due to stable inflation data. In the future, the Company will remain on the lookout for the inflation trend for the purpose of costs control and price quotation and make appropriate adjustments.

**(III) The main reasons for engaging in high risk and highly leveraged investments, capital lending to others, endorsement, the policies and profit (or loss) of derivative commodity transactions and the future countermeasures therefor:**

- (1) The Company and subsidiary did not engage in any high risk and highly leveraged investments in 2021.
- (2) The Company and subsidiary engaged in capital lending to others and endorsement according to the regulatory statute and performed regular auditing and filing pursuant to the relevant regulations of the competent authority and the Company. The details are as follows:
  - i Capital lending to others: none.
  - ii Endorsement: The object of the company's subsidiary endorsement guarantee is that its 100%-owned subsidiary has been released at the end of 2021.
  - iii The policies and profit (or loss) of derivative commodity transactions and the future countermeasures therefor:
    - (a) The Company and subsidiary engaged in derivative financial commodity transactions to avoid risks in foreign currency claims, debts and commitments arising from changes in exchange rate and/or interest rate. The hedging strategy is for the purpose of avoiding most of the market price risks.
    - (b) In 2021, the Company and its subsidiary recognized foreign exchange gain of NT\$75,755,000 due to large fluctuations in exchange rates.
    - (c) The Company and subsidiary use derivative financial commodity that are highly correlated with changes in the fair value of the hedged items as hedging instruments to avoid the risks arising from the Company's business operations and perform periodic assessments to control the risks thereof.

**(IV) Future R & D plan and estimated investment in R & D**

- (1) The Company has systematically introduced the R & D plan into the PLM (Product Lifecycle Management) system and grasped products' R & D progress through the PLM system. In 2021, the Company has established different R & D projects based on product categories and set goals, progress and timelines in line with market demand. In 2022, R & D expenses are expected to be approximately NT\$185 million.

No.	name of the program	current progress	reinvestment in R & D	estimated time of mass production	Primary factor of success
1	1210 TSX 76.8MHz	50%	NT\$ 60M	to be completed by Oct. 2022	Master key technology

2	2016 TSX 55.2MHz for ACAP	50%	NT\$ 55M	to be completed by Oct. 2022	Master key technology
3	1612 TSX 52MHz development	70%	NT\$ 30M	to be completed by Aug. 2022	Master key technology
4	8A40MHz Low Profile development	75%	NT\$ 40M	to be completed by May 2022	Master key technology

- (2) The new R & D projects in 2022 that has been launched are expected to be introduced into mass production phase in one to two years. The R & D expenditure for the entire year is estimated to be NT\$350 million.

No.	name of the program	current progress	reinvestment in R & D	estimated time of mass production	Primary factor of success
1	Low Profile-OG48%	20%	NT\$ 85M	to be completed by Jun. 2023	Master key technology
2	2016 differential XO	15%	NT\$ 50M	to be completed by Mar. 2023	Master key technology
3	New 5032 6pad S3 TCXO	20%	NT\$ 75M	to be completed by Jun. 2023	Master key technology
4	1409 HF TCXO	15%	NT\$ 60M	to be completed by Sep. 2023	Master key technology
5	4inch wafer TTV improvement	30%	NT\$ 80M	to be completed by Oct. 2023	Master key technology

- (3) Factors to R & D's success: The Company's competitive edge lies in continuous innovation, and the innovation is reflected on futuristic products. Therefore, in addition to considering the strength of market demand, the control and effective monitoring over the progress of R & D projects to shorten the R & D timeline and continued strengthening of R&D team by developing efficient training and upgrading the overall professional quality are the key factors that directly affects the success of R & D. In addition, whether the production process capability can increase the production yield to reduce the product cost while the product is advanced is another important factor that determines whether the new product can be successfully introduced into the market.

**(V) Impact on the Company's financial operations from the changes in important domestic and foreign policies and laws during the most recent years and the countermeasures therefor:**

- (1) The five-time increase in basic wages from 2018 to 2022 totaled about 18.8%, and personnel costs increased. The company actively expanded its operating scale and increased its market share, and improved its cost competitiveness by improving its process capabilities and work efficiency.
- (2) The global epidemic, extreme climate events, and changing global political and economic situations continue to have a huge impact on the sustainable operation of enterprises. In this changeable and challenging environment, the company actively implements ESG promotion and strengthens risk management. Find new opportunities for future development.
- (3) The company has always paid close attention to and grasped the policies and laws that may affect the company's operations, and cooperated with the enhancement and revision of the

company's internal related systems. The legal changes in 2021 have been assessed to have no significant impact on the company's operations.

**(VI) Impact on the Company's financial operations from the changes in technologies and the industry during the most recent years and the countermeasures therefor:**

- (1) With the development of information technology, applications such as automotive frequency components, wireless communication, digital home, mobile video, digital mobile devices, medical and health technology, and Internet of Things (IoT) will have an integral and additive benefit on quartz components, and the global IT industrial application is expected to increase continuously. Overall, the market demand for the quartz component will basically be stable in the coming years. In order to maintain stable profitability and industrial competitiveness, the Company will continue to improve the production processes and technology to maintain its cost advantages.
- (2) When the fluctuations in the oil and electricity prices and industrial water restrictions become the norm, the industries and businesses will take the first blow and the operating costs will increase substantially. The Company will continue to promote energy-saving and carbon-saving schemes to reduce energy consumption.
- (3) In response to the recent frequent attacks on information security, the company not only introduced the ISO27001 information security management system, but also reviewed key information facilities and their applications with information security standards and frameworks, continued to build a complete information communication environment, and strengthened information communication security protection and management. Mechanism to train information security talents to ensure the company's continuous operation.

**(VII) Impact on the corporate crisis management from the changes in corporate image during the most recent years and the countermeasures therefor:**

- (1) Based on the humanitarian beliefs of caring for disadvantaged groups, the company prepares a budget every year to give back to the society in many ways and fulfill its corporate social responsibilities. Since the establishment of the "TXC\_ Foundation" in 2017, the company has achieved "get it". The feedback concept of "Use in society and use in society" enables limited resources to produce greater synergy, which in turn encourages the surrounding communities and manufacturers to invest together and exert greater public welfare influence, so that the company can continue to operate and make public welfare It can be widely distributed. Aiming at school education, rooting education, senior (inheritance) education, encouraging innovation, improving research, and strengthening the operation of conference affairs for disadvantaged groups and basic education in remote areas, and combining the resources of the company's volunteer community to expand the effectiveness of services, The company's volunteer club was established in 2015. It continues to promote social welfare activities and caring for disadvantaged groups. It has been recognized by the Taoyuan City Government and praised by excellent volunteers to implement the company's mission of caring for public welfare and fulfilling corporate responsibilities.
- (2) In line with the government's promotion of the corporate governance 3.0-sustainable development blueprint, the company attaches great importance to the sustainable development of the environment and society. To implement the execution plan of sustainable development, and to improve the quality of corporate governance and strengthen the communication channels

with shareholders, in addition to regularly updating the company's website with the latest financial and business information, it also regularly holds corporate briefings to improve the transparency of information disclosure. TXC will continue to promote corporate governance related matters

- (3) In order to improve customer satisfaction, the company has strengthened its existing “customer relationship management system”, which has been recognized by many manufacturers and affirmed by customers, and continues to strengthen the technology level of the company to meet the application needs of customers.
- (4) In order to implement the Company's supply chain security management and information confidentiality management to enhance trade competitiveness; therefore, the related system security control is a top priority for the Company. It was certified “Authorized Economic Operator” (AEO) by the General Administration of Customs, Ministry of Finance, “ISO27001 Information Security Management System”, the British Standards Institute BSI awarded the "Outstanding Resilience Award".
- (5) In response to crisis events and external potential risks, if there is any impact on the company's operations and corporate reputation, the crisis management mechanism will be launched immediately, and the emergency response team will conduct risk assessment and take necessary actions.

**(VIII) Expected benefits, possible risks and countermeasures for merger: None.**

**(IX) Expected benefits, possible risks and countermeasures for plant and production line expansions**

Production expansion benefits:

The Company continues to expand production capacity of its Ping-Zhen Plant (Taiwan), Ning-Bo Plant and Chong-Qing Plant to expand its economic scale, reduce production costs and upgrade product specification. The production capacity is, according to the production capacity plan, expected to increase to meet market demand and increase market share

Possible risks:

Declined demand, low production capacity, increased production costs.

Countermeasures:

If the target market demand is not as expected and the product development progress is delayed, in order to avoid the imbalance between supply and demand, the product specifications will be flexibly adjusted to increase the utilization rate, and the product process capability will be accelerated, the yield rate and production efficiency will be improved, and the product sales mix will be optimized to enhance the group Overall profit

**(X) Risks involved in intensive purchase or sales and the countermeasures therefor:**

Each major raw material shall have purchase source of more than two suppliers to avoid risks from intensive purchase. The sales targets are mainly the prestigious domestic and foreign manufactures in communications, information and consumer products industries; except for a customer who accounts for more than 10% of the Company's total sales ratio due to its scale of operations, continued expansion and growth requirements, there are no risks from intensive sales.

**(XI) The impact and risk on the Company from massive transfer or replacement of equity by**

**directors, supervisor or shareholder(s) holding more than 10% of the shares and the countermeasures therefor: None.**

**(XII) The impact and risk on the Company from changes in the right to operate and the countermeasures therefor: None.**

**(XIII) Litigation or non-litigation incidents: Major lawsuits, non-litigations or administrative disputes (determined or in-process) involving the Company and the Company's directors, supervisor, CEO, substantive directors, large shareholder(s) and subsidiary holding more than 10% of the Company's shares shall, if outcome of the lawsuit may have a material effect on shareholders' equity or the price of securities, be specified and disclosed of the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the main parties involved in the case, and status of the cases as of the publication date of the annual report: None.**

**(XIV) Other important risks and corresponding countermeasures**

The company has established the "Operational Plan and Risk Management Measures", which requires at least two risk assessments per year, conduct risk inspections and formulate drill plans for various types of operational risks and projects, and hold regular risk management meetings and irregular ad hoc meetings. In May 2021, an interim meeting was held to respond to the impact of the domestic new crown pneumonia epidemic and to conduct operational risk analysis, and fully launched the BCP (Business Contingency Plan, emergency response plan) to analyze the degree of operational risk according to process risks, and determine high, medium and low risks. , and activated the company's epidemic prevention command center, coordinating all relevant departments to formulate, release and implement epidemic prevention and control measures, pay attention to and track rolling management at any time, and achieve the goal of zero infection of all employees and uninterrupted production and shipment. In June and December 2021, the implementation of COVID-19 epidemic prevention and control and the implementation of operational risk management in 2021 were reported to the board of directors respectively.

**VII. Other important matters: None.**

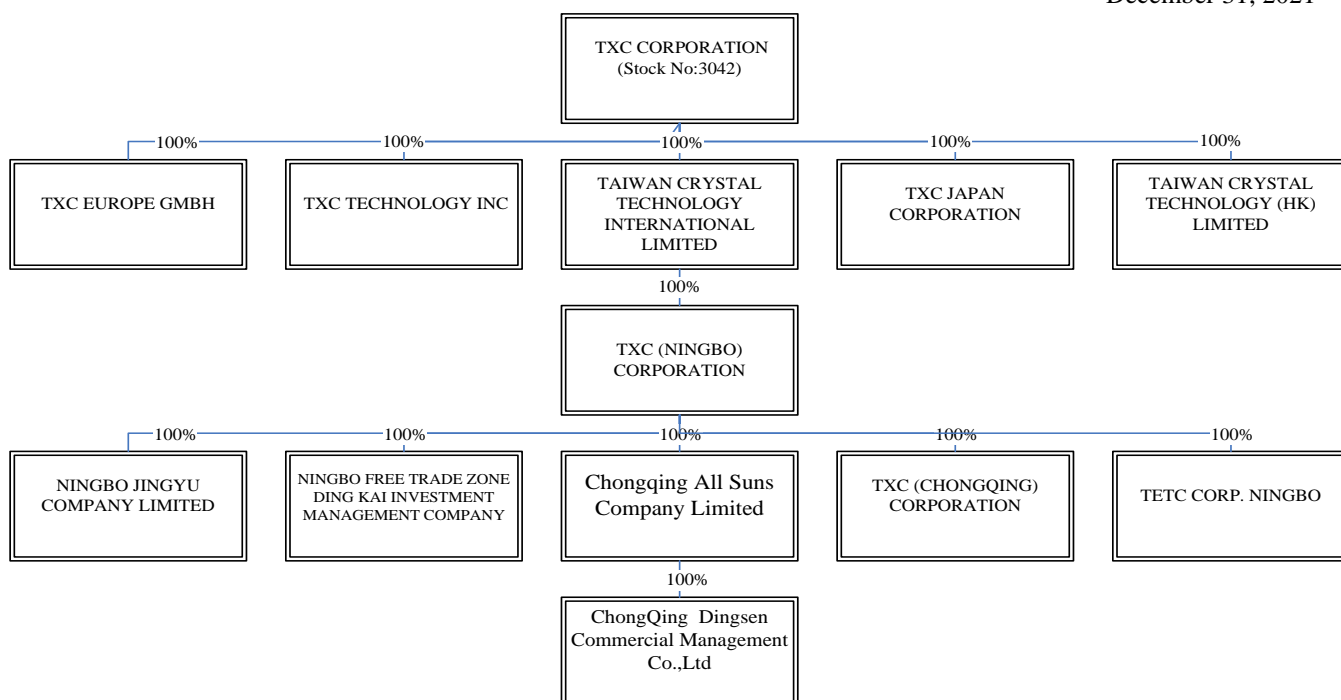
# Chapter 8 Special Disclosure

## I. Subsidiary

### 1. TXC Subsidiary

#### (1) TXC Subsidiaries Chart

December 31, 2021



## (2) Basic information of TXC Subsidiaries

December 31, 2021

Name	Date of Incorporated	Address	Capital	Business Activities
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	1998.12.23	WESTERN SAMOA	USD 42,835,294	Investment holding
TXC TECHNOLOGY INC	2000.12.01	431 Lambert Road,Suite 306 Brea,California 92812, U.S.A.	USD 300,000	Marketing activities
TXC JAPAN CORPORATION	2005.09.13	Davinici-shin-yokohama Bldg.,1-3-1, Shin-yokohama, Kohoku-ku,Yokohama,222-0033 Japan	YEN 21,000,000	Marketing activities
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	2010.07.06	Flat/Rm 2811 28/F,Trend Centre, 29-31 Cheung Lee Street, Chai Wan. H.K.	USD 80,000	Trading
TXC EUROPE GMBH	2018.08.17	Sebastian-Kneipp-Straße 41, 60439 Frankfurt am Main	EUR 50,000	Marketing activities
TXC (NINGBO) CORPORATION	1999.03.12	No.189, Huangshan Xi Rd., Economic & Technical Development Zone,Ningbo Zhejiang, China	USD 77,241,343	Manufacture and sales of electronics products
TXC (CHONGQING) CORPORATION	2010.10.11	JinFeng Industrial Region, Jiulongpo District, Chongqing City, China	RMB 247,876,609	Manufacture and sales of electronics products
Chongqing All Suns Company Limited	2011.02.14	Jiulongpo District, Chongqing, China Jinfeng Road 108,	RMB 150,000,000	Real estate related
Ningbo Jingyu Company Limited	2011.09.07	No.189, Huangshan Xi Rd., Economic & Technical Development Zone,Ningbo Zhejiang, China	RMB 2,500,000	Trading
Ningbo Free Trade Zon Ding Kai Investment Management Company	2017.05.12	Room 4211, Office Building, 11 Meishan Avenue Business Center, Beilun District, Ningbo City	RMB 35,050,000	Investment
TETC CORP. NINGBO	2021.05.12	3-3-1, Building F, No. 213, Wanjingshan Road, Chaiqiao Street, Beilun District, Ningbo City, Zhejiang Province, China	RMB 100,000,000	Manufacture and sales of electronics products
ChongQing Dingsen Commercial Management Co.,Ltd	2020.12.30	22 Fengsheng Road, Jiulongpo District, Chongqing, China	RMB 500,000	Property management



## (3) Resters of Directors, Supervisors, and General Manager of TXC's Subsidiaries

December 31, 2021  
Number of shares; share (%)

Name	Title	Name or representative	Shares	Share (%)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	Chairman	TXC Corporation Representative: Lin, Wan-Shing	42,835,294	100%
TXC TECHNOLOGY INC	Chairman	TXC Corporation Representative: Chen, Li-Wei	300,000	100%
TXC JAPAN CORPORATION	Chairman	TXC Corporation Representative: Shih Tien, Tun-Hsiung	2,100	100%
	Director	TXC Corporation Representative: Lin, Wan-Shing	2,100	100%
	Supervisor	TXC Corporation Representative: Tsai, Jung-Hsien	2,100	100%
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	Chairman	TXC Corporation Representative: Lin, Wan-Shing	80,000	100%
TXC EUROPE GMBH	Chairman	TXC Corporation Representative: Kuo, Ya-Han	50,000	100%
TXC (NINGBO) CORPORATION	Chairman	Taiwan Crystal Technology International Limited Representative: Chen Chueh, Shang-Hsin	77,241,343	100%
	Director/ President	Taiwan Crystal Technology International Limited Representative: Chao, Min-Chiang	77,241,343	100%
	Director	Taiwan Crystal Technology International Limited Representative: Lin, Wan-Shing	77,241,343	100%
	Supervisor	Taiwan Crystal Technology International Limited Representative: Chang, Chien-Tsung	77,241,343	100%
TXC (CHONGQING) CORPORATION	Chairman	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	247,876,609	100%
	Director	TXC (NINGBO) CORPORATION Representative: Chang, Chien-Tsung	247,876,609	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Wan-Shing	247,876,609	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	247,876,609	100%
Chongqing All Suns Company Limited	Chairman	TXC (NINGBO) CORPORATION Representative: Chou, Chien-Fu	150,000,000	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Wan-Shing	150,000,000	100%

Name	Title	Name or representative	Shares	Share (%)
	Director	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	150,000,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	150,000,000	100%
Ningbo Jingyu Company Limited	Chairman	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	2,500,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	2,500,000	100%
Ningbo Free Trade Zon Ding Kai Investment Management Company	Chairman	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	35,050,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Lin, Hai	35,050,000	100%
	President	TXC (NINGBO) CORPORATION Representative: Chao, Min-Chiang	35,050,000	100%
TETC CORP. NINGBO	Chairman	TXC (NINGBO) CORPORATION Representative: Chen Chueh, Shang-Hsin	100,000,000	100%
	Director/ President	TXC (NINGBO) CORPORATION Representative: Huang, Hsiang-Lin	100,000,000	100%
	Director	TXC (NINGBO) CORPORATION Representative: Lin, Chia-Ching	100,000,000	100%
	Supervisor	TXC (NINGBO) CORPORATION Representative: Wu, Chung-Lin	100,000,000	100%
ChongQing Dingsen Commercial Management Co.,Ltd	Chairman	Chongqing All Suns Company Limited Representative: Chou, Chien-Fu	500,000	100%
	Supervisor	Chongqing All Suns Company Limited Representative: Kuo, Chia-Ching	500,000	100%

## (4) Operational Highlights of TXC Subsidiaries

December 31, 2021

Unit: NT\$ thousands, except EPS (NT\$)

Name	Capital	Total Assets	Total Liabilities	Shareholder Equity	Sales Revenues	Operating Profits (Loss)	Net Income (After tax)	EPS (After tax)
TAIWAN CRYSTAL TECHNOLOGY INTERNATIONAL LIMITED	1,390,461	6,460,717	-	6,460,717	-	(34)	1,155,980	26.99
TXC TECHNOLOGY INC	9,879	21,848	893	20,955	45,375	(5,737)	6,652	22.17
TXC JAPAN CORPORATION	6,172	44,702	14,019	30,683	87,720	4,512	3,629	1,728.30
TAIWAN CRYSTAL TECHNOLOGY (HK) LIMITED	2,371	381,314	207,993	173,321	738,465	66,977	53,217	665.20
TXC EUROPE GMBH	1,746	12,655	8,057	4,598	27,044	2,097	1,527	30.54
TXC (NINGBO) CORPORATION	2,350,052	8,234,284	1,777,780	6,456,504	4,934,491	568,807	1,156,003	14.97
TXC (CHONGQING) CORPORATION	1,162,074	2,165,890	549,542	1,616,348	1,801,722	190,568	213,487	0.86
Chongqing All Suns Company Limited	684,908	1,095,709	293,652	802,057	980,234	261,764	218,018	1.45
Ningbo Jingyu Company Limited	7,090	6,525	631	5,894	1,091	(45)	27	0.01
Ningbo Free Trade Zon Ding Kai Investment Management Company	160,043	177,041	-	177,041	-	-	-	-
TETC CORP. NINGBO	433,440	1,074,904	530,414	544,490	581,225	133,878	109,391	1.09
ChongQing Dingsen Commercial Management Co.,Ltd	2,185	3,845	2,927	918	4,711	(207)	(1,197)	(2.39)

Note: All related companies were exposed by the number of financial statements audited by CPA in 2021.

## 2. Consolidated financial statements of related companies:

The consolidated financial statements of related companies and the consolidated financial statements of the parent and subsidiary companies of the company are the same. Therefore, the consolidated financial statements of related companies are the same as the consolidated financial statements of the parent and subsidiary companies. Please refer to Appendix 1 for details.

**II. Private Placement Securities in 2021 and as of the Date of this Annual Report:  
None**

**III. Status of TXC's Common Shares Acquired, Disposed of, and Held by Subsidiaries:  
None**

**IV. Other Necessary Supplement: None**

**V. Any Events in 2021 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3: None**

## **TXC Corporation and Subsidiaries**

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

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

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

Very truly yours,

TXC CORPORATION

By

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PETER LIN  
Chairman

March 25, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TXC Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

The revenue from sale of goods of the Group for the year ended December 31, 2021 amounted to NT\$14,261,153 thousand, which had an approximate 29% increase compared to revenue of NT\$11,048,392 thousand for the year ended December 31, 2020. In comparison with 2020, the revenue derived from specific products increased significantly on average in 2021; therefore, we considered the validity of revenue derived from some specific products as a key audit matter.

The key audit procedures that we performed in respect of revenue derived from some specific products included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition of these specific products.
2. We selected samples from revenue details of some specific products and checked the sales orders and delivery orders to confirm the occurrence of the sales revenue.
3. We inspected the sales returns details of specific products and checked for any abnormalities on the occurrence of the sales returns.

#### **Other Matter**

We have audited the accompanying financial statements of TXC Corporation as of December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Ming-Chung Hsieh and Yu-shiou Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2022

#### Notice to Readers

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

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

# TXC CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,631,645	17	\$ 2,218,277	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	723,028	4	534,489	3
Financial assets at amortized cost - current (Notes 4 and 9)	133,186	1	210,502	1
Notes receivable (Notes 4 and 10)	4,679	-	21,959	-
Trade receivables (Notes 4 and 10)	4,004,421	19	3,473,742	21
Trade receivables from related parties (Notes 4, 10 and 31)	30,894	-	30,162	-
Other receivables (Note 4)	71,073	-	44,550	1
Other receivables from related parties (Notes 4 and 31)	1,179	-	490	-
Current tax assets (Notes 4 and 25)	-	-	8,067	-
Inventories (Notes 4 and 11)	2,639,289	13	2,816,838	17
Non-current assets held for sale (Notes 4 and 13)	6,979	-	35,892	-
Other current assets	123,479	1	192,633	1
Total current assets	11,369,852	55	9,587,601	58
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,080	-	9,255	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,710,092	8	525,304	3
Financial assets measured at cost - non-current (Notes 4 and 9)	135,907	1	704,495	4
Investments accounted for using the equity method (Notes 4 and 14)	431,301	2	421,512	3
Property, plant and equipment (Notes 4 and 15)	5,843,828	28	4,808,588	29
Right-of-use assets (Notes 4 and 16)	209,079	1	92,303	1
Investment properties (Notes 4 and 17)	494,368	3	48,083	-
Other intangible assets (Note 4)	51,890	-	41,684	-
Deferred tax assets (Notes 4 and 25)	49,979	-	39,892	-
Prepayment for equipment	488,534	2	304,784	2
Other non-current assets	17,358	-	18,210	-
Total non-current assets	9,433,416	45	7,014,110	42
<b>TOTAL</b>	<b>\$ 20,803,268</b>	<b>100</b>	<b>\$ 16,601,711</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 18)	\$ 562,508	3	\$ 916,250	6
Short-term bills payables (Note 18)	86,974	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,383	-	1,455	-
Contract liabilities - current (Notes 11 and 23)	10,814	-	729,079	4
Trade payables	2,089,471	10	1,947,598	12
Trade payables to related parties (Note 31)	2,140	-	3,543	-
Other payables (Note 20)	1,479,312	7	961,306	6
Other payables to related parties (Note 31)	3,495	-	1,480	-
Current tax liabilities (Notes 4 and 25)	330,380	2	117,054	1
Lease liabilities - current (Notes 4 and 16)	3,051	-	1,777	-
Deferred revenue - current (Notes 20 and 27)	23,717	-	-	-
Current portion of long-term borrowings and bonds payable (Note 18)	280,343	1	385,287	2
Other current liabilities	21,114	-	28,461	-
Total current liabilities	4,894,702	24	5,093,290	31
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 19)	1,172,721	6	-	-
Long-term borrowings (Note 18)	1,674,959	8	1,685,524	10
Deferred income tax liabilities (Notes 4 and 25)	93,456	1	67,032	1
Lease liabilities - non-current (Notes 4 and 16)	4,685	-	1,172	-
Deferred revenue - non-current (Notes 20 and 27)	70,772	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 21)	61,789	-	63,560	-
Guarantee deposits received	70,490	-	36,127	-
Total non-current liabilities	3,148,872	15	1,853,415	11
Total liabilities	8,043,574	39	6,946,705	42
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 22)</b>				
Share capital				
Ordinary shares	3,097,570	15	3,097,570	19
Capital surplus	1,696,784	8	1,668,269	10
Retained earnings				
Legal reserve	1,635,942	8	1,480,696	9
Special reserve	346,761	1	524,372	3
Unappropriated earnings	5,184,854	25	3,230,861	19
Total retained earnings	7,167,557	34	5,235,929	31
Other equity				
Exchange differences on translating the financial statements of foreign operations	(559,579)	(3)	(523,275)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	1,357,362	7	176,513	1
Total other equity	797,783	4	(346,762)	(2)
Total equity	12,759,694	61	9,655,006	58
<b>TOTAL</b>	<b>\$ 20,803,268</b>	<b>100</b>	<b>\$ 16,601,711</b>	<b>100</b>

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

## TXC CORPORATION AND SUBSIDIARIES

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

	2021		2020	
	Amount	%	Amount	%
REVENUE (Note 23)	\$ 15,244,851	100	\$ 11,048,392	100
COST OF GOODS SOLD (Note 24)	<u>(9,617,622)</u>	<u>(63)</u>	<u>(7,715,586)</u>	<u>(70)</u>
GROSS PROFIT	<u>5,627,229</u>	<u>37</u>	<u>3,332,806</u>	<u>30</u>
OPERATING EXPENSES (Note 24)				
Selling and marketing expenses	581,974	4	494,737	5
General and administrative expenses	625,293	4	450,999	4
Research and development expenses	<u>945,213</u>	<u>6</u>	769,441	7
Expected credit loss reversed on trade receivables	<u>4</u>	<u>-</u>	<u>(31)</u>	<u>-</u>
Total operating expenses	<u>2,152,484</u>	<u>14</u>	<u>1,715,146</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>3,474,745</u>	<u>23</u>	<u>1,617,660</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 24)	20,872	-	24,330	-
Other income (Note 24)	174,384	1	120,058	1
Other gains and losses (Note 24)	54,631	-	(62,319)	-
Finance costs (Note 24)	(41,553)	-	(21,442)	-
Share of profits of associates and joint ventures (Note 14)	<u>13,764</u>	<u>-</u>	<u>30,430</u>	<u>-</u>
Total non-operating income and expenses	<u>222,098</u>	<u>1</u>	<u>91,057</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,696,843	24	1,708,717	15
INCOME TAX EXPENSE (Note 25)	<u>(579,859)</u>	<u>(4)</u>	<u>(279,430)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>3,116,984</u>	<u>20</u>	<u>1,429,287</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(8,138)	-	(451)	-
Unrealized (gain) loss on investments in equity instruments at fair value through other comprehensive income	1,180,893	8	240,077	2
Share of the other comprehensive income of associates accounted for using the equity method	<u>(185)</u>	<u>-</u>	<u>(186)</u>	<u>-</u>
	<u>1,172,570</u>	<u>8</u>	<u>239,440</u>	<u>2</u>

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Item that maybe reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (35,567)	-	\$ 58,311	1
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>(737)</u>	<u>-</u>	<u>3,031</u>	<u>-</u>
	<u>(36,304)</u>	<u>-</u>	<u>61,342</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,136,266</u>	<u>8</u>	<u>300,782</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 4,253,250</u>	<u>28</u>	<u>\$ 1,730,069</u>	<u>16</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
From continuing and discounted operations				
Basic	<u>\$ 10.06</u>		<u>\$ 4.61</u>	
Diluted	<u>\$ 9.91</u>		<u>\$ 4.58</u>	

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

(Concluded)

**TXC CORPORATION AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Parent						Others		Total Equity
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	309,757	\$ 3,097,570	\$ 1,666,690	\$ 1,413,518	\$ 254,907	\$ 2,789,438	\$ (584,617)	\$ 60,245	\$ 8,697,751
Appropriation of 2019 earnings (Note 22)									
Legal reserve	-	-	-	67,178	-	(67,178)	-	-	-
Special reserve	-	-	-	-	269,465	(269,465)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	(774,393)
Net profit (loss) for the for the year ended December 31, 2020	-	-	-	-	-	1,429,287	-	-	1,429,287
Other comprehensive income (loss) for the for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(508)	61,342	239,948	300,782
Total comprehensive income (loss) for the for the year ended December 31, 2020	-	-	-	-	-	1,428,779	61,342	239,948	1,730,069
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	123,680	-	(123,680)	-
Disposal of investments in associates accounted for using the equity method	-	-	(1,068)	-	-	-	-	-	(1,068)
Surplus donated	-	-	347	-	-	-	-	-	347
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	1,219	-	-	-	-	-	1,219
Other changes in capital surplus	-	-	1,081	-	-	-	-	-	1,081
BALANCE AT DECEMBER 31, 2020	309,757	3,097,570	1,668,269	1,480,696	524,372	3,230,861	(523,275)	176,513	9,655,006
Appropriation of 2020 earnings (Note 22)									
Legal reserve	-	-	-	155,246	-	(155,246)	-	-	-
Special reserve	-	-	-	-	(177,611)	177,611	-	-	-
Cash dividends distributed by the company	-	-	-	-	-	(1,177,077)	-	-	(1,177,077)
Net profit for the year ended December 31, 2021	-	-	-	-	-	3,116,984	-	-	3,116,984
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(8,279)	(36,304)	1,180,849	1,136,266
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,108,705	(36,304)	1,180,849	4,253,250
Equity component of convertible bonds issued by the Company	-	-	28,431	-	-	-	-	-	28,431
Other changes in capital surplus	-	-	84	-	-	-	-	-	84
BALANCE AT DECEMBER 31, 2021	309,757	\$ 3,097,570	\$ 1,696,784	\$ 1,635,942	\$ 346,761	\$ 5,184,854	\$ (559,579)	\$ 1,357,362	\$ 12,759,694

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

# TXC CORPORATION AND SUBSIDIARIES

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,696,843	\$ 1,708,717
Adjustments for:		
Depreciation expenses	1,040,515	842,687
Amortization expenses	15,823	7,073
Expected credit loss recognized (reversed) on trade receivables	4	(31)
Net gain on fair value change of financial assets and liabilities at fair value through profit or loss	(21,740)	(38,124)
Finance costs	41,553	21,442
Interest income	(20,872)	(24,330)
Dividend income	(2,682)	(1,755)
Share of profit of associates and joint ventures	(13,764)	(30,430)
Loss (gain) on disposal of property, plant and equipment	(2,507)	1,639
Loss on disposal of associates	-	6,106
Impairment loss recognized on property, plant and equipment	2,606	1,584
Write-down of inventories	16,370	17,439
Loss on disposal of non-current assets held for sale	1,575	-
Gain on disposal of subsidiaries	-	(27,921)
Changes in operating assets and liabilities		
Notes receivable	17,280	85,183
Trade receivables	(530,697)	(695,500)
Trade receivables from related parties	(733)	(26,124)
Other receivables	(26,557)	(4,026)
Other receivables from related parties	(689)	(411)
Inventories	(293,140)	(794,729)
Other current assets	68,188	(43,530)
Contract liabilities-current	(718,265)	661,055
Trade payables	141,873	288,512
Trade payables to related parties	(1,403)	3,465
Other payables	519,049	236,418
Other payables to related parties	2,015	(1,370)
Other current liabilities	(7,347)	15,181
Deferred revenue	94,489	-
Net defined benefit liabilities	(11,944)	(11,035)
Cash generated from operations	4,005,843	2,197,185
Interest paid	(38,057)	(21,225)
Income tax paid	(340,060)	(275,769)
Net cash generated from operating activities	<u>3,627,726</u>	<u>1,900,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(159,082)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	267,976

(Continued)

## TXC CORPORATION AND SUBSIDIARIES

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

	2021	2020
Purchase of financial assets at fair value through other comprehensive income	\$ (5,359)	\$ (5,000)
Proceeds from sale of financial assets at fair value through other comprehensive income	-	165,952
Purchase of financial assets at amortized cost	-	(748,984)
Proceeds from sale of financial assets at amortized cost	644,774	-
Purchase of investments accounted for using the equity method	(14,166)	(9,877)
Proceeds from disposal of non-current assets held for sale	27,338	-
Payments for property, plant and equipment	(2,112,820)	(1,567,995)
Proceeds from disposal of property, plant and equipment	39,544	22,669
Payments for intangible assets	(22,921)	(20,771)
Payments for right-of-use assets	(115,206)	-
Payments for investment properties	-	(544)
Increase in other non-current assets	-	(1,937)
Decrease in other non-current assets	852	-
Increase in prepayment for equipment	(183,750)	(135,314)
Interest received	20,906	24,393
Dividends received	<u>19,662</u>	<u>18,625</u>
Net cash used in investing activities	<u>(1,860,228)</u>	<u>(1,990,807)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	853,377
Repayments of short-term borrowings	(298,035)	-
Increase in short-term bills payable	86,974	-
Proceeds from issuance of convertible bonds	1,194,573	-
Proceeds from long-term borrowings	480,000	316,181
Repayments of long-term borrowings	(646,932)	(88,125)
Proceeds from guarantee deposits received	34,363	-
Refund of guarantee deposits received	-	(358)
Repayment of the principal portion of lease liabilities	(3,066)	(3,087)
Dividends paid to owners of the Company	(1,177,077)	(774,393)
Other changes in capital surplus	<u>84</u>	<u>1,428</u>
Net cash (used in) generated from financing activities	<u>(329,116)</u>	<u>305,023</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(25,014)</u>	<u>17,635</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,413,368	232,042
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,218,277</u>	<u>1,986,235</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,631,645</u>	<u>\$ 2,218,277</u>

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

(Concluded)



# **TXC CORPORATION AND SUBSIDIARIES**

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

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### **1. GENERAL INFORMATION**

TXC Corporation (the “Company”) was incorporated in the Republic of China (ROC) on December 28, 1983.

TXC specializes in producing high quality crystals and crystal oscillator (CXO) as well as develops a variety of sensors by core technology to satisfy the market demand. Sensors are applied to various applications including mobile communication, information and storage device, internet of things, vehicle electronics, telecommunication equipment, smart home, AI, medical care, and 5G, etc.

The Company’s shares have been listed on the Taiwan Stock Exchange since August 26, 2002.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

To ensure the rights and interests of investors through full disclosure of operational governance, the Company applied for the Corporate Governance Assessment held by the Taiwan Corporate Governance Association (TCGA). The Company received “CG6005 Standard Corporate Governance Assessment Certification” and the “CG6008 Advanced Corporate Governance Assessment Certification” on March 23, 2011, and June 27, 2013, respectively. For the “Corporate Governance Evaluation” jointly held by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange, under the category of listed companies, the company was awarded as the top 20 percent in 2014, top 5 percent from 2015 to 2017, and top 6 to 20 percent in 2018 and 2019. The Company will continue to strengthen corporate governance with the intention to achieve international standards for protection of public interest.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company’s board of directors on March 7, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

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

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

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

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

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

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

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

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

### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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.

d. Basis of consolidation

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

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

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

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

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

See Note 12 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

- Inventories

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

- Construction in progress

Construction in progress is initially recorded at cost. Prior to the completion, the borrowing costs directly attributable to construction in progress are capitalized as part of the cost of the asset. When the property sales have been deemed as cost carried forward, cost is allocated by applying sales and building coverage ratios. Once selected, the same construction project cannot be changed in the preceding and following years.

The construction is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling prices of inventories less all estimated costs of completion and estimated costs necessary to make the sale.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

#### h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

#### i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.



Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of property, plant and equipment, right-of-use asset, investment properties, intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually.

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.

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

## l. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When the Group is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence or joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue 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.

### 1) Financial assets

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

#### a) Measurement categories

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

##### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

#### b) Derecognition of financial liabilities

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

#### 3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

#### 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps.

Derivatives are initially recognized at fair value at the date on which 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 hedging 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

n. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of crystals frequency control devices and sensors. Sales of crystals frequency control devices and sensors are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

o. Leasing

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

1) The Group as lessor

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

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

2) The Group as lessee

The Group 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 consolidated 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. 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 Group 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 Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized as a reduction of the related costs and other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and rereasurement) under 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 benefit expenses in the period they occur, when the plan amendment or curtailment occurs. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Rereasurement 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 Group'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.

## s. Taxation

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

### 1) Current tax

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

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

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

### 2) Deferred tax

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

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

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

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

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

### 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



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

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about 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 Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 1,115	\$ 1,256
Checking accounts and demand deposits	3,069,037	1,928,922
Cash equivalents (investments with original maturities less than three months)		
Time deposits	251,493	288,099
Repurchase agreements collateralized by bonds	<u>310,000</u>	<u>-</u>
	<u>\$ 3,631,645</u>	<u>\$ 2,218,277</u>

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.0001%-0.35%	0.0001%-0.35%
Time deposits	0.35%-3.71%	0.35%-4.38%
Repurchase agreements collateralized by bonds	0.24%-0.25%	-

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (b)	\$ 2,399	\$ 10,459
Non-derivative financial assets		
Mutual funds	191,487	259,333
Hybrid financial assets		
Structured deposits (a)	<u>529,142</u>	<u>264,697</u>
	<u>720,629</u>	<u>524,030</u>
	<u>\$ 723,028</u>	<u>\$ 534,489</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Foreign unlisted shares	\$ -	\$ 9,255
Redemption options on convertible bonds	<u>1,080</u>	<u>-</u>
	<u>\$ 1,080</u>	<u>\$ 9,255</u>

### Financial liabilities at FVTPL - current

Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (b)	\$ 1,383	\$ 1,455

- a. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and classified mandatorily as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.
- b. At the end of the reporting period, outstanding foreign exchange contracts and exchange contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD/RMB	2022.01.27-2022.04.27	USD10,500/RMB67,946
Sell	USD/JPY	2022.01.24	USD2,000/JPY29,263
Knock-out forward	USD/JPY	2022.02.14	USD2,000/JPY231,150
Exchange contracts	USD/NTD	2022.01.18-2022.04.18	USD14,000/NTD387,709
Foreign exchange forward contracts	USD/NTD	2022.01.03-2022.02.16	USD10,000/NTD280,250

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	USD/RMB	2021.01.27-2021.06.28	USD15,500/RMB104,369
Knock-out forward	USD/JPY	2021.01.04-2021.01.11	USD2,000/JPY210,500
Exchange contracts	USD/NTD	2021.01.05-2021.02.17	USD4,000/NTD114,778
Foreign exchange forward contracts	USD/NTD	2021.01.29	USD4,000/NTD115,560
(Concluded)			

The Group entered into foreign exchange forward contracts and exchange contracts during the years ended December 31, 2021 and 2020 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Domestic investments		
Emerging market shares		
UPI Semiconductor Corp.	\$ 1,399,268	-
Unlisted shares	<u>77,466</u>	<u>213,736</u>
	<u>1,476,734</u>	<u>213,736</u>
Foreign investments		
Unlisted shares	<u>233,358</u>	<u>311,568</u>
	<u>\$ 1,710,092</u>	<u>\$ 525,304</u>

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

On March 12, 2021, UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange. The transfer of fair value measurement level referred to Note 30.

In 2020, the Group sold its shares in Guandong Failong Crystal Technology Co., Ltd. and Marson Technology Co., Ltd. in order to manage credit concentration risk. The shares sold had a fair value of \$160,211 thousand and \$5,741 thousand and its related unrealized gain of \$122,086 thousand and \$967 thousand was transferred from other equity to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Pledge deposits (a)	\$ 60,916	\$ 59,504
Time deposits with original maturities of more than 3 months (b)	72,270	87,340
Restricted deposits (c)	<u>-</u>	<u>63,658</u>
	<u>\$ 133,186</u>	<u>\$ 210,502</u>
<u>Non-current</u>		
Domestic investment		
Time deposits with original maturities of more than 1 year (b)	\$ 135,907	\$ 290,224
Restricted deposits (d)	<u>-</u>	<u>414,271</u>
	<u>\$ 135,907</u>	<u>\$ 704,495</u>

- a. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.
- b. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 3.91%-4.38% and 0.3%-2.6% per annum as of December 31, 2021 and 2020, respectively.
- c. Restricted deposits are deposits for Chongqing Zhongyang's presold items of the construction in progress, which should not be used for other purposes before acquiring the real estate registration certificate. The deposits restriction was lifted in May 2021.
- d. According to "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds", the Group had submitted an investment proposal and was approved by National Bureau, Ministry of Finance. Based on the regulation, the deposits are restricted only to approved investment project, and should not be used for other purposes.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 4,685	\$ 21,965
Less: Allowance for impairment loss	<u>(6)</u>	<u>(6)</u>
Notes receivable - operating	<u>\$ 4,679</u>	<u>\$ 21,959</u>

(Continued)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 4,048,803	\$ 3,517,404
Less: Allowance for impairment loss	<u>(13,488)</u>	<u>(13,500)</u>
	<u>\$ 4,035,315</u>	<u>\$ 3,503,904</u> (Concluded)

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

The following table details the loss allowance of notes receivable and trade receivables based on the Group's provision matrix.

December 31, 2021

	<b>Not Past Due</b>	<b>31 to 90 Days</b>	<b>91 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Gross carrying amount	\$ 3,804,496	\$ 248,992	\$ -	\$ -	\$ -	\$ 4,053,488
Loss allowance (Lifetime ECL)	<u>(11,253)</u>	<u>(2,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,494)</u>
Amortized cost	<u>\$ 3,793,243</u>	<u>\$ 246,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,039,994</u>

December 31, 2020

	<b>Not Past Due</b>	<b>31 to 90 Days</b>	<b>91 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Gross carrying amount	\$ 3,381,505	\$ 157,864	\$ -	\$ -	\$ -	\$ 3,539,369
Loss allowance (Lifetime ECL)	<u>(12,085)</u>	<u>(1,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,506)</u>
Amortized cost	<u>\$ 3,369,420</u>	<u>\$ 156,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,525,863</u>

The expected credit loss rate for each above range of the Group is not more than 1% within and within 90 days of the overdue period; 5% or less within the overdue period from 91 to 180 days; and 5%-100% when the overdue period exceeds 180 days.

The movements of the loss allowance of trade receivables were as follows:

	2021	2020
Balance at January 1	\$ 13,506	\$ 13,415
Add: Net remeasurement of loss allowance	4	-
Less: Impairment losses reversed	-	(31)
Foreign exchange gains and losses	<u>(16)</u>	<u>122</u>
Balance at December 31	<u>\$ 13,494</u>	<u>\$ 13,506</u>

## 11. INVENTORIES

	<u>December 31</u>	
	2021	2020
Finished goods	\$ 582,087	\$ 315,454
Work in process	436,873	378,840
Raw materials	635,358	543,953
Supplies and spare parts	112,785	102,011
Merchandise	405,775	295,025
Buildings and land held for sale	466,411	-
Land for development construction in progress	<u>-</u>	<u>1,181,555</u>
	<u>\$ 2,639,289</u>	<u>\$ 2,816,838</u>

The cost of crystal inventories recognized as cost of goods sold for 2021 and 2020 included \$8,956,703 thousand and \$7,715,586 thousand, respectively. The cost of goods sold for 2021 and 2020 included inventory write-downs of \$16,370 thousand and \$17,439 thousand, respectively.

The cost of real estate inventories recognized as cost of goods sold for 2021 included \$660,919 thousand and \$0 thousand, respectively.

The construction in progress is the payment made by Chongqing Zhongyang Properties Co., Ltd. to acquire the land use right in Chongqing Gao-Shing District to develop and sell real estate in 2012. Chongqing Zhongyang Properties Co., Ltd. has acquired real estate certificate issued by Chongqing Association of land and real estate resources during 2013. The construction began in 2018 and continued to recognize revenue after completion in April 2021.

The details of the land for development site are as follows:

	<u>December 31, 2020</u>			
Area	Prepaid Land Rights	Project Cost	Total	Contract Liabilities - Current
Jinfeng Group C Division	<u>\$ 197,438</u>	<u>\$ 984,117</u>	<u>\$ 1,181,555</u>	<u>\$ 729,079</u>

The details of the building and land held for sale are as follows:

Area	<u>December 31, 2021</u>	
	<b>Buildings and Land Held for Sale</b>	<b>Contract Liabilities - Current</b>
Jing Yuan	<u>\$ 466,411</u>	<u>\$ 10,814</u>

The information about transferring from inventories to investment properties are set out in Note 17 and 28.

The information about capitalization of interest are set out in Note 24.

Land for development construction in progress pledged as collateral for bank borrowings are set out in Note 32.

## 12. SUBSIDIARIES

### Subsidiary Included in Consolidated Financial Statements

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Investee	Business Nature	<u>Percentage of Ownership at December 31</u>		Note
			2021	2020	
TXC Corporation	Taiwan Crystal Technology International Limited	Investment management	100	100	a
	TXC Technology, Inc.	Marketing activities	100	100	b
	TXC Japan Corporation	Marketing activities	100	100	c
	Taiwan Crystal Technology (HK) Limited	International trading	100	100	e
Taiwan Crystal Technology International Limited	TXC Europe GmbH	Marketing activities	100	100	j
	TXC (Ningbo) Corporation.	Research and development, manufacture, and sale of quartz elements and related electronic products	100	100	d
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	100	100	f
	Chongqing Zhongyang Properties Co., Ltd.	Properties development	100	100	g
	Ningbo Beilun Jingyu Trading Corporation	International trading	100	100	h
	Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	Investment management	100	100	i
	TETC CORP. NINGBO	Research and development, manufacture, and sale of quartz elements and related electronic products	100	-	l
Chongqing Zhongyang Properties Co., Ltd.	ChongQing Dingsen Commercial Management Co., Ltd	Property management	100	100	k

- a. Taiwan Crystal Technology International Limited was incorporated on December 23, 1998 in Samoa.
- b. TXC Technology, Inc. was incorporated on December 1, 2000 in California, U.S.A.
- c. TXC Japan Corporation was incorporated on September 13, 2005 in Yokohama, Japan.
- d. TXC (Ningbo) Corporation was incorporated on March 12, 1999 in Ningbo, China.
- e. Taiwan Crystal Technology (HK) Limited was incorporated on July 6, 2010 in Hong Kong Special Administrative Region, China.
- f. TXC (Chongqing) Corporation was incorporated on October 11, 2010 in Chongqing, China.
- g. Chongqing Zhongyang Properties Co., Ltd. was incorporated on February 14, 2011 in Chongqing, China.
- h. Ningbo Beilun Jingyu Trading Corporation was incorporated on September 7, 2011 in Ningbo, China.
- i. Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited was incorporated on May 12, 2017 in Beilun District, Ningbo, China.
- j. TXC Europe GmbH was founded in Germany on August 17, 2018.
- k. ChongQing Dingsen Commercial Management Co., Ltd. was incorporated on February 21, 2019 in Chongqing, China.
- l. TETC CORP. NINGBO was incorporated on December 30, 2020 in Ningbo, China.
- m. Growing Profits Trading Ltd. was established on March 9, 1999 in the British Virgin Islands. By resolution of the board of directors on December 25, 2019 the company was dissolved and liquidated, and the liquidation was completed on May 22, 2020. In 2020, the company recognized and disposed of the interests of the subsidiary company \$27,921 thousand.

### 13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	December 31	
	2021	2020
Domestic investments		
Unlisted shares		
Godsmith Sensor Inc.	\$ <u>6,979</u>	\$ <u>35,892</u>

In November 2020, the Company's board of directors approved to dispose of 24% shares of Godsmith Sensor Inc. held with the expectation to complete the sale within twelve months. Accordingly, the Company has reclassified Godsmith Sensor Inc. as non-current assets held for sale, and were presented separately in the accompanying balance sheets.

The expected sales proceeds substantially lower than the carrying amount of investments accounted for using equity method. Accordingly, the non-current assets held for sale were measured at their fair value \$36,000 thousand less costs to sell \$108 thousand when reclassified investments accounted for using equity method as non-current assets held for sale. And the differences from the previous carrying amounts were recognized as loss on disposal of investments, which are presented in other gains and losses.

As of 2021, the Group had sold 1,450 thousand shares in Godsmith Sensor Inc. at fair value of \$27,338 thousand and were recognized as loss on disposal \$1,575 thousand.



#### 14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	2021	2020
Investments in associates	<u>\$ 431,301</u>	<u>\$ 421,512</u>

a. Investment in associates

	<u>December 31</u>	
	2021	2020
Associates that are not individually material	<u>\$ 391,214</u>	<u>\$ 373,626</u>

	<u>For the Year Ended December 31</u>	
	2021	2020
The Group's share of:		
Profit from continuing operations	\$ 21,323	\$ 38,742
Other comprehensive income	<u>(922)</u>	<u>(2,845)</u>
Total comprehensive income for the year	<u>\$ 20,401</u>	<u>\$ 35,897</u>

Refer to Table 6 "name, locations, and related information of investees on which the Company exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associates.

In 2021 and 2020, the Group subscribed 367 thousand and 256 thousand ordinary shares of Tai-Shing for cash which amount to \$14,166 thousand and \$9,877 thousand, respectively; after the subscription, the Group's percentage of ownership in Tai-Shing was 33.34% and 31.95%, respectively. The Group recognized goodwill of \$5,339 thousand and \$3,698 thousand as cost of investments in associates.

In 2019, the Group held a 31% interest in Godsmith Sensor Inc. which was accounted for using the equity method. In November 2020, the Group's board of directors approved to dispose of 24% of the Group's interest in Godsmith Sensor Inc. and consequently ceased to have significant influence over Godsmith Sensor Inc. The Group retained the remaining 7% interest as financial assets at FVTOCI whose fair value was \$10,967 thousand. This transaction resulted in the recognition of a loss in profit or loss, calculated as follows:

Carrying amount of investment on the date of loss of significant influence	\$ 54,033
Less: Transfer to non-current assets held for sale	(35,892)
Less: Transfer to financial assets at FVTOCI	(10,967)
Less: Reversals - share of changes in capital surplus of associates	<u>(1,068)</u>
Loss recognized	<u>\$ 6,106</u>

b. Investment joint ventures

	<u>December 31</u>	
	2021	2020
Joint ventures that are not individually material	<u>\$ 40,087</u>	<u>\$ 47,886</u>

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

The Group's share of:

Profit from continuing operations	\$ (7,559)	\$ (8,312)
Total comprehensive income for the year	\$ (7,559)	\$ (8,312)

Refer to Table 6 “name, locations, and related information of investees on which the Company exercises significant influence” and Table 7 “information on investment in mainland China” for the nature of activities, principal place of business and country of incorporation of the joint ventures.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
<b>Cost</b>								
Balance at January 1, 2020	\$ 591,972	\$ 1,599	\$ 2,520,068	\$ 7,446,580	\$ 15,268	\$ 371,500	\$ 32,196	\$ 10,979,183
Additions	-	-	50,507	1,463,788	4,356	46,952	2,392	1,567,995
Disposals	-	-	(7,723)	(318,955)	(416)	(8,688)	-	(335,782)
Transfer to investment property	-	-	(2,024)	-	-	-	-	(2,024)
Transfer from investment property	1,883	-	3,589	-	-	-	-	5,472
Reclassifications	-	-	25,975	56,427	1,045	(51,369)	(32,078)	-
Effect of foreign currency exchange differences	-	-	16,987	86,545	330	3,664	(70)	107,456
Balance at December 31, 2020	<u>\$ 593,855</u>	<u>\$ 1,599</u>	<u>\$ 2,607,379</u>	<u>\$ 8,734,385</u>	<u>\$ 20,583</u>	<u>\$ 362,059</u>	<u>\$ 2,440</u>	<u>\$ 12,322,300</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	\$ -	\$ 656	\$ 1,218,237	\$ 5,482,275	\$ 11,887	\$ 211,979	\$ -	\$ 6,925,034
Disposals	-	-	(7,723)	(294,873)	(416)	(8,462)	-	(311,474)
Depreciation expense	-	244	126,976	671,698	2,164	32,029	-	833,111
Impairment losses reversed	-	-	-	1,584	-	-	-	1,584
Transfer to investment property	-	-	(942)	-	-	-	-	(942)
Transfer from investment property	-	-	1,194	-	-	-	-	1,194
Effect of foreign currency exchange differences	-	-	7,727	55,443	214	1,821	-	65,205
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 1,345,469</u>	<u>\$ 5,916,127</u>	<u>\$ 13,849</u>	<u>\$ 237,367</u>	<u>\$ -</u>	<u>\$ 7,513,712</u>
Carrying amount at December 31, 2020	<u>\$ 593,855</u>	<u>\$ 699</u>	<u>\$ 1,261,910</u>	<u>\$ 2,818,258</u>	<u>\$ 6,734</u>	<u>\$ 124,692</u>	<u>\$ 2,440</u>	<u>\$ 4,808,588</u>
<b>Cost</b>								
Balance at January 1, 2021	\$ 593,855	\$ 1,599	\$ 2,607,379	\$ 8,734,385	\$ 20,583	\$ 362,059	\$ 2,440	\$ 12,322,300
Additions	28,000	680	394,220	1,618,950	1,943	55,917	13,110	2,112,820
Disposals	-	-	(268,150)	(631,666)	(1,290)	(28,641)	-	(929,747)
Reclassified as intangible assets	-	-	-	-	-	-	(2,424)	(2,424)
Transfer to inventories	-	-	-	-	-	(57)	-	(57)
Effect of foreign currency exchange differences	-	-	(4,506)	(22,617)	(87)	(2,012)	11	(29,211)
Balance at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 2,279</u>	<u>\$ 2,728,943</u>	<u>\$ 9,699,052</u>	<u>\$ 21,149</u>	<u>\$ 387,266</u>	<u>\$ 13,137</u>	<u>\$ 13,473,681</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ -	\$ 900	\$ 1,345,469	\$ 5,916,127	\$ 13,849	\$ 237,367	\$ -	\$ 7,513,712
Disposals	-	-	(268,150)	(596,166)	(1,290)	(27,104)	-	(892,710)
Depreciation expense	-	309	135,793	850,854	2,607	35,959	-	1,025,522
Impairment losses	-	-	-	2,606	-	-	-	2,606
Transfer to inventories	-	-	-	-	-	(29)	-	(29)
Effect of foreign currency exchange differences	-	-	(2,006)	(15,579)	(57)	(1,606)	-	(19,248)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ 1,211,106</u>	<u>\$ 6,157,842</u>	<u>\$ 15,109</u>	<u>\$ 244,587</u>	<u>\$ -</u>	<u>\$ 7,629,853</u>
Carrying amount at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 1,070</u>	<u>\$ 1,517,837</u>	<u>\$ 3,541,210</u>	<u>\$ 6,040</u>	<u>\$ 142,679</u>	<u>\$ 13,137</u>	<u>\$ 5,843,828</u>

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

Land improvements	5-7 years
Buildings	
Industrial building	3-51 years
Electrical power systems	3-51 years
Engineering systems	3-51 years
Equipment	
Major production equipment	3-15 years
Temperature control systems	4-7 years
Transportation equipment	4-7 years
Transportation equipment	4-5 years
Office equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out on Note 32.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land	\$ 201,375	\$ 89,372
Buildings	6,544	1,323
Transportation equipment	<u>1,160</u>	<u>1,608</u>
	<u>\$ 209,079</u>	<u>\$ 92,303</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 123,059</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 3,021	\$ 2,223
Buildings	2,631	2,644
Transportation equipment	<u>449</u>	<u>449</u>
	<u>\$ 6,101</u>	<u>\$ 5,316</u>

Right-of-use assets pledged as collateral for bank borrowings were set out in Note 32.

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount</u>		
Current	\$ 3,051	\$ 1,777
Non-current	<u>4,685</u>	<u>1,172</u>
	<u>\$ 7,736</u>	<u>\$ 2,949</u>

Range of discount rates for lease liabilities was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Buildings	0.86%-1.27%	0.86%
Transportation equipment	0.86%	0.86%

c. Material lease-in activities and terms

The Group did not enter into significant lease contracts in 2021 and 2020.

The Group also buys land use right for the construction of plants, offices and retail stores with use term of 50 years in mainland China specifies that payments will be paid at the time of contract and can be renewed upon the expiration of the period. The Group does not have purchase options to acquire the land and buildings at the end of the contract.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 223</u>	<u>\$ 192</u>
Total cash outflow for leases	<u>\$ (118,495)</u>	<u>\$ (3,279)</u>

The Group leases certain which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTIES

	<b>Completed Investment Properties</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 92,455
Additions	544
Transferred from property, plant and equipment	2,024
Transfer to property, plant and equipment	(5,472)
Effect of foreign currency exchange differences	<u>997</u>
Balance at December 31, 2020	<u>\$ 90,548</u>

(Continued)

	<b>Completed Investment Properties</b>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ (37,890)
Transferred from property, plant and equipment	(942)
Transfer to property, plant and equipment	1,194
Depreciation expense	(4,260)
Effect of foreign currency exchange differences	<u>(567)</u>
Balance at December 31, 2020	<u>\$ (42,465)</u>
Carrying amount at December 31, 2020	<u>\$ 48,083</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 90,548
Disposals	(1,350)
Transferred from inventories	454,365
Effect of foreign currency exchange differences	<u>669</u>
Balance at December 31, 2021	<u>\$ 544,232</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (42,465)
Disposals	1,350
Depreciation expense	(8,892)
Effect of foreign currency exchange differences	<u>143</u>
Balance at December 31, 2021	<u>\$ (49,864)</u>
Carrying amount at December 31, 2021	<u>\$ 494,368</u>

(Concluded)

The investment real estate held by the combined company is mainly located in Pingzhen District of Taoyuan City and Ningbo City, Mainland China, and some of the factories and offices are leased to collect rents. The other part of the investment real estate is located in Chongqing City, mainland China, and is mainly self-built shopping malls to collect rents.

The investment properties held by the Group are depreciated using the straight-line method over their useful lives of 3-60 years.

The fair value of the Group's investment properties as of December 31, 2021 and 2020 was \$1,152,787 thousand and \$528,065 thousand, respectively. The fair value valuation had not been performed by independent qualified professional valuers; however, management of the Group used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The above fair value measurement has taken into consideration the uncertainty on the volatility in the markets due to the evolution of the COVID-19 pandemic.

All of the Group's investment properties were held under freehold interests. The investment properties pledged as collateral for bank borrowing are set out in Note 32.

## 18. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ 130,461	\$ -
<u>Unsecured borrowings</u>		
Bank loans	432,047	909,260
Letters of credit	-	6,990
	<u>432,047</u>	<u>916,250</u>
	<u>\$ 562,508</u>	<u>\$ 916,250</u>

The interest rate on the letters of credit were 3.44-3.85% and 0.35-3.45% per annum as of December 31, 2021 and 2020.

### b. Short-term bills payable

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Bank acceptances	\$ 86,974	\$ -

Outstanding short-term bills payable were as follows:

#### December 31, 2021

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Collateral</b>	<b>Carrying Amount of Collateral</b>
<u>Bank acceptances</u>						
Bank of Ningbo	\$ 86,974	\$ -	\$ 86,974	3.6%	-	\$ -

c. Long-term borrowings

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Secured borrowings (Note 32)</u>		
Bank loans	\$ -	\$ 285,287
Less: Current portions	<u>-</u>	<u>(285,287)</u>
	<u>-</u>	<u>-</u>
<u>Unsecured borrowings</u>		
Bank loans	1,955,302	1,785,524
Less: Current portions	<u>(280,343)</u>	<u>(100,000)</u>
Long-term borrowings	<u>\$ 1,674,959</u>	<u>\$ 1,685,524</u>

The borrowings of the Group were as follows:

		<u>December 31</u>	
	<b>Maturity Date</b>	<b>2021</b>	<b>2020</b>
Secured bank borrowing denominated in RMB	2021.09.04	\$ -	\$ 285,287
Unsecured bank borrowing denominated in NT\$	2025.01.03	75,000	100,000
Unsecured bank borrowing denominated in NT\$	2025.01.03	112,500	150,000
Unsecured bank borrowing denominated in NT\$	2025.01.03	112,500	150,000
Unsecured bank borrowing denominated in NT\$	2025.04.01	300,000	300,000
Unsecured bank borrowing denominated in NT\$	2022.08.19	-	200,000
Unsecured bank borrowing denominated in NT\$	2025.04.15	200,000	200,000
Unsecured bank borrowing denominated in NT\$	2024.09.15	200,000	200,000
Unsecured bank borrowing denominated in US\$	2024.09.15	300,000	300,000
Unsecured bank borrowing denominated in US\$	2024.09.15	100,000	100,000
Unsecured bank borrowing denominated in NT\$	2025.01.03	78,261	-
Unsecured bank borrowing denominated in NT\$	2026.08.17	200,000	-
Unsecured bank borrowing denominated in NT\$	2023.09.06	180,000	-
Unsecured bank borrowing denominated in US\$	2022.02.26	41,589	57,016
Unsecured bank borrowing denominated in US\$	2022.05.28	-	28,508
Unsecured bank borrowing denominated in US\$	2023.09.24	55,452	-
Less: Current portions		<u>(280,343)</u>	<u>(385,287)</u>
		<u>\$ 1,674,959</u>	<u>\$ 1,685,524</u>

The range of interest rates on bank loans was 0.1%-1.2% and 0.1%-6.18% per annum as of December 31, 2021 and 2020, respectively.

**19. BONDS PAYABLE**

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Unsecured domestic convertible bonds	\$ 1,200,000	\$ -
Less: Discount on bonds payable	<u>(27,279)</u>	<u>-</u>
	<u>\$ 1,172,721</u>	<u>\$ -</u>

On July 26, 2021, the Company issued the 5th domestic unsecured convertible bonds with an aggregate principal amount of \$1,200,000 thousand at 0% interest rate, and the issuance period is for three years from July 26, 2021 to July 26, 2024. The repayment will be made at face value in full by cash upon maturity. Bondholders are entitled to convert bonds into the Company's ordinary shares from October 27, 2021 to July 26, 2024. The conversion price was set initially at \$138 per share. According to the regulations on issuance and conversion of bonds, the conversion price shall be adjusted to \$133.7 per share starting from August 28, 2021.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 0.8961% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,427 thousand)	\$ 1,194,573
Equity component (less transaction costs allocated to the equity component of \$129 thousand)	(28,431)
Assets component	<u>2,040</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,298 thousand)	1,168,182
Interest charged at an effective interest rate of 0.8961%	<u>4,539</u>
Liability component at December 31, 2021	<u>\$ 1,172,721</u>

## 20. OTHER LIABILITIES

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Other payables		
Payables for bonus to employees and directors	\$ 413,264	\$ 190,888
Payables for commission	24,273	26,199
Payables for salaries	166,626	142,737
Payables for bonus	472,609	333,798
Payables for annual leave	43,683	32,295
Payables for purchase of equipment	212,665	83,115
Others	<u>146,912</u>	<u>152,274</u>
	<u>\$ 1,479,312</u>	<u>\$ 961,306</u>
Deferred revenue		
Arising from government grants (Note 27)	<u>\$ 23,717</u>	<u>\$ -</u>
<u>Non-current</u>		
Deferred revenue		
Arising from government grants (Note 27)	<u>\$ 70,772</u>	<u>\$ -</u>



## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 192,025	\$ 179,235
Fair value of plan assets	<u>(130,236)</u>	<u>(115,675)</u>
Net defined benefit liability	<u>\$ 61,789</u>	<u>\$ 63,560</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2020	\$ 173,416	\$ (99,385)	\$ 74,031
Service cost			
Current service cost	1,567	-	1,567
Net interest expense (income)	<u>1,300</u>	<u>(792)</u>	<u>508</u>
Recognized in profit or loss	<u>2,867</u>	<u>(792)</u>	<u>2,075</u>
			(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,287)	\$ (3,287)
Actuarial (gain) loss - changes in demographic assumptions	6,151	-	6,151
Actuarial (gain) loss - changes in financial assumptions	4,799	-	4,799
Actuarial (gain) loss - experience adjustments	<u>(7,099)</u>	<u>-</u>	<u>(7,099)</u>
Recognized in other comprehensive income	<u>3,851</u>	<u>(3,287)</u>	<u>564</u>
Contributions from the employer	-	(13,110)	(13,110)
Benefits paid	<u>(899)</u>	<u>899</u>	<u>-</u>
Balance at December 31, 2020	<u>179,235</u>	<u>(115,675)</u>	<u>63,560</u>
Service cost			
Current service cost	1,466	-	1,466
Net interest expense (income)	<u>896</u>	<u>(611)</u>	<u>285</u>
Recognized in profit or loss	<u>2,362</u>	<u>(611)</u>	<u>1,751</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,395)	(1,395)
Actuarial (gain) loss - changes in demographic assumptions	4,578	-	4,578
Actuarial (gain) loss - changes in financial assumptions	(2,533)	-	(2,533)
Actuarial (gain) loss - experience adjustments	<u>9,523</u>	<u>-</u>	<u>9,523</u>
Recognized in other comprehensive income	<u>11,568</u>	<u>(1,395)</u>	<u>10,173</u>
Contributions from the employer	-	(13,695)	(13,695)
Benefits paid	<u>(1,140)</u>	<u>1,140</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 192,025</u>	<u>\$ (130,236)</u>	<u>\$ 61,789</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 900	\$ 1,046
Selling and marketing expenses	128	157
General and administrative expenses	282	319
Research and development expenses	<u>441</u>	<u>553</u>
	<u>\$ 1,751</u>	<u>\$ 2,075</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the (government/corporate) bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.625%	0.50%
Expected rate(s) of salary increase	2.00%	2.00%

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 decrease/increase) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (5,022)</u>	<u>\$ (4,987)</u>
0.25% decrease	<u>\$ 5,219</u>	<u>\$ 5,190</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,059</u>	<u>\$ 5,025</u>
0.25% decrease	<u>\$ (4,895)</u>	<u>\$ (4,855)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 13,884</u>	<u>\$ 13,056</u>
The average duration of the defined benefit obligation	10.7 years	11.3 years

## 22. EQUITY

### a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,757</u>	<u>309,757</u>
Shares issued	<u>\$ 3,097,570</u>	<u>\$ 3,097,570</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The Company's 30,000 thousand shares authorized were reserved for the issuance of convertible bonds and employee share options.

### b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 611,776	\$ 611,776
Conversion of bonds	977,028	977,028
Overdue options	73,377	73,377
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	331	331
Return of shareholders' cash dividends	1,964	1,964
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of associates or joint venture	2,712	2,712
Other	1,165	1,081
<u>May not be used for any purpose</u>		
Employee share options	<u>28,431</u>	<u>-</u>
	<u>\$ 1,696,784</u>	<u>\$ 1,668,269</u>

\* Such capital surplus 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 share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended 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, setting aside or reversing a special reserve in accordance with the laws and regulations, and then 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 bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 24(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trends and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividends to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 20, 2021 and June 9, 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>
Legal reserve	\$ 155,246	\$ 67,178	\$ -	\$ -
Special reserve	(177,611)	269,465	-	-
Cash dividends	1,177,077	774,393	3.8	2.5

The appropriations of earnings for 2020 annual surplus distribution on March 7, 2022 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 310,870	\$ -
Special reserve	(346,761)	-
Cash dividends	2,323,178	7.5

The appropriation of earnings for 2021 is subject to the resolution of the shareholders' meeting to be held on May 31, 2022.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (523,275)	\$ (584,617)
Exchange differences on translating the financial statements of foreign operations	(35,567)	58,311
Share of exchange differences of associates accounted for using the equity method	<u>(737)</u>	<u>3,031</u>
Balance at December 31	<u>\$ (559,579)</u>	<u>\$ (523,275)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 176,513	\$ 60,245
Effect of change in tax rate		
Recognized during the period		
Unrealized loss - equity instruments	1,180,893	240,077
Share from associates accounted for using the equity method	<u>(44)</u>	<u>(129)</u>
Other comprehensive income recognized in the period	<u>1,180,849</u>	<u>239,948</u>
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(123,680)</u>
Balance at December 31	<u>\$ 1,357,362</u>	<u>\$ 176,513</u>

**23. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 14,261,153	\$ 11,048,392
Construction contract revenue	<u>983,698</u>	<u>-</u>
	<u>\$ 15,244,851</u>	<u>\$ 11,048,392</u>

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Trade receivables (Note 10)	<u>\$ 4,035,315</u>	<u>\$ 3,503,904</u>
Contract liabilities		
Construction of properties	\$ 10,814	\$ 729,079
Sale of goods	<u>15,654</u>	<u>12,730</u>
	<u>\$ 26,468</u>	<u>\$ 741,809</u>

The contract liabilities were unearned sales revenue and accounted for other current liabilities.

## 24. NET PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

### a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 8,819	\$ 8,708
Financial assets at amortized cost	10,668	15,299
Others	<u>1,385</u>	<u>323</u>
	<u>\$ 20,872</u>	<u>\$ 24,330</u>

### b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Income from government grants	\$ 96,622	\$ 82,280
Dividends income	2,682	1,755
Others	<u>75,080</u>	<u>36,023</u>
	<u>\$ 174,384</u>	<u>\$ 120,058</u>

### c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Loss on disposal of non-current assets held for sale	\$ (1,575)	\$ -
(Loss) gain on disposal of property, plant and equipment	2,507	(1,639)
Gain on disposal of subsidiaries	-	27,921
Loss on disposal of associates	-	(6,106)
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	21,740	38,124
Net foreign exchange gains (loss)	75,755	(93,171)
Property, plant and equipment impairment (losses) reversed	(2,606)	(1,584)
Depreciation of investment properties	(8,892)	(4,260)
Others	<u>(32,298)</u>	<u>(21,604)</u>
	<u>\$ 54,631</u>	<u>\$ (62,319)</u>

### d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 36,955	\$ 21,404
Interest on convertible bonds	4,539	-
Interest on lease liabilities	<u>59</u>	<u>38</u>
	<u>\$ 41,553</u>	<u>\$ 21,442</u>

The detail of capitalization of interest:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The amount of capitalization of interest	<u>\$ 4,416</u>	<u>\$ 17,449</u>
Interest rate of capitalization of interest	6.18%	6.18%

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 1,025,522	\$ 833,111
Investment properties	8,892	4,260
Right-of-use assets	6,101	5,316
Intangible assets	<u>15,823</u>	<u>7,073</u>
	<u>\$ 1,056,338</u>	<u>\$ 849,760</u>
An analysis of deprecation by function		
Operating costs	\$ 870,804	\$ 672,982
Operating expenses	160,819	165,445
Other gains and losses	<u>8,892</u>	<u>4,260</u>
	<u>\$ 1,040,515</u>	<u>\$ 842,687</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 15,823</u>	<u>\$ 7,073</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (see Note 21)		
Defined contribution plans	\$ 100,342	\$ 60,853
Defined benefit plans	<u>1,751</u>	<u>2,075</u>
	<u>102,093</u>	<u>62,928</u>
Other employee benefits		
Payroll expense	2,602,784	1,952,546
Labor and health insurance	126,034	94,480
Others	<u>57,080</u>	<u>49,321</u>
	<u>2,785,898</u>	<u>2,096,347</u>
	<u>\$ 2,887,991</u>	<u>\$ 2,159,275</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,617,854	\$ 1,239,611
Operating expenses	<u>1,270,137</u>	<u>919,664</u>
	<u>\$ 2,887,991</u>	<u>\$ 2,159,275</u>



g. Employees' compensation and remuneration of directors for 2021 and 2020

The Company accrued employees' compensation and remuneration of directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 which were been approved by the Company's board of directors on March 7, 2022 and March 11, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	9.0%	9.0%
Remuneration of directors	1.5%	1.5%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cash</u>	<u>Share</u>	<u>Cash</u>	<u>Share</u>
Employees' compensation	\$ 354,226	\$ -	\$ 163,489	\$ -
Remuneration of directors	59,038	-	27,248	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

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

## 25. INCOME TAXES RELATING TO CONTINUING

a. The major components of tax expense (income) were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current tax		
In respect of the current period	\$ 603,377	\$ 311,573
Adjustments for prior year	(41,846)	2,667
	<u>561,531</u>	<u>314,240</u>
Deferred tax		
In respect of the current period	<u>18,328</u>	<u>(34,810)</u>
Income tax expense recognized in profit or loss	<u>\$ 579,859</u>	<u>\$ 279,430</u>

A reconciliation of accounting profit and current income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 3,696,843</u>	<u>\$ 1,708,717</u>
Income tax expense calculated at the statutory rate	\$ 739,369	\$ 341,743
Tax effect of adjusting items:		
Nondeductible expenses in determining taxable income	3,350	987
Tax-exempt income	(4,801)	(1,587)
Deferred tax effect of earnings of subsidiaries	37,854	-
Unrecognized temporary differences	606	303
Unrecognized loss carryforwards	(15,378)	8,830
Investment tax credit	(101,436)	(59,942)
Deferred tax effect of earnings of subsidiaries	-	42,798
Effect of different tax rate of group entities operating in other jurisdictions	(37,859)	(50,641)
Adjustment for prior years' tax	(41,846)	2,667
Other	<u>-</u>	<u>(5,728)</u>
Income tax expense recognized in profit or loss	<u>\$ 579,859</u>	<u>\$ 279,430</u>
b. Income tax expense recognized in other comprehensive income		

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	\$ -	\$ 8,617
Remeasurement of defined benefit plans	(2,035)	(113)
Reclassification adjustment		
Disposal of equity instruments at fair value through other comprehensive income	<u>-</u>	<u>(30,521)</u>
	<u>\$ (2,035)</u>	<u>\$ (22,017)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Income tax receivable	<u>\$ -</u>	<u>\$ 8,067</u>
Current tax liabilities		
Income tax payable	<u>\$ 330,380</u>	<u>\$ 117,054</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Comprehen- sive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Unrealized loss on inventories	\$ 7,797	\$ (56)	\$ -	\$ (3)	\$ 7,738
Unrealized exchange loss	7,432	(7,425)	-	-	7
Payable for annual leave	5,300	2,406	-	(5)	7,701
Determine benefit obligation	15,076	(2,389)	2,035	-	14,722
Property, plant and equipment	1,001	2,044	-	-	3,045
Financial assets at fair value through profit or loss	291	1,588	-	3	1,882
Deferred revenue	-	10,415	-	22	10,437
Others	<u>2,995</u>	<u>1,465</u>	<u>-</u>	<u>(13)</u>	<u>4,447</u>
	<u>\$ 39,892</u>	<u>\$ 8,048</u>	<u>\$ 2,035</u>	<u>\$ 4</u>	<u>\$ 49,979</u>
<u>Deferred tax liabilities</u>					
FVTPL financial assets	\$ 67,032	\$ 3,566	\$ -	\$ -	\$ 70,598
Associates	-	34	-	-	34
FVTOCI financial assets	<u>-</u>	<u>22,776</u>	<u>-</u>	<u>48</u>	<u>22,824</u>
	<u>\$ 67,032</u>	<u>\$ 26,376</u>	<u>\$ -</u>	<u>\$ 48</u>	<u>\$ 93,456</u>

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Comprehen- sive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Unrealized loss on inventories	\$ 7,248	\$ 540	\$ -	\$ 9	\$ 7,797
Unrealized exchange loss	4,738	2,694	-	-	7,432
Payable for annual leave	4,929	350	-	21	5,300
Determine benefit obligation	17,171	(2,208)	113	-	15,076
Property, plant and equipment	745	239	-	17	1,001
Financial liabilities at fair value through profit or loss	793	(502)	-	-	291
Others	<u>3,725</u>	<u>(767)</u>	<u>-</u>	<u>37</u>	<u>2,995</u>
	<u>\$ 39,349</u>	<u>\$ 346</u>	<u>\$ 113</u>	<u>\$ 84</u>	<u>\$ 39,892</u>
<u>Deferred tax liabilities</u>					
Associates	\$ 101,496	\$ (34,464)	\$ -	\$ -	\$ 67,032
FVTOCI financial assets	<u>21,904</u>	<u>-</u>	<u>(21,904)</u>	<u>-</u>	<u>-</u>
	<u>\$ 123,400</u>	<u>\$ (34,464)</u>	<u>\$ (21,904)</u>	<u>\$ -</u>	<u>\$ 67,032</u>

e. Income tax assessments

The tax returns had been assessed by the tax authorities before in 2017.

## 26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit for the period attributable to owners of the Company	\$ 3,116,984	\$ 1,429,287
Interest on convertible bonds after tax	<u>4,539</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 3,121,523</u>	<u>\$ 1,429,287</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares in computation of basic earnings per share	309,757	309,757
Effect of dilutive potential ordinary shares:		
Convertible bonds	1,623	-
Employees' compensation	<u>3,683</u>	<u>2,599</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>315,063</u>	<u>312,356</u>

The Group may settle the compensation paid to employees by cash or shares; therefore, the Group presumes that the entire amount of the compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares had a dilutive effect. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 27. GOVERNMENT GRANTS

In November 2021, the Group received a government grant of \$119,122 thousand for its investment of equipment. The amount was recognized as deferred revenue and subsequently transferred to profit or loss over the useful life of the related asset over the useful life of the related asset.

## 28. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows for 2021 and 2020:

The Group transferred inventories to investment properties for lease agreements. The inventories decreased and investment properties increased by \$454,365 thousand dollars for 2021.

## 29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

## 30. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

#### 1) Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

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

##### a) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ 1,080	\$ -	\$ 1,080
Foreign exchange forward contracts and exchange contracts	-	2,399	-	2,399
Mutual funds	191,487	-	-	191,487
Structured deposits	-	529,142	-	529,142
	<u>\$ 191,487</u>	<u>\$ 532,621</u>	<u>\$ -</u>	<u>\$ 724,108</u>
Financial liabilities at FVTPL				
Foreign exchange forward contracts and exchange contracts	<u>\$ -</u>	<u>\$ 1,383</u>	<u>\$ -</u>	<u>\$ 1,383</u>
Financial assets at FVTOCI				
Domestic emerging shares	\$ 1,399,268	\$ -	\$ -	\$ 1,399,268
Domestic unlisted shares	-	-	77,466	77,466
Foreign unlisted shares	-	-	233,358	233,358
	<u>\$ 1,399,268</u>	<u>\$ -</u>	<u>\$ 310,824</u>	<u>\$ 1,710,092</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Foreign unlisted shares	\$ -	\$ -	\$ 9,255	\$ 9,255
Foreign exchange forward contracts and exchange contracts	-	10,459	-	10,459
Mutual funds	259,333	-	-	259,333
Structured deposits	<u>-</u>	<u>264,697</u>	<u>-</u>	<u>264,697</u>
	<u>\$ 259,333</u>	<u>\$ 275,156</u>	<u>\$ 9,255</u>	<u>\$ 543,744</u>
Financial liabilities at FVTPL				
Foreign exchange forward contracts and exchange contracts	<u>\$ -</u>	<u>\$ 1,455</u>	<u>\$ -</u>	<u>\$ 1,455</u>
Financial assets at FVTOCI				
Domestic unlisted shares	\$ -	\$ -	\$ 213,736	\$ 213,736
Foreign unlisted shares	<u>-</u>	<u>-</u>	<u>311,568</u>	<u>311,568</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,304</u>	<u>\$ 525,304</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2021

	<u>Financial Assets at FVTPL</u> Equity Instruments	<u>Financial Assets at FVTOCI</u> Equity Instruments
<u>Financial assets</u>		
Balance at January 1, 2021	\$ 9,255	\$ 525,304
Purchase	-	5,359
Sales	(9,255)	-
Transfer to Level 1	-	(113,446)
Recognized in other comprehensive income	-	(104,928)
Effect of foreign currency exchange differences	<u>-</u>	<u>(1,465)</u>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 310,824</u>

Since the UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange on March 12, 2021, the fair value hierarchy was transferred from Level 3 to Level 1 when observable market data became available for such equity investment.

For the year ended December 31, 2020

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>	<b>Equity Instruments</b>
<u>Financial assets</u>		
Balance at January 1, 2020	\$ 9,255	\$ 305,308
Purchase	-	5,000
Reclassification	-	10,967
Sales	-	(5,741)
Recognized in other comprehensive income	-	205,599
Exchange differences on translating the financial statements of foreign operations	-	4,171
Balance at December 31, 2020	<u>\$ 9,255</u>	<u>\$ 525,304</u>

- c) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives - foreign exchange forward contracts and exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Structured deposits	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the bond issuers at the end of the reporting period
Redemption options on convertible bonds	Binomial tree valuation model. Binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

- d) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group uses price-book ratio approach, comparing the net value per share with other public companies among similar industries or evaluating share price based on average price-book ratio of other competitors, to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

The fair values of unlisted equity securities - ROC were determined using income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed on the table below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in WACC or discount for lack of marketability used in isolation would result in increase in fair value.

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL (1)	\$ 724,108	\$ 543,744
Financial assets at amortized cost (2)	8,019,825	6,709,185
Financial assets at FVTOCI		
Equity instruments	1,710,092	525,304
<u>Financial liabilities</u>		
FVTPL		
Mandatorily as at FVTPL (3)	1,383	1,455
Amortized cost (4)	7,422,413	5,937,115

- 1) The balances included the carrying amount of beneficiary certificate, foreign exchange forward contracts and exchange contracts, structured deposits, redemption options on convertible bonds.
- 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.
- 3) The balances included the carrying amount of foreign exchange forward contracts and exchange contracts.
- 4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, bonds payable, notes payable, trade, payable, other payables and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, bonds payable, borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.



The corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including: Foreign exchange forward contracts to hedge the exchange rate risk arising on the Group's foreign currency monetary.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period (see Note 35).

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 41,987	\$ 29,786	\$ (2,966)	\$ (5,608)

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure to outstanding JPY payables, which were not hedged, at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because the Group's bank deposits and the Group borrowed funds at floating interest rates.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 786,559	\$ 687,252
Financial liabilities	2,763,792	519,996
Cash flow interest rate risk		
Financial assets	3,112,326	2,443,257
Financial liabilities	1,013,713	2,467,065

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease by \$5,247 thousand and \$(60) thousand, which was mainly attributable to the Group's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liability. As of December 31, 2021 and 2020, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$6,909,081 thousand and \$6,712,627 thousand, respectively.

- Liquidity and interest risk rate tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To extend that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2021

	<b>Weighted Interest Average Effective Rate (%)</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Trade payables	-	\$ 2,091,611	\$ -	\$ -	\$ -	\$ 2,091,611
Other payables	-	1,482,807	-	-	-	1,482,807
Other current liabilities	-	31,928	-	-	-	31,928
Lease liabilities	0.86%-1.27%	3,051	4,685	-	-	7,736
Fixed interest rate liabilities	0.3%-3.85%	142,754	755,626	115,333	-	1,013,713
Variable interest rate liabilities	0.1%-4.1%	787,071	1,940,721	36,000	-	2,763,792

#### December 31, 2020

	<b>Weighted Interest Average Effective Rate (%)</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>						
Trade payables		\$ 1,951,141	\$ -	\$ -	\$ -	\$ 1,951,141
Other payables		962,786	-	-	-	962,786
Other current liabilities		757,540	-	-	-	757,540
Lease liabilities	0.86	1,777	905	267	-	2,949
Variable interest rate liabilities	0.65-0.68	519,996	-	-	-	519,996
Fixed interest rate liabilities	0.35-6.18	781,541	1,064,524	621,000	-	2,467,065

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

- Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ <u>1,024</u>	\$ <u>84</u>	\$ <u>(92)</u>	\$ <u>-</u>	\$ <u>-</u>

December 31, 2020

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ <u>2,460</u>	\$ <u>5,019</u>	\$ <u>1,525</u>	\$ <u>-</u>	\$ <u>-</u>

### 31. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Tai-shing Electronics Components Corp.	Associate
TSE Technology (Ningbo) Co., Ltd.	Associate
Godsmith Sensor Inc.	Associate
EcLife Co., Ltd.	Other associate
Ningbo Longying Semiconductor Co., Ltd.	Other associate

#### a. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates	\$ 115,221	\$ 64,445
Other associate	<u>11,903</u>	<u>7,371</u>
	<u>\$ 127,124</u>	<u>\$ 71,816</u>

Selling prices and payment terms offered to related parties were similar with those offered to third parties.

b. Purchase of goods

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other associates	\$ <u>14,409</u>	\$ <u>6,002</u>

Purchase prices and payment terms offered by related parties were similar with those offered by third parties.

c. Operating expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Other associates	\$ <u>3,237</u>	\$ <u>1,420</u>

d. Commission revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 2,456	\$ 2,424
Other associates	<u>49</u>	<u>68</u>
	<u>\$ 2,505</u>	<u>\$ 2,492</u>

e. Rental revenue

			<b>For the Year Ended December 31</b>			
			<b>2021</b>	<b>% to Total Account Balance</b>	<b>2020</b>	<b>% to Total Account Balance</b>
<b>Related Party</b>	<b>Location</b>	<b>Rent Collection</b>	<b>Amount</b>		<b>Amount</b>	
Ningbo Xingmao Electron Technology Co., Ltd.	1F., No. 189, Huangshan W. Rd., Beilun Dist., Ningbo City	Based on contract, and paid on a monthly basis	\$ 2,976		\$ 2,936	-
Ningbo Longying Semiconductor Co., Ltd.	Building D4, No. 189, Huangshan W. Rd., Beilun Dist., Ningbo City	Based on contract, and paid on a monthly basis	124		92	-
Tai-Shing Electronics Components Corporation	6F., No. 4, Gongye 6th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan	Based on contract, and paid on a monthly basis	3,576		3,577	-
Godsmith Sensor Inc.	3F., No. 6, Gongye 6th Rd., Pingzhen Dist., Taoyuan City 324, Taiwan	Based on contract, and paid on a monthly basis	-		<u>539</u>	-
			<u>\$ 6,676</u>		<u>\$ 7,144</u>	

There is no significant difference in transaction terms between related parties and unrelated parties.

f. Trade receivables from related parties (excluding loans to related parties)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 27,256	\$ 28,006
Other associates	3,706	2,223
Less: Allowance for impairment loss	<u>(68)</u>	<u>(67)</u>
	<u>\$ 30,894</u>	<u>\$ 30,162</u>

The outstanding trade receivables from related parties are unsecured.

g. Trade payables to related parties (excluding loans from related parties)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other associates	<u>\$ 2,140</u>	<u>\$ 3,543</u>

The outstanding trade payables to related parties are unsecured.

Payment terms of the transactions to related parties were similar to those for third parties.

h. Other receivables from related parties

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 1,154	\$ 490
Other	<u>25</u>	<u>-</u>
	<u>\$ 1,179</u>	<u>\$ 490</u>

i. Other payables to related parties

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other associates	<u>\$ 3,495</u>	<u>\$ 1,480</u>

j. Prepayments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Other associates	<u>\$ 4,247</u>	<u>\$ 107</u>

The prepayments were accounted for prepaid equipment.

k. Acquisition of property, plant and equipment

	<b>Acquisition Amounts</b>	
	<b>2021</b>	<b>2020</b>
Other associates	<u>\$ 7,563</u>	<u>\$ 2,755</u>

1. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 204,921	\$ 121,647
Post-employment benefits	<u>3,978</u>	<u>3,696</u>
	<u>\$ 208,899</u>	<u>\$ 125,343</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

**32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Land and land improvement	\$ -	\$ 570,178
Building equipment, net	284,332	855,007
Investment property	16,775	38,120
Land for development	-	1,181,555
Pledge deposits	60,916	59,504
Right-of-use assets	<u>10,931</u>	<u>11,351</u>
	<u>\$ 372,954</u>	<u>\$ 2,715,715</u>

**33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021, unused letters of credit amounted to approximately JPY453,148 thousand and EUR1,188 thousand.
- b. On November 8, 2021, the board of directors of the Company approved its subsidiary TETC CORP.NINGBO to construct a plant project, with an estimated investment of RMB145,000 thousand, related construction matters are still under design and planning.
- c. As of December 31, 2021, the Company unrecognized commitments are as follows:

	<b>Contract Amount</b>	<b>Paid Amount</b>	<b>Unpaid Amount</b>
Acquisition of equipment	<u>\$ 138,482</u>	<u>\$ 95,264</u>	<u>\$ 43,218</u>
Acquisition of equipment	<u>RMB 81,698</u>	<u>RMB 23,276</u>	<u>RMB 58,422</u>
Acquisition of equipment	<u>JPY 1,592,346</u>	<u>JPY 873,410</u>	<u>JPY 718,936</u>
Acquisition of equipment	<u>US\$ 1,781</u>	<u>US\$ 1,336</u>	<u>US\$ 445</u>
Acquisition of equipment	<u>EUR 1,697</u>	<u>EUR 509</u>	<u>EUR 1,188</u>

**34. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE**

### 35. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities of entities in Group denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

**Unit: In Thousands of Foreign Currencies and New Taiwan Dollars)**

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 149,297	27.69 (USD:NTD)	\$ 4,134,034
USD	18,499	6.3674 (USD:RMB)	512,237
JPY	655,609	0.2406 (JPY:NTD)	157,740
JPY	593,346	0.0553 (JPY:RMB)	142,759
JPY	779,162	0.0087 (JPY:USD)	187,466

Financial liabilities

Monetary items			
USD	11,401	27.69 (USD:NTD)	315,694
USD	4,764	6.3674 (USD:RMB)	131,915
JPY	1,524,360	0.2406 (JPY:NTD)	366,761
JPY	1,353,526	0.0553 (JPY:RMB)	325,658
JPY	382,816	0.0087 (JPY:USD)	92,106

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 117,525	28.5080 (USD:NTD)	\$ 3,350,403
USD	34,107	6.5249 (USD:RMB)	972,322
JPY	91,491	0.2765 (JPY:NTD)	25,297
JPY	444,265	0.0633 (JPY:RMB)	122,839

Financial liabilities

Monetary items			
USD	36,683	28.5080 (USD:NTD)	1,045,759
USD	10,465	6.5249 (USD:RMB)	298,336
JPY	1,269,487	0.2765 (JPY:NTD)	351,013
JPY	1,236,936	0.0633 (JPY:RMB)	342,013



For the years ended December 31, 2021 and 2020, unrealized net foreign exchange gains were \$75,755 thousand and \$(93,171) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 36. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Lending funds to others. (None)
- 2) Providing endorsements or guarantees for others. (Table 1)
- 3) Holding of securities at the end of the period. (Table 2)
- 4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more. (Table 3)
- 5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 4)
- 8) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 9)
- 11) Information on investees. (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses. (Table 8)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- 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 (None)

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Crystal

- a. Segment revenues and results

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Crystal segment	\$ 14,261,153	\$ 11,048,392	\$ 3,209,567	\$ 1,617,660
Real estate development segment	983,698	-	265,178	-
Continuing operations	\$ 15,244,851	\$ 11,048,392	3,474,745	1,617,660
Interest income			20,872	24,330
Other income			174,384	120,058
Other gains and losses			54,631	(62,319)
Financial costs			(41,553)	(21,442)
Share of profit or loss of subsidiaries, associates and joint ventures			13,764	30,430
Profit before tax (continuing operations)			\$ 3,696,843	\$ 1,708,717

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended December 31, 2021 and 2020.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

	<b>2021</b>	<b>2020</b>
Crystals	\$ 10,911,520	\$ 8,457,868
Oscillators	2,297,518	1,609,963
Construction contract revenue	983,698	-
Others	<u>1,052,115</u>	<u>980,561</u>
	<u>\$ 15,244,851</u>	<u>\$ 11,048,392</u>

c. Geographical information

The Group's operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	<b>Revenue from</b>		<b>Non-current Assets</b>	
	<b>External Customers</b>		<b>December 31</b>	
	<b>For the Year Ended December 31</b>			
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 743,598	\$ 367,786	\$ 2,976,992	\$ 2,477,212
Asia	13,941,998	10,337,281	4,126,754	2,832,164
America	321,142	196,788	-	-
Europe	215,536	140,656	-	-
Others	<u>22,577</u>	<u>5,881</u>	<u>1,311</u>	<u>4,276</u>
	<u>\$ 15,244,851</u>	<u>\$ 11,048,392</u>	<u>\$ 7,105,057</u>	<u>\$ 5,313,652</u>

Non-current assets included property, plant and equipment, intangible assets and other assets but excluded deferred tax assets and financial instruments.

d. Major customer information

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
F Group	<u>\$ 2,325,125</u>	<u>\$ 1,768,487</u>

**TXC CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Note
		Name	Relationship (Note 2)								
1	TXC (Ningbo) Corporation	Chongqing Zhongyang Properties Co., Ltd.	Subsidiary with equity method	\$ 3,228,252	\$ 478,357	\$ -	\$ -	\$ -	-	\$ 6,456,504	

Note: The total amount of TXC (Ningbo) Corporation endorsements and guarantees provided shall not exceed 100% of the amount of the net value of TXC (Ningbo) Corporation; the amount of individual entity endorsements shall not exceed 5% of the amount of the net value of the individual entity. However, the amount of individual entity endorsements is permitted with 50% of net value of subsidiary.

## TXC CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TXC Corporation	<u>Stock - unlisted company</u> Godsmith Sensor Inc	None	Non-current assets held for sale	350	\$ 6,979	5	\$ 6,979	
		"	Financial assets at fair value through other comprehensive income - non-current	550	\$ 9,322		\$ 9,322	
	RFIC Technology Corporation	"	"	2,334	5,359	7	5,359	
	Win Precision Technology Co., Ltd.	"	"	1,365	62,785	12	62,785	
						3		
	<u>Stock - emerging market shares</u> UPI Semiconductor Corp.	TXC Corporation is a direct of the Company	"	1,516	1,399,268	2	1,399,268	
					\$ 1,476,734		\$ 1,476,734	
TXC (Ningbo) Corporation	<u>Beneficiary certificate</u> CICC Wealth Management 800 Fund	None	Financial assets at fair value through profit or loss - current	RMB 23,969	\$ 104,235	-	\$ 104,235	
	Huifeng Zhicheng No. 6 ABS Funds	"	"	RMB 20,000	86,974	-	86,974	
					\$ 191,209		\$ 191,209	
	<u>Shares overseas - unlisted company</u> Ningbo SJ Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	RMB 6,000	\$ 53,469	7	\$ 53,469	
TXC (Chongqing) Corporation	<u>Structured deposits</u> China Merchants Bank Co., Ltd.	None	Financial assets at fair value through profit or loss - current	RMB 21,048	\$ 91,532	-	\$ 91,532	
	CTBC Bank Co., Ltd.	"	"	RMB 32,434	141,047	-	141,047	
	China Construction Bank Corporation	"	"	RMB 20,293	88,246	-	88,246	
	China Everbright Bank	"	"	RMB 10,000	43,487	-	43,487	
					\$ 364,312		\$ 364,312	
Ningbo Beilun Jingyu Trading Corporation	<u>Beneficiary certificate</u> Southern Cash Fund	None	Financial assets at fair value through profit or loss - current	RMB 64	\$ 278	-	\$ 278	
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	<u>Shares overseas - unlisted company</u> Zhejiang Bright Semiconductor Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	RMB 7,000	\$ 176,775	6	\$ 176,775	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
TXC Technologies Inc.	<u>Shares overseas - unlisted company</u> Investment QST LLC	None	Financial assets at fair value through other comprehensive income - non-current	US\$ 250	<u>\$ 3,114</u>	-	<u>\$ 3,114</u>	
Chongqing Zhongyang Properties Co., Ltd.	<u>Structured deposits</u> Chongqing Rural Commercial Bank	None	Financial assets at fair value through profit or loss - current	RMB 37,542	<u>\$ 163,259</u>	-	<u>\$ 163,259</u>	
ChongQing Dingsen Commercial Management Co., Ltd.	<u>Structured deposits</u> China Construction Bank Corporation	None	Financial assets at fair value through profit or loss - current	RMB 361	<u>\$ 1,571</u>	-	<u>\$ 1,571</u>	

(Concluded)

## TXC CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
TXC (Chongqing) Corporation	QianYuan - Ri Xin Open-end Financial Investment Product	Financial instruments at FVTPL - current	China Construction Bank	None	-	\$ -	-	\$ 711,653	-	\$ (712,692)	\$ (711,653)	\$ 1,039	\$ -	-	\$ -
	QianYuan - Ri Xin Yue Yi (daily) Open-end Financial Investment Product	"	China Construction Bank	None	-	-	-	538,676	-	(539,285)	(538,676)	609	-	-	-
Chongqing Zhongyang Properties Co., Ltd.	Jiangyu wealth "tian Jin" Yu Kuaibao Open-end Financial Investment Product	Financial instruments at FVTPL - current	Chongqing Rural Commercial Bank	None	-	214,802	-	254,692	-	(310,974)	(310,890)	84	4,655	-	163,259

## TXC CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	Purchase	\$ 2,893,530	38	No significant differences with the third parties.	Its trading price depends on its function within the Group	No significant differences with the third parties.	\$ (606,223)	(37)	
	"	"	Sale	394,363	3	"	"	"	110,500	3	
	TXC (Chongqing) Corporation	"	Purchase	1,361,626	18	"	"	"	(321,195)	(20)	
	Taiwan Crystal Technology (HK) Limited.	"	Purchase	136,472	2	"	"	"	(25,110)	(2)	
	TETC CORP. NINGBO	"	Purchase	133,002	2	"	"	"	(67,990)	(4)	
TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	"	Purchase	260,687	10	"	"	"	(56,581)	(7)	
	TETC CORP. NINGBO	"	Sale	236,572	5	"	"	"	115,449	11	



**TXC CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	\$ 110,500	5.22	\$ -		\$ 48,140	\$ -
TXC (Ningbo) Corporation	TXC Corporation	Parent entity	606,223	4.70	-		209,206	-
TXC (Chongqing) Corporation	TXC Corporation	Parent entity	321,195	3.92	-		107,414	-
TXC (Ningbo) Corporation	TETC CORP. NINGBO	Subsidiary	115,449	4.10	-		56,401	-

## TXC CORPORATION AND SUBSIDIARIES

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	Taiwan Crystal Technology International Ltd.	Western Samoa	Investment management	\$ 1,390,461	\$ 1,390,461	42,835	100.00	\$ 6,429,484	\$ 1,155,980	\$ 1,150,767	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	International trading	2,371	2,371	80	100.00	173,321	53,217	53,217	
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100.00	30,683	3,629	3,629	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100.00	20,955	6,652	6,652	
	Tai-Shing Electronics Components Corporation	Taiwan	Manufacture and sales of electronics products	373,432	359,266	8,802	33.34	391,214	65,451	21,323	
	TXC Europe GmbH	Germany	Marketing activities	1,746	1,746	50	100.00	4,598	1,527	1,527	

## TXC CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
TXC (Ningbo) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	\$ 2,350,052	Indirect investment of the Corporation in mainland China through the Corporation's subsidiary in a third region	\$ 1,427,630	\$ -	\$ -	\$ 1,427,630	\$ 1,156,003	100	\$ 1,156,003	\$ 6,456,504	\$ 720,617
TXC (Chongqing) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	1,162,074	Other investment of the Corporation in mainland China	-	-	-	-	213,487	100	213,487	1,613,494	306,500
TETC CORP. NINGBO	Research and development, manufacture, and sale of quartz elements and related electronic products	433,440	Other investment of the Corporation in mainland China	-	-	-	-	109,391	100	109,391	544,490	-
Chongqing Zhongyang Properties Co., Ltd.	Properties development	684,908	Other investment of the Corporation in mainland China	-	-	-	-	218,018	100	218,018	802,057	-
Ningbo Beilun Jingyu Trading Corporation	International trading	7,090	Other investment of the Corporation in mainland China	-	-	-	-	27	100	27	5,894	-
Ningbo Longying Semiconductor Co., Ltd.	Research and development in integrated circuit	183,180	Other investment of the Corporation in mainland China	-	-	-	-	(18,897)	40	(7,559)	40,087	-
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	Investment management	160,043	Other investment of the Corporation in mainland China	-	-	-	-	-	100	-	177,041	-
ChongQing Dingsen Commercial Management Co., Ltd.	Property management	2,185	Other investment of the Corporation in mainland China	-	-	-	-	(1,197)	100	(1,197)	918	-

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$1,427,630	\$2,350,052	Note

Note: The investment in mainland China has no maximum limit since the Company has acquired the approval from the Industrial Development Bureau for the establishment of the Company's operating headquarters in Taiwan.

## TXC CORPORATION AND SUBSIDIARIES

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars)

1. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details				Accounts/Notes Receivable/Payable		Unrealized Gain or Loss	
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance		%
TXC Corporation	TXC (Ningbo) Corporation	Purchase	\$ 2,893,530	38	Its trading price depends on its function within the Group	Similar with third parties	Its trading price depends on its function within the Group	\$ (606,223)	(37)	\$ 465
	TXC (Ningbo) Corporation	Sale	394,363	3	"	"	"	110,500	3	8,186
	TXC (Chongqing) Corporation	Purchase	1,361,626	18	"	"	"	(321,195)	(20)	-
	TETC CORP. NINGBO	Purchase	133,002	2	"	"	"	(67,990)	(4)	-

2. The transactions of properties and the profit or loss: None.
3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None
4. Financings directly or indirectly provided to the investees: None
5. Other transactions that significantly impacted the current year's profit or loss or financial position: None

## TXC CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2021

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			Percentage of Consolidated Total Gross Sales or Total Assets (%)	
				Accounts	Amount	Terms (Note 2)		
0	TXC Corporation	TXC Technology, Inc. TXC Japan Corporation TXC (Ningbo) Corporation	a	Other expense - consulting expense	\$ 43,837	a	-	
			a	Other expense - consulting expense	34,046	a	-	
			a	Sales	394,363	a	3	
		TXC (Chongqing) Corporation  Taiwan Crystal Technology (HK) Limited.  TETC CORP. NINGBO	Purchase	a	2,893,530	a	19	
				a	Trade receivables	110,500	a	1
				a	Trade payables	606,223	a	3
			Purchase	a	1,361,626	a	9	
				a	Trade payables	321,195	a	2
			Purchase	a	136,472	a	1	
				a	Trade payables	25,110	a	-
			Purchase	a	133,002	a	1	
				a	Trade payables	67,990	a	-
1	TXC (Ningbo) Corporation	TXC (Chongqing) Corporation	c	Purchase	260,687	c	2	
			c	Trade payables	56,581	c	1	
		TETC CORP. NINGBO	c	Sales	236,572	c	2	
			c	Trade receivables	115,449	c	1	
		Taiwan Crystal Technology (HK) Limited.	c	other receivables	65,969	c	-	
			c	Purchase	50,597	c	-	
			c	Trade payables	8,859	c	-	
			c			c	-	

Note 1: a. Represent the transactions from parent company to subsidiary.  
c. Represent the transactions between subsidiaries.

Note 2: In 2021, the selling price and purchasing price were not significantly different from those of third parties, except for TXC (Ningbo) Corporation, TXC (Chongqing) Limited, TETC CORP. NINGBO and Taiwan Crystal Technology (HK) Limited which is depending on its function within the Group.

Note 3: The company may decide whether to list the material transactions in this table according to the principle of materiality.

**TXC Corporation**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
TXC Corporation

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Company's financial statements for the year ended December 31, 2021 is stated as follows:

The revenue of the Company for the year ended December 31, 2021 amounted to NT\$11,680,702 thousand, which had an approximate 28% increase compared to revenue of NT\$9,140,414 thousand for the year ended December 31, 2020. In comparison with 2020, the revenue derived from specific products increased significantly on average in 2021; therefore, we considered the validity of revenue derived from specific products as a key audit matter.

The key audit procedures that we performed in respect of sales derived from specific products included the following:

1. We obtained an understanding and tested the appropriateness of the design and the implementation of internal control system that is related to revenue recognition of these specific products.
2. We selected samples from revenue details of specific products, and checked the sales orders and delivery orders to confirm the occurrence of the sales revenue.
3. We inspected the sales returns details of some specific products and checked for any abnormalities on the occurrence of the sales returns.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Ming-Chung Hsieh and Yu-Shiou Su.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 25, 2022

Notice to Readers

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

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

# TXC CORPORATION

## BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,270,993	12	\$ 899,988	6
Financial assets at amortized cost - current (Notes 4 and 9)	53,719	1	52,170	-
Notes receivable (Notes 4 and 10)	2,827	-	162	-
Trade receivables (Notes 4 and 10)	3,383,659	18	2,959,055	21
Trade receivables from related parties (Notes 4, 10 and 28)	160,655	1	72,598	1
Other receivables (Notes 4 and 10)	43,349	-	19,094	-
Other receivables from related parties (Notes 4 and 28)	375	-	9	-
Inventories (Notes 4 and 11)	1,344,912	7	1,073,090	7
Non-current assets held for sale (Notes 4 and 12)	6,979	-	35,892	-
Other current assets	27,986	-	64,521	1
Total current assets	<u>7,295,454</u>	<u>39</u>	<u>5,176,579</u>	<u>36</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,080	-	9,255	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,476,734	8	213,736	2
Financial assets at amortized cost - noncurrent (Notes 4 and 9)	-	-	414,271	3
Right-of-use assets (Notes 4 and 15)	7,704	-	2,931	-
Investments accounted for using equity method (Notes 4 and 13)	7,050,255	37	6,107,268	42
Property, plant and equipment (Notes 4 and 14)	2,621,486	14	2,328,906	16
Investment properties (Notes 4 and 16)	19,966	-	21,511	-
Other intangible assets (Note 4)	15,190	-	8,984	-
Deferred tax assets (Notes 4 and 24)	30,472	-	34,387	-
Prepayment for equipment	310,078	2	112,372	1
Refundable deposits	2,566	-	2,508	-
Total non-current assets	<u>11,535,531</u>	<u>61</u>	<u>9,256,129</u>	<u>64</u>
<b>TOTAL</b>	<u>\$ 18,830,985</u>	<u>100</u>	<u>\$ 14,432,708</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Note 17)	\$ -	-	\$ 526,986	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,383	-	1,455	-
Trade payables	607,896	3	699,223	5
Trade payables to related parties (Note 28)	1,020,783	6	1,017,833	7
Other payables (Note 19)	942,545	5	563,091	4
Other payables to related parties (Note 28)	3,864	-	1,482	-
Current tax liabilities (Notes 4 and 24)	301,233	2	112,834	1
Lease liabilities - current (Notes 4 and 15)	3,051	-	1,777	-
Current portion of long-term borrowings and bonds payable (Note 17)	238,754	1	100,000	1
Other current liabilities	12,932	-	11,659	-
Total current liabilities	<u>3,132,441</u>	<u>17</u>	<u>3,036,340</u>	<u>21</u>
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Notes 4 and 18)	1,172,721	6	-	-
Long-term borrowings (Note 17)	1,619,507	9	1,600,000	11
Lease liabilities - non-current (Notes 4 and 15)	4,685	-	1,172	-
Deferred tax liabilities (Notes 4 and 24)	70,598	-	67,032	1
Net defined benefit liabilities - non-current (Notes 4 and 20)	61,789	-	63,560	-
Guarantee deposits received	9,550	-	9,598	-
Total non-current liabilities	<u>2,938,850</u>	<u>15</u>	<u>1,741,362</u>	<u>12</u>
Total liabilities	<u>6,071,291</u>	<u>32</u>	<u>4,777,702</u>	<u>33</u>
<b>EQUITY (Note 21)</b>				
Share capital				
Ordinary shares	<u>3,097,570</u>	<u>17</u>	<u>3,097,570</u>	<u>21</u>
Capital surplus	<u>1,696,784</u>	<u>9</u>	<u>1,668,269</u>	<u>12</u>
Retained earnings				
Legal reserve	1,635,942	9	1,480,696	10
Special reserve	346,761	2	524,372	4
Unappropriated earnings	<u>5,184,854</u>	<u>27</u>	<u>3,230,861</u>	<u>22</u>
Total retained earnings	<u>7,167,557</u>	<u>38</u>	<u>5,235,929</u>	<u>36</u>
Other equity				
Exchange differences on translating the financial statements of foreign operations	(559,579)	(3)	(523,275)	(3)
Unrealized gain on financial assets at fair value through other comprehensive income	<u>1,357,362</u>	<u>7</u>	<u>176,513</u>	<u>1</u>
Total other equity	<u>797,783</u>	<u>4</u>	<u>(346,762)</u>	<u>(2)</u>
Total equity	<u>12,759,694</u>	<u>68</u>	<u>9,655,006</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 18,830,985</u>	<u>100</u>	<u>\$ 14,432,708</u>	<u>100</u>

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

# TXC CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 22)				
Sales	\$ 11,819,803	101	\$ 9,219,457	101
Less: Sales returns	105,934	1	39,113	-
Less: Sales allowances	<u>33,167</u>	-	<u>39,930</u>	<u>1</u>
Net operating revenue	11,680,702	100	9,140,414	100
COST OF GOODS SOLD (Notes 11 and 23)	<u>8,277,289</u>	<u>71</u>	<u>7,193,029</u>	<u>79</u>
GROSS PROFIT	3,403,413	29	1,947,385	21
UNREALIZED GAIN ON ASSOCIATES/AND JOINT VENTURES	(8,662)	-	(2,022)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES /AND JOINT VENTURES	<u>2,022</u>	-	<u>1,364</u>	-
REALIZED GROSS PROFIT	<u>3,396,773</u>	<u>29</u>	<u>1,946,727</u>	<u>21</u>
OPERATING EXPENSES (Notes 4 and 23)				
Selling and marketing expenses	268,235	2	253,830	2
General and administrative expenses	248,665	2	164,331	2
Research and development expenses	<u>647,016</u>	<u>6</u>	<u>550,247</u>	<u>6</u>
Total operating expenses	<u>1,163,916</u>	<u>10</u>	<u>968,408</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,232,857</u>	<u>19</u>	<u>978,319</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	8,033	-	4,477	-
Other income (Notes 4 and 23)	48,989	-	54,438	1
Other gains and losses (Note 23)	7,361	-	(74,424)	(1)
Finance costs (Notes 4 and 23)	(11,769)	-	(9,676)	-
Share of profit of associates and joint ventures (Note 13)	<u>1,237,115</u>	<u>11</u>	<u>672,677</u>	<u>7</u>
Total non-operating income and expenses	<u>1,289,729</u>	<u>11</u>	<u>647,492</u>	<u>7</u>
PROFIT BEFORE INCOME TAX	3,522,586	30	1,625,811	18
INCOME TAX EXPENSE (Note 24)	<u>405,602</u>	<u>4</u>	<u>196,524</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>3,116,984</u>	<u>26</u>	<u>1,429,287</u>	<u>16</u>

(Continued)

# TXC CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (8,138)	-	\$ (451)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,257,640	11	174,625	2
Share of the other comprehensive income of associates accounted for using the equity method	<u>(76,932)</u>	<u>(1)</u>	<u>65,266</u>	<u>-</u>
	<u>1,172,570</u>	<u>10</u>	<u>239,440</u>	<u>2</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(35,567)	-	58,311	1
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(737)</u>	<u>-</u>	<u>3,031</u>	<u>-</u>
	<u>(36,304)</u>	<u>-</u>	<u>61,342</u>	<u>1</u>
Other comprehensive loss for the year, net of income tax	<u>1,136,266</u>	<u>10</u>	<u>300,782</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 4,253,250</u>	<u>36</u>	<u>\$ 1,730,069</u>	<u>19</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
From continuing and discontinued operations				
Basic	<u>\$ 10.06</u>		<u>\$ 4.61</u>	
Diluted	<u>\$ 9.91</u>		<u>\$ 4.58</u>	

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

(Concluded)

**TXC CORPORATION**

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

	Shares (In Thousands)	Share Capital	Capital Surplus	Retained Earnings			Others		Total Equity
				Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	309,757	\$ 3,097,570	\$ 1,666,690	\$ 1,413,518	\$ 254,907	\$ 2,789,438	\$ (584,617)	\$ 60,245	\$ 8,697,751
Appropriation of 2019 earnings (Note 21)									
Legal reserve	-	-	-	67,178	-	(67,178)	-	-	-
Special reserve	-	-	-	-	269,465	(269,465)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(774,393)	-	-	(774,393)
Net profit for the for the year ended December 31, 2020	-	-	-	-	-	1,429,287	-	-	1,429,287
Other comprehensive loss for the for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(508)	61,342	239,948	300,782
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,428,779	61,342	239,948	1,730,069
Disposal of equity instruments at fair value through other comprehensive income (Note 8)	-	-	-	-	-	123,680	-	(123,680)	-
Disposal of investments accounted for using the equity method	-	-	(1,068)	-	-	-	-	-	(1,068)
Surplus donated	-	-	347	-	-	-	-	-	347
Changes in capital surplus from investment in associates and joint ventures accounted for using the equity method	-	-	1,219	-	-	-	-	-	1,219
Other changes in capital surplus	-	-	1,081	-	-	-	-	-	1,081
BALANCE AT DECEMBER 31, 2020	309,757	3,097,570	1,668,269	1,480,696	524,372	3,230,861	(523,275)	176,513	9,655,006
Appropriation of 2020 earnings (Note 21)									
Legal reserve	-	-	-	155,246	-	(155,246)	-	-	-
Special reserve	-	-	-	-	(177,611)	177,611	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,177,077)	-	-	(1,177,077)
Net profit for the year ended December 31, 2021	-	-	-	-	-	3,116,984	-	-	3,116,984
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(8,279)	(36,304)	1,180,849	1,136,266
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	3,108,705	(36,304)	1,180,849	4,253,250
Equity component of convertible bonds issued by the Company	-	-	28,431	-	-	-	-	-	28,431
Other changes in capital surplus	-	-	84	-	-	-	-	-	84
BALANCE AT DECEMBER 31, 2021	309,757	\$ 3,097,570	\$ 1,696,784	\$ 1,635,942	\$ 346,761	\$ 5,184,854	\$ (559,579)	\$ 1,357,362	\$ 12,759,694

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

# TXC CORPORATION

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,522,586	\$ 1,625,811
Adjustments for:		
Depreciation expenses	442,154	370,757
Amortization expenses	11,001	4,379
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	7,557	1,455
Finance costs	11,769	9,676
Interest income	(8,033)	(4,477)
Dividend income	(2,682)	(1,635)
Share of profit of associates and joint ventures	(1,237,115)	(672,677)
Gain on disposal of property, plant and equipment	(1,093)	(4,584)
Disposal of losses on non-current assets held for sale	1,575	-
Loss on disposal of investments accounted for using the equity method	-	6,106
Write-down of inventories	15,532	22,821
Unrealized gain on the transactions with subsidiaries, associates and joint ventures	8,662	2,022
Realized gain on the transactions with subsidiaries, associates and joint ventures	(2,022)	(1,364)
Changes in operating assets and liabilities:		
Notes receivable	(2,665)	651
Trade receivables	(424,604)	(759,765)
Trade receivables from related parties	(88,057)	(20,907)
Other receivables	(24,289)	(4,786)
Other receivables from related parties	(366)	42,879
Inventories	(287,354)	(225,731)
Other current assets	36,535	(42,447)
Trade payables	(91,327)	195,602
Trade payables to related parties	2,950	220,032
Other payables	379,833	131,799
Other payables to related parties	2,382	(2,967)
Other current liabilities	1,273	3,711
Defined benefit liabilities - non-current	(11,944)	(11,035)
Cash generated from operations	2,262,258	885,326
Interest paid	(7,609)	(9,743)
Income taxes paid	(207,687)	(179,982)
Net cash generated from operating activities	<u>2,046,962</u>	<u>695,601</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	-	(3,963)
Proceeds from sale of financial assets at fair value through profit or loss	2,255	-

(Continued)

# TXC CORPORATION

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

	2021	2020
Purchase of financial assets at fair value through other comprehensive income	\$ (5,359)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	-	165,952
Purchase of financial assets at amortized cost	-	(439,928)
Proceeds from sale of financial assets at amortized cost	414,271	14,254
Acquisition of associates	(14,166)	(9,877)
Proceeds from disposal of non-current assets held for sale	27,338	-
Payments for property, plant and equipment	(731,775)	(730,344)
Proceeds from disposal of property, plant and equipment	2,759	5,976
Payments for investment properties	-	(544)
Decrease in refundable deposits	(58)	-
Payments for intangible assets	(17,207)	(9,671)
Increase in prepayment for equipment	(197,706)	(23,215)
Interest received	8,067	4,540
Dividend received from associates	171,440	491,890
Other dividends received	<u>19,662</u>	<u>18,505</u>
Net cash used in investing activities	<u>(320,479)</u>	<u>(516,425)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	523,461
Repayments of short-term borrowings	(524,993)	-
Proceeds from issuance of convertible bonds	1,194,573	-
Proceeds from long-term borrowings	480,000	300,000
Repayments of long-term borrowings	(321,739)	-
Proceeds from guarantee deposits received	(48)	(2,744)
Payments for right-of-use assets	(3,066)	(3,125)
Dividends paid to owners of the Company	(1,177,077)	(774,393)
Other changes in capital surplus	<u>84</u>	<u>1,428</u>
Net cash (used in) generated from financing activities	<u>(352,266)</u>	<u>44,627</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(3,212)</u>	<u>4,075</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,371,005</b>	<b>227,878</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>899,988</u>	<u>672,110</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,270,993</u>	<u>\$ 899,988</u>

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

(Concluded)



# **TXC CORPORATION**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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#### **1. ORGANIZATION AND OPERATIONS**

TXC Corporation (the “Company”) was incorporated in the Republic of China (ROC) on December 28, 1983.

TXC specializes in producing high quality crystals and crystal oscillator (CXO) as well as develops a variety of sensors by core technology to satisfy the market demand. Sensors are applied to various applications including mobile communication, information and storage device, internet of things, vehicle electronics, telecommunication equipment, smart home, AI, medical care, and 5G, etc.

TXC’s shares have been listed on the Taiwan Stock Exchange since August 26, 2002.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

To ensure the rights and interests of investors through full disclosure of operational governance, the Company applied for the Corporate Governance Assessment held by the Taiwan Corporate Governance Association (TCGA). The Company received “CG6005 Standard Corporate Governance Assessment Certification” and the “CG6008 Advanced Corporate Governance Assessment Certification” on March 23, 2011, and June 27, 2013, respectively. For the “Corporate Governance Evaluation” jointly held by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange, under the category of listed companies, the company was awarded as the top 20 percent in 2014, top 5 percent from 2015 to 2017, and top 6 to 20 percent in 2018 and 2019. The Company will continue to strengthen corporate governance with the intention to achieve international standards for protection of public interest.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Company’s board of directors on March 7, 2022.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

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

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

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

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

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

1) Annual Improvements to IFRS Standards 2018-2020

Several standards, including IFRS 9 “Financial Instruments”, were amended in the annual improvements. IFRS 9 requires the comparison of the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, with that of the cash flows under the original financial liability when there is an exchange or modification of debt instruments. The new terms and the original terms are substantially different if the difference between those discounted present values is at least 10%. The amendments to IFRS 9 clarify that the only fees that should be included in the above assessment are those fees paid or received between the borrower and the lender.

2) Amendments to IFRS 3 “Reference to the Conceptual Framework”

The amendments replace the references to the Conceptual Framework of IFRS 3 and specify that the acquirer shall apply IFRIC 21 “Levies” to determine whether the event that gives rise to a liability for a levy has occurred at the acquisition date.

3) Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items is measured in accordance with IAS 2 “Inventories”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

The amendments are applicable only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021. The Group shall restate its comparative information when it initially applies the aforementioned amendments.

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.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

1) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the 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.

d. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

#### h. 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.

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

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



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

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment properties to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. 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, excluding goodwill, 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. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit 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 or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification

When the Company is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Company ceases to have significant influence or joint control over the investment after the disposal takes place, the Company accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated

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

1) Financial assets

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

a) Measurement categories

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

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii Financial assets at amortized cost

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

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

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

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

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

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Financial liabilities

a) Subsequent measurement

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

- Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liability is held for trading.

Financial liabilities held for trading are stated at fair value, and any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

3) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps.

Derivatives are initially recognized at fair value at the date on which 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 hedging 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

n. Revenue recognition

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

## Revenue from the sale of goods

Revenue from the sale of goods comes from sales of crystals frequency control devices and sensors. Sales of crystals frequency control devices and sensors are recognized as revenue when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

### o. Leases

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

#### 1) The Group as lessor

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

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

#### 2) The Group 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 by 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. 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 lessee's incremental borrowing rate will be used

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.

p. Borrowing costs

Borrowing costs directly attributable to an 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant assets and recognized in profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. 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.

## s. Taxation

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

### 1) Current tax

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

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

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

### 2) Deferred tax

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

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

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

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

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

### 3) Current and deferred tax for the year

Current and deferred 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination and the acquisition of a subsidiary, the tax effect is included in the accounting for the business combination and investments in a subsidiary.



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

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about 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 recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 889	\$ 1,035
Checking accounts and demand deposits	1,708,612	641,438
Cash equivalents (investments with original maturities less than 3 months)		
Time deposits	251,492	257,515
Repurchase agreements collateralized by bonds	<u>310,000</u>	<u>-</u>
	<u>\$ 2,270,993</u>	<u>\$ 899,988</u>

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.001%-0.2%	0.001%-0.26%
Time deposits	0.35%-3.71%	0.35%-3.09%
Repurchase agreements collateralized by bonds	0.24%-0.25%	-

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

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	\$ -	\$ 9,255
Convertible options	<u>1,080</u>	<u>-</u>
	<u>\$ 1,080</u>	<u>\$ 9,255</u>

(Continued)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts and exchange contracts (a)	<u>\$ 1,383</u>	<u>\$ 1,455</u> (Concluded)

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

	<b>Currency</b>	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Sell	USD/JPY	111.01.24	USD2,000/JPY229,263
Knock-out forward	USD/JPY	111.02.14	USD2,000/JPY231,150
Exchange contracts	USD/NTD	111.01.18-111.04.18	USD14,000/NTD387,709
Foreign exchange forward contracts	USD/NTD	111.01.03-111.02.16	USD10,000/NTD280,250
<u>December 31, 2020</u>			
Knock-out forward	USD/JPY	2021.01.04-2021.01.11	USD2,000/JPY210,500
Exchange contracts	USD/NTD	2021.01.05-2021.02.17	USD4,000/NTD114,778
Foreign exchange forward contracts	USD/NTD	2021.01.29	USD4,000/NTD115,560

The Company entered into foreign exchange forward contracts and exchange contracts during the years ended December 31, 2021 and 2020 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Domestic investments		
Emerging market shares		
UPI Semiconductor Corp.	\$ 1,399,268	\$ -
Unlisted shares	<u>77,466</u>	<u>213,736</u>
	<u>\$ 1,476,734</u>	<u>\$ 213,736</u>

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

On March 12, 2021, UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange. The transfer of fair value measurement level referred to Note 27.

In 2020, the Company sold its shares in Guandong Failong Crystal Technology Co., Ltd. and Marson Technology Company Limited in order to manage credit concentration risk. The shares sold had a fair value of \$160,211 thousand and \$5,741 thousand and its related unrealized gain of \$122,086 thousand and \$967 thousand was transferred from other equity to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Domestic investments		
Pledge deposits (a)	\$ <u>53,719</u>	\$ <u>52,170</u>
<u>Non-current</u>		
Domestic investments		
Restricted deposits (b)	\$ <u>-</u>	\$ <u>414,271</u>

a. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

b. According to “Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds”, the Company has submitted an investment proposal and was approved by National Bureau, Ministry of Finance. Based on the regulation, the deposits are restricted only to approved investment project, and should not be used for other purposes.

## 10. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 2,833	\$ 168
Less: Allowance for impairment loss	<u>(6)</u>	<u>(6)</u>
	<u>\$ 2,827</u>	<u>\$ 162</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,554,367	\$ 3,041,706
Less: Allowance for impairment loss	<u>(10,053)</u>	<u>(10,053)</u>
	<u>\$ 3,544,314</u>	<u>\$ 3,031,653</u>

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Other receivables</u>		
Income tax refund receivable	\$ 26,458	\$ 18,312
Others	<u>16,891</u>	<u>782</u>
	<u>\$ 43,349</u>	<u>\$ 19,094</u>

(Concluded)

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

	<b>Not Past Due</b>	<b>31 to 90 Days</b>	<b>91 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Gross carrying amount	\$ 3,337,479	\$ 219,721	\$ -	\$ -	\$ -	\$ 3,557,200
Loss allowance (Lifetime ECL)	<u>(8,082)</u>	<u>(1,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,059)</u>
Amortized cost	<u>\$ 3,329,397</u>	<u>\$ 217,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,547,141</u>

December 31, 2020

	<b>Not Past Due</b>	<b>31 to 90 Days</b>	<b>91 to 150 Days</b>	<b>151 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Gross carrying amount	\$ 2,889,931	\$ 151,943	\$ -	\$ -	\$ -	\$ 3,041,874
Loss allowance (Lifetime ECL)	<u>(8,692)</u>	<u>(1,367)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,059)</u>
Amortized cost	<u>\$ 2,881,239</u>	<u>\$ 150,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,031,815</u>

The expected credit loss rate for each above range of the Company is not more than 1% within and within 90 days of the overdue period; 5% or less within the overdue period from 91 to 180 days; and 5%-100% when the overdue period exceeds 180 days.

The movements of the loss allowance of trade receivables were as follows:

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	<u>\$ 10,059</u>	<u>\$ 10,059</u>
Balance at December 31	<u>\$ 10,059</u>	<u>\$ 10,059</u>

## 11. INVENTORIES

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Finished goods	\$ 340,121	\$ 188,727
Work in process	190,778	206,168
Raw materials	346,980	305,043
Supplies and spare parts	85,132	81,286
Merchandise	351,628	271,758
Inventory in transit	<u>30,273</u>	<u>20,108</u>
	<u>\$ 1,344,912</u>	<u>\$ 1,073,090</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$8,277,289 thousand and \$7,193,029 thousand, respectively. The cost of goods sold for the 2021 and 2020 included inventory write-downs of \$15,532 thousand and \$22,821 thousand, respectively.

## 12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
Domestic investments		
Unlisted shares		
Godsmith Sensors Inc.	<u>\$ 6,979</u>	<u>\$ 35,892</u>

In November 2020, the Company's board of directors approved to dispose of 24% of its interest in Godsmith Sensor Inc., and the disposal is expected to be completed within twelve months. Accordingly, the Company has reclassified Godsmith Sensor Inc. as non-current assets held for sale, and were presented separately in the accompanying balance sheets.

The expected sales proceeds are lower than the carrying amount of investments accounted for using the equity method. Accordingly, the non-current assets held for sale were measured at the fair value \$36,000 thousand less costs to sell of \$108 thousand when reclassifying investments accounted for using the equity method as non-current assets held for sale. And the differences from the previous carrying amounts were recognized as loss on disposal of investments, which are presented in other gains and losses.

As of December 31, 2021, the company has sold 1,450 thousand shares of Godsmith Sensors Inc. at the fair value of \$27,338 thousand and recognized a disposition loss of \$1,575 thousand.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Investments in subsidiaries	\$ 6,659,041	\$ 5,733,642
Investments in associates	<u>391,214</u>	<u>373,626</u>
	<u>\$ 7,050,255</u>	<u>\$ 6,107,268</u>

#### Investments in Subsidiaries

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unlisted companies		
Taiwan Crystal Technology International Ltd.	\$ 6,429,484	\$ 5,557,976
TXC Technology Inc.	20,955	16,371
TXC Japan Corporation	30,683	31,490
Taiwan Crystal Technology (HK) Limited	173,321	124,227
TXC Europe GmbH	<u>4,598</u>	<u>3,578</u>
	<u>\$ 6,659,041</u>	<u>\$ 5,733,642</u>

The proportion of the Company's ownership was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Taiwan Crystal Technology International Ltd.	100.0%	100.0%
TXC Technology Inc.	100.0%	100.0%
TXC Japan Corporation	100.0%	100.0%
Taiwan Crystal Technology (HK) Limited	100.0%	100.0%
TXC Europe GmbH	100.0%	100.0%

#### Investments in Associates

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Associate that is not individually material	<u>\$ 391,214</u>	<u>\$ 373,626</u>

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
The Company's share of:		
Profit from continuing operations	\$ 21,323	\$ 38,742
Other comprehensive loss	<u>(922)</u>	<u>(2,845)</u>
Total comprehensive income for the year	<u>\$ 20,401</u>	<u>\$ 35,897</u>

Refer to Table 6 "name, locations, and related information of investees on which the Company exercises significant influence" for the nature of activities, principal place of business and country of incorporation of the associates.

In 2021 and 2020, the Company subscribed 367 thousand and 256 thousand shares of the ordinary shares of Tai-Shing for cash \$14,166 thousand and \$9,877 thousand, respectively. After the subscription, the Company's percentage of ownership in Tai-Shing was 33.34% and 31.95%, respectively. The Group recognized goodwill of \$5,339 thousand and \$3,698 thousand respectively as cost of investments in associates.

In 2019, the Company held a 31% interest in Godsmith Sensor Inc., which was accounted for the using the equity method. In November 2020, the Company's board of directors approved to dispose of 24% of its interest in Godsmith Sensor Inc. and consequently ceased to have significant influence over Godsmith Sensor Inc. The Company retained the remaining 7% interest as financial assets at FVTOCI whose fair value was \$10,967 thousand. This transaction resulted in the recognition of a loss in profit or loss, calculated as follows:

Carrying amount of investment on at the date of loss of significant influence	\$ 54,033
Less: Transfer to non-current assets held for sale	(35,892)
Less: Transfer to financial assets at fair value through other comprehensive income	(10,967)
Less: Reversal of changes in capital surplus from investments in associates accounted for using the equity method.	<u>(1,068)</u>
Loss recognized	<u>\$ 6,106</u>

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 591,972	\$ 1,599	\$ 1,543,507	\$ 3,102,173	\$ 1,534	\$ 94,836	\$ 5,335,621
Additions	-	-	39,679	673,002	-	17,663	730,344
Transfer from investment property	1,883	-	3,589	-	-	-	5,472
Disposals	-	-	(7,722)	(164,438)	-	(2,903)	(175,063)
Balance at December 31, 2020	<u>\$ 593,855</u>	<u>\$ 1,599</u>	<u>\$ 1,579,053</u>	<u>\$ 3,610,737</u>	<u>\$ 1,534</u>	<u>\$ 109,596</u>	<u>\$ 5,896,374</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 656	\$ 816,084	\$ 2,475,059	\$ 855	\$ 81,263	\$ 3,373,917
Disposals	-	-	(7,722)	(163,046)	-	(2,903)	(173,671)
Transfer from investment property	-	-	1,194	-	-	-	1,194
Depreciation expense	-	245	75,852	280,726	307	8,898	366,028
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 901</u>	<u>\$ 885,408</u>	<u>\$ 2,592,739</u>	<u>\$ 1,162</u>	<u>\$ 87,258</u>	<u>\$ 3,567,468</u>
Carrying amount at December 31, 2020	<u>\$ 593,855</u>	<u>\$ 698</u>	<u>\$ 693,645</u>	<u>\$ 1,017,998</u>	<u>\$ 372</u>	<u>\$ 22,338</u>	<u>\$ 2,328,906</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 593,855	\$ 1,599	\$ 1,579,053	\$ 3,610,737	\$ 1,534	\$ 109,596	\$ 5,896,374
Additions	28,000	680	253,348	437,457	-	12,290	731,775
Disposals	-	-	(268,150)	(73,866)	-	(7,917)	(349,933)
Balance at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 2,279</u>	<u>\$ 1,564,251</u>	<u>\$ 3,974,328</u>	<u>\$ 1,534</u>	<u>\$ 113,969</u>	<u>\$ 6,278,216</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 901	\$ 885,408	\$ 2,592,739	\$ 1,162	\$ 87,258	\$ 3,567,468
Disposals	-	-	(268,150)	(72,200)	-	(7,917)	(348,267)
Depreciation expense	-	309	67,724	359,159	148	10,189	437,529
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 684,982</u>	<u>\$ 2,879,698</u>	<u>\$ 1,310</u>	<u>\$ 89,530</u>	<u>\$ 3,656,730</u>
Carrying amount at December 31, 2021	<u>\$ 621,855</u>	<u>\$ 1,069</u>	<u>\$ 879,269</u>	<u>\$ 1,094,630</u>	<u>\$ 224</u>	<u>\$ 24,439</u>	<u>\$ 2,621,486</u>

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis at follows:

Land improvements	5-7 years
Buildings	
Industrial building	35-51 years
Electrical power systems	3-11 years
Engineering systems	3-51 years
Equipment	
Major production equipment	2-15 years
Temperature control systems	4-7 years
Transportation equipment	4-7 years
Transportation equipment	5 years
Office equipment	2-6 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 29.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Buildings	\$ 6,544	\$ 1,323
Transportation equipment	<u>1,160</u>	<u>1,608</u>
	<u>\$ 7,704</u>	<u>\$ 2,931</u>
	<u>For the Year Ended December 31</u>	
	2021	2020
Additions to right-of-use assets	<u>\$ 7,853</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 2,644	\$ 2,644
Transportation equipment	<u>449</u>	<u>449</u>
	<u>\$ 3,080</u>	<u>\$ 3,093</u>

### b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	\$ 3,051	\$ 1,777
Non-current	<u>4,685</u>	<u>1,172</u>
	<u>\$ 7,736</u>	<u>\$ 2,949</u>



Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Buildings	0.86%-1.27%	0.86%
Transportation equipment	0.86%	0.86%

c. Material lease-in activities and terms

The Company leases certain warehouses in economic zone with lease term of 2 years, and leases car for business use with lease term of 5 years for the nine months ended September 30, 2019. The Company does not have a bargain purchase option to acquire the leased warehouse at the expiry of the lease period.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases	<u>\$ 223</u>	<u>\$ 192</u>
Total cash outflow for leases	<u>\$ (3,289)</u>	<u>\$ (3,317)</u>

The Company leases certain building which qualify as short-term 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.

## 16. INVESTMENT PROPERTIES

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 35,155
Additions	544
Transferred to property, plant and equipment	<u>(5,472)</u>
Balance at December 31, 2020	<u>\$ 30,227</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ (8,274)
Transferred to property, plant and equipment	1,194
Depreciation expense	<u>(1,636)</u>
Balance at December 31, 2020	<u>\$ (8,716)</u>
Carrying amount at December 31, 2020	<u>\$ 21,511</u>

(Continued)

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 30,227
Additions	-
Transferred to property, plant and equipment	<u>(1,350)</u>
Balance at December 31, 2021	<u>\$ 28,877</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (8,716)
Transferred to property, plant and equipment	1,350
Depreciation expense	<u>(1,545)</u>
Balance at December 31, 2021	<u>\$ (8,911)</u>
Carrying amount at December 31, 2021	<u>\$ 19,966</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives of 3-51 years.

The fair value of the Company's investment properties as of December 31, 2021 and 2020 was \$60,242 thousand and \$98,999 thousand, respectively. The fair value valuation had not been performed by independent qualified professional appraisers. The management of the Company had used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Company's investment property was held under freehold interests. The investment properties pledged as collateral for bank borrowing were set out in Note 29.

## 17. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unsecured borrowings</u>		
Bank loans	\$ -	\$ 519,996
Letters of credit	<u>-</u>	<u>6,990</u>
	<u>\$ -</u>	<u>\$ 526,986</u>

The range of weighted average effective interest rates on bank loans was 0.65%-0.68% per annum at December 31, 2020.

b. Long-term borrowings

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 1,858,261	\$ 1,700,000
Less: Current portions	<u>(238,754)</u>	<u>(100,000)</u>
Long-term borrowings	<u>\$ 1,619,507</u>	<u>\$ 1,600,000</u>

The borrowings of the Group were as follows:

	<u>December 31</u>		<u>2021</u>	<u>2020</u>
<u>Maturity Date</u>				
Floating rate borrowings				
Unsecured bank borrowing denominated in NT\$	2025.01.03	\$	78,261	\$ -
Unsecured bank borrowing denominated in NT\$	2025.01.03		112,500	150,000
Unsecured bank borrowing denominated in NT\$	2025.01.03		75,000	100,000
Unsecured bank borrowing denominated in NT\$	2025.01.03		112,500	150,000
Unsecured bank borrowing denominated in NT\$	2026.08.17		200,000	-
Unsecured bank borrowing denominated in NT\$	2024.09.15		300,000	300,000
Unsecured bank borrowing denominated in NT\$	2024.09.15		100,000	100,000
Unsecured bank borrowing denominated in NT\$	2024.09.15		200,000	200,000
Unsecured bank borrowing denominated in NT\$	2025.04.01		300,000	300,000
Unsecured bank borrowing denominated in NT\$	2022.08.19		-	200,000
Unsecured bank borrowing denominated in NT\$	2023.09.06		180,000	-
Unsecured bank borrowing denominated in NT\$	2025.04.15		200,000	200,000
Less: Current portions			<u>(238,754)</u>	<u>(100,000)</u>
			<u>\$ 1,619,507</u>	<u>\$ 1,600,000</u>

The interest rate on the line of credit was 0.10%-0.68% and 0.10%-0.75% annum as of December 31, 2021 and 2020, respectively.

## 18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured domestic convertible bonds	\$ 1,200,000	\$ -
Less: Discount on bonds payable	(27,279)	<u>-</u>
	<u>\$ 1,172,721</u>	<u>\$ -</u>

On July 26, 2021, the Company issued the 5th domestic unsecured convertible bonds with an aggregate principal amount of \$1,200,000 thousand at 0% interest rate, and the issuance period is for three years from July 26, 2021 to July 26, 2024. The repayment will be made at face value in full by cash upon the maturity. Bondholders are entitled to convert bonds into the Company's ordinary shares from October 27, 2021 to July 26, 2024. The conversion price was set initially at \$138 per share. According to the regulations on issuance and conversion of bonds, the conversion price shall be adjusted to \$133.7 per share starting from August 28, 2021.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus. The effective interest rate of the liability component was 0.8961% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,427 thousand)	\$ 1,194,573
Equity component (less transaction costs allocated to the equity component of \$129 thousand)	(28,431)
Assets component	<u>2,040</u>
Liability component at the date of issue (less transaction costs allocated to the liability component of \$5,298 thousand)	1,168,182
Interest charged at an effective interest rate of 0.8961%	<u>4,539</u>
Liability component at September 30, 2021	<u>\$ 1,172,721</u>

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Other payables		
Payables for bonus to employees and directors	\$ 413,264	\$ 190,888
Payables for commission	24,273	26,199
Payables for salaries	46,012	43,123
Payables for bonus	218,808	140,054
Payables for annual leave	28,925	20,108
Payable for purchase of equipment	115,599	58,107
Others	<u>95,664</u>	<u>84,612</u>
	<u>\$ 942,545</u>	<u>\$ 563,091</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has set up appointed manager's pension fund and contributes monthly an amount of not less than 8% of the appointed manager's monthly salaries and wages to the Bank of Taiwan.

### b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 192,025	\$ 179,235
Fair value of plan assets	<u>(130,236)</u>	<u>(115,675)</u>
Net defined benefit liability	<u>\$ 61,789</u>	<u>\$ 63,560</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2020	\$ 173,416	\$ (99,385)	\$ 74,031
Service cost			
Current service cost	1,567	-	1,567
Net interest expense (income)	<u>1,300</u>	<u>(792)</u>	<u>508</u>
Recognized in profit or loss	<u>2,867</u>	<u>(792)</u>	<u>2,075</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,287)	(3,287)
Actuarial (gain) loss - changes in demographic assumptions	6,151	-	6,151

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Actuarial (gain) loss - changes in financial assumptions	\$ 4,799	\$ -	\$ 4,799
Actuarial (gain) loss - experience adjustments	<u>(7,099)</u>	<u>-</u>	<u>(7,099)</u>
Recognized in other comprehensive income	<u>3,851</u>	<u>(3,287)</u>	<u>564</u>
Contributions from the employer	-	(13,110)	(13,110)
Benefits paid	<u>(899)</u>	<u>899</u>	<u>-</u>
Balance at December 31, 2020	<u>179,235</u>	<u>(115,675)</u>	<u>63,560</u>
Service cost			
Current service cost	1,466	-	1,466
Net interest expense (income)	<u>896</u>	<u>(611)</u>	<u>285</u>
Recognized in profit or loss	<u>2,362</u>	<u>(611)</u>	<u>1,751</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,395)	(1,395)
Actuarial (gain) loss - changes in demographic assumptions	4,578	-	4,578
Actuarial (gain) loss - changes in financial assumptions	(2,533)	-	(2,533)
Actuarial (gain) loss - experience adjustments	<u>9,523</u>	<u>-</u>	<u>9,523</u>
Recognized in other comprehensive income	<u>11,568</u>	<u>(1,395)</u>	<u>10,173</u>
Contributions from the employer	-	(13,695)	(13,695)
Benefits paid	<u>(1,140)</u>	<u>1,140</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 192,025</u>	<u>\$ (130,236)</u>	<u>\$ 61,789</u> (Concluded)

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 900	\$ 1,046
Selling and marketing expenses	128	157
General and administrative expenses	282	319
Research and development expenses	<u>441</u>	<u>553</u>
	<u>\$ 1,751</u>	<u>\$ 2,075</u>

Through the defined benefit plans under the Labor Standards Act, 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 and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.625%	0.50%
Expected rate(s) of salary increase	2.00%	2.00%

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	<u>\$ (5,022)</u>	<u>\$ (4,987)</u>
0.25% decrease	<u>\$ 5,219</u>	<u>\$ 5,190</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,059</u>	<u>\$ 5,025</u>
0.25% decrease	<u>\$ (4,895)</u>	<u>\$ (4,855)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	<u>\$ 13,884</u>	<u>\$ 13,056</u>
The average duration of the defined benefit obligation	10.7 years	11.3 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Numbers of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>309,757</u>	<u>309,757</u>
Shares issued	<u>\$ 3,097,570</u>	<u>\$ 3,097,570</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

30,000 thousand shares of the Company's shares authorized were reserved for the issuance of convertible bonds and employee share options.

### b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Issuance of ordinary shares	\$ 611,776	\$ 611,776
Conversion of bonds	977,028	977,028
Overdue options	73,377	73,377
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	331	331
Donated assets received	1,964	1,964
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of associates or joint venture	2,712	2,712
Others	1,165	1,081
<u>May not be used for any purpose</u>		
Employee share options	<u>28,431</u>	<u>-</u>
	<u>\$ 1,696,784</u>	<u>\$ 1,668,269</u>

\* Such capital surplus 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 share capital (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 amended 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, setting aside or reversing a special reserve in accordance with the laws and regulations, and then 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 policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 23(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 20% of the total dividends to be appropriated.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 were approved in the shareholders' meetings on July 20, 2021 and June 9, 2020, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>	<b>For Fiscal Year 2020</b>	<b>For Fiscal Year 2019</b>
Legal reserve	\$ 155,246	\$ 67,178	\$ -	\$ -
Special reserve	(177,611)	269,465	-	-
Cash dividends	1,177,077	774,393	3.8	2.5

The appropriations of earnings for 2021 annual surplus distribution on March 7, 2022 was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 310,870	\$ -
Reversal of special reserve	(346,761)	-
Cash dividends	2,323,178	7.5

The appropriation of earnings for 2021 is subject to the resolution of the shareholders' meeting to be held on May 31, 2022.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (523,275)	\$ (584,617)
Exchange differences on translating the financial statements of foreign operations	(35,567)	58,311
Share of exchange differences of associates accounted for using the equity method	<u>(737)</u>	<u>3,031</u>
Balance at December 31	<u>\$ (559,579)</u>	<u>\$ (523,275)</u>

2) Unrealized gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 176,513	\$ 60,245
Recognized during the period		
Unrealized loss - equity instruments	1,257,640	174,625
Share from associates accounted for using the equity method	<u>(76,791)</u>	<u>65,323</u>
Other comprehensive income recognized in the period	1,180,849	239,948
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(123,680)</u>
Balance at December 31	<u>\$ 1,357,362</u>	<u>\$ 176,513</u>

**22. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 11,680,702</u>	<u>\$ 9,140,414</u>
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Trade receivables (Note 10)	<u>\$ 3,544,314</u>	<u>\$ 3,031,653</u>

## 23. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations had been arrived at after charging:

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 6,610	\$ 3,425
Financial assets at amortized cost	75	729
Others	<u>1,348</u>	<u>323</u>
	<u>\$ 8,033</u>	<u>\$ 4,477</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income	\$ 6,369	\$ 4,358
Dividends income	2,682	1,635
Income from government grants	16,177	44,236
Others	<u>23,761</u>	<u>4,209</u>
	<u>\$ 48,989</u>	<u>\$ 54,438</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on disposal of property, plant and equipment	\$ 1,093	\$ 4,584
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	(7,557)	(1,455)
Net foreign exchange gain (losses)	17,000	(60,458)
Loss on disposal of associates accounted for using equity method	-	(6,106)
Loss on disposal of non-current assets as held for sale	(1,575)	-
Depreciation expenses of investment properties	(1,545)	(1,636)
Others	<u>(55)</u>	<u>(9,353)</u>
	<u>\$ 7,361</u>	<u>\$ (74,424)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ (7,171)	\$ (9,638)
Interest on convertible bonds	(4,539)	-
Interest on lease liabilities	<u>(59)</u>	<u>(38)</u>
	<u>\$ (11,769)</u>	<u>\$ (9,676)</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 437,529	\$ 366,028
Investment property	1,545	1,636
Right-of-use assets	3,080	3,093
Intangible assets	<u>11,001</u>	<u>4,379</u>
	<u>\$ 453,155</u>	<u>\$ 375,136</u>
 An analysis of deprecation by function		
Cost of goods sold	\$ 350,288	\$ 266,727
Operating expenses	90,321	102,394
Non-operating expenses	<u>1,545</u>	<u>1,636</u>
	<u>\$ 442,154</u>	<u>\$ 370,757</u>
 An analysis of amortization by function		
Cost of goods sold	\$ -	\$ 74
Operating expenses	<u>11,001</u>	<u>4,305</u>
	<u>\$ 11,001</u>	<u>\$ 4,379</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits		
Defined contribution plans	\$ 29,472	\$ 25,933
Defined benefit plans (Note 20)	<u>1,751</u>	<u>2,075</u>
	<u>31,223</u>	<u>28,008</u>
Other employee benefits		
Salaries	1,261,501	906,457
Labor and health insurance	75,923	61,265
Others	<u>1,912</u>	<u>1,523</u>
	<u>1,339,336</u>	<u>969,245</u>
 Total employee benefits expense	<u>\$ 1,370,559</u>	<u>\$ 997,253</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 712,860	\$ 531,426
Operating expenses	<u>657,699</u>	<u>465,827</u>
	<u>\$ 1,370,559</u>	<u>\$ 997,253</u>

g. Employees' compensation and remuneration of directors for 2021 and 2020

The Company accrued employees' compensation and remuneration of directors at the rates no less than 3% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2021 and 2020 which were approved by the Company's board of directors on March 7, 2022 and March 11, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees' compensation	9.0%	9.0%
Remuneration of directors	1.5%	1.5%

Amount

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cash Bonus</u>	<u>Share Bonus</u>	<u>Cash Bonus</u>	<u>Share Bonus</u>
Employees' compensation	\$ 354,226	\$ -	\$ 163,489	\$ -
Remuneration of directors	59,038	-	27,248	-

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current tax</u>		
In respect of the current year	\$ 430,203	\$ 233,906
Adjustments for prior year	(34,117)	(1,710)
	<u>396,086</u>	<u>232,196</u>
<u>Deferred tax</u>		
In respect of the current period	<u>9,516</u>	<u>(35,672)</u>
Income tax expense recognized in profit or loss	<u>\$ 405,602</u>	<u>\$ 196,524</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 3,522,586</u>	<u>\$ 1,625,811</u>
Income tax expense calculated at the statutory rate	\$ 704,517	\$ 325,162
Non-deductible loss from tax	1,358	-
Tax-exempt income	(249,002)	(133,283)
Deferred income tax effect on earnings of subsidiaries	37,854	-
Subsidiaries to repatriate earnings withholding tax	-	42,798
Investment tax credits	(55,008)	(36,443)
Adjustment for prior years' tax	<u>(34,117)</u>	<u>(1,710)</u>
Income tax expense recognized in profit or loss	<u>\$ 405,602</u>	<u>\$ 196,524</u>
b. Income tax expense recognized in other comprehensive income		
	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	\$ -	\$ 8,617
Remeasurement of defined benefit plans	(2,035)	(113)
Reclassification adjustment		
Disposal of equity instruments at fair value through other comprehensive income	<u>-</u>	<u>(30,521)</u>
	<u>\$ (2,035)</u>	<u>\$ (22,017)</u>
c. Current income tax assets and liabilities		
	<b><u>December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Income tax receivable	<u>\$ -</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 301,233</u>	<u>\$ 112,834</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Unrealized loss on inventories	\$ 7,161	\$ (161)	\$ -	\$ 7,000
Unrealized exchange loss	7,432	(7,425)	-	7
Payable for annual leave	4,022	1,763	-	5,785
Determine benefit obligation	15,076	(2,389)	2,035	14,722
Financial liabilities at fair value through profit or loss	291	178	-	469
Others	<u>405</u>	<u>2,084</u>	<u>-</u>	<u>2,489</u>
	<u>\$ 34,387</u>	<u>\$ (5,950)</u>	<u>\$ 2,035</u>	<u>\$ 30,472</u>

Deferred tax liabilities

Associates	<u>\$ 67,032</u>	<u>\$ 3,566</u>	<u>\$ -</u>	<u>\$ 70,598</u>
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For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognize in Profit or Loss</b>	<b>Recognize in Other Comprehen- sive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Unrealized loss on inventories	\$ 6,392	\$ 769	\$ -	\$ 7,161
Unrealized exchange loss	5,359	2,073	-	7,432
Payable for annual leave	3,697	325	-	4,022
Determine benefit obligation	17,171	(2,208)	113	15,076
Financial liabilities at fair value through profit or loss	171	120	-	291
Others	<u>276</u>	<u>129</u>	<u>-</u>	<u>405</u>
	<u>\$ 33,066</u>	<u>\$ 1,208</u>	<u>\$ 113</u>	<u>\$ 34,387</u>

Deferred tax liabilities

Associates	\$ 101,496	\$ (34,464)	\$ -	\$ 67,032
Financial assets at fair value through other comprehensive income	<u>21,904</u>	<u>-</u>	<u>(21,904)</u>	<u>-</u>
	<u>\$ 123,400</u>	<u>\$ (34,464)</u>	<u>\$ (21,904)</u>	<u>\$ 67,032</u>

f. Income tax assessments

The tax returns through 2017, have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

### Net Profit for the Year

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Earnings used in the computation of basic earnings per share	\$ 3,116,984	\$ 1,429,287
Effect of potentially dilutive ordinary shares:		
Interest on convertible corporate bonds after tax	<u>4,539</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 3,121,523</u>	<u>\$ 1,429,287</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in computation of basic earnings per share	309,757	309,757
Effect of potentially dilutive ordinary shares:		
Convertible Bond	1,623	-
Employees' compensation	<u>3,683</u>	<u>2,599</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>315,063</u>	<u>312,356</u>

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in 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 capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.



## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Foreign unlisted shares	\$ <u>          -</u>	\$ <u>    1,080</u>	\$ <u>          -</u>	\$ <u>    1,080</u>
Financial liabilities				
Foreign exchange forward contracts and exchange contracts	\$ <u>          -</u>	\$ <u>    1,383</u>	\$ <u>          -</u>	\$ <u>    1,383</u>
Financial assets at FVTOCI				
Domestic emerging shares	\$ 1,399,268	\$ -	\$ -	\$ 1,399,268
Domestic unlisted shares	<u>          -</u>	<u>          -</u>	<u>    77,466</u>	<u>    77,466</u>
	<u>\$ 1,399,268</u>	<u>\$ -</u>	<u>\$ 77,466</u>	<u>\$ 1,476,734</u>

December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Foreign unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>    9,255</u>	\$ <u>    9,255</u>
Financial liabilities				
Foreign exchange forward contracts and exchange contracts	\$ <u>          -</u>	\$ <u>    1,455</u>	\$ <u>          -</u>	\$ <u>    1,455</u>
Financial assets at FVTOCI				
Domestic unlisted shares	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  213,736</u>	\$ <u>  213,736</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>	<b>Equity Instruments</b>
Balance at January 1, 2021	\$ 9,255	\$ 213,736
Purchases	-	5,359
Sales	(9,255)	-
Transfer to Level 1	-	(113,446)
Recognized in other comprehensive income (included in unrealized valuation gain (loss) on financial assets at FVTOCI)	-	(28,183)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 77,466</u>

Since the UPI Semiconductor Corp.'s shares were listed on the Taipei Exchange on March 12, 2021, the fair value hierarchy was transferred from Level 3 to Level 1 when observable market data became available for such equity investment.

For the year ended December 31, 2020

	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>
	<b>Equity Instruments</b>	<b>Equity Instruments</b>
Balance at January 1, 2020	\$ 9,255	\$ 68,363
Income recognized for the year	-	-
Other comprehensive income recognized for the year	-	145,373
Balance at December 31, 2020	<u>\$ 9,255</u>	<u>\$ 213,736</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Derivatives - foreign exchange forward contracts and exchange contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Redemption options on convertible bonds	Binomial tree valuation model.  Binomial tree valuation model were evaluated by the observable closing price of the stocks, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair values of some of the unlisted equity securities - ROC were determined using the market approach. In this approach, the fair values were measured based on the analysis of financial position and financial performance of the investees, with reference to the value in the active market and the index and trade information of the companies, which have similar businesses. Then, the Company considers the financial performance of such equity securities based on the evaluation criteria and uses proper index to determine the fair value.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily at FVTPL (1)	\$ 1,080	\$ 9,255
Financial assets at amortized cost (2)	5,918,143	4,419,855
Financial assets at FVTOCI		
Equity instruments	1,476,734	213,736
<u>Financial liabilities</u>		
FVTPL		
Mandatorily (3)	1,383	1,455
Amortized cost (4)	5,615,620	4,518,213

- 1) The balances include the carrying amount of domestic and foreign unlisted preferred stocks and redemption options on convertible bonds.
- 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.
- 3) The balances included the carrying amount of foreign exchange forward contracts and exchange contracts.
- 4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, bonds payable, and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, notes receivable, trade receivables, other receivables, notes payable, trade payables, other payables, borrowings. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

#### 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the Company's foreign currency monetary.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured

##### a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period (see Note 32).

##### Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>		<b>RMB Impact</b>		<b>JPY Impact</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 32,385	\$ 23,046	\$ 2	\$ 2,095	\$ (2,155)	\$ (3,257)

- i. This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.
  - ii. This was mainly attributable to the exposure to outstanding RMB payables, which were not hedged, at the end of the reporting period.
  - iii. This was mainly attributable to the exposure on outstanding payables in JPY which were not hedged at the end of the reporting period.
- b) Interest rate risk

The Company was exposed to interest rate risk because the Company's bank deposits and the Company borrowed funds at floating interest rates.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 575,338	\$ 271,769
Financial liabilities	2,072,721	519,996
Cash flow interest rate risk		
Financial assets	1,747,747	1,092,115
Financial liabilities	958,261	1,706,990

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would decrease by \$1,974 thousand and \$(1,537) thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of discharge an obligation by the counterparties and financial guarantees provided by the Company arises from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets;
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liability. As of December 31, 2021 and 2020, the Company had available unutilized overdraft and short-term bank loan facilities of approximately \$4,035,569 thousand and \$3,799,720 thousand, respectively.

#### a) Liquidity and interest risk rate tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To extend that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2021

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Trade payable	-	\$ 1,628,679	\$ -	\$ -	\$ -	\$ 1,628,679
Other payables	-	946,409	-	-	-	946,409
Other current liabilities	-	12,932	-	-	-	12,932
Lease liabilities	0.86-1.27	3,051	4,685	-	-	7,736
Variable interest rate liabilities	0.10-0.68	142,754	700,174	115,333	-	958,261
Fixed interest rate liabilities	0.30-0.8961	96,000	1,940,721	36,000	-	2,072,721

#### December 31, 2020

	Weighted Interest Average Effective Rate (%)	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>						
Trade payable	-	\$ 1,717,056	\$ -	\$ -	\$ -	\$ 1,717,056
Other payables	-	564,573	-	-	-	564,573
Other current liabilities	-	11,659	-	-	-	11,659
Lease liabilities	0.86	1,777	905	267	-	2,949
Variable interest rate liabilities	0.65-0.68	519,996	-	-	-	519,996
Fixed interest rate liabilities	0.10-0.75	106,990	979,000	621,000	-	1,706,990

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ (364)	\$ (963)	\$ (56)	\$ -	\$ -

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts and exchange contracts	\$ (1,230)	\$ (225)	\$ -	\$ -	\$ -

## 27. TRANSACTIONS WITH RELATED PARTY

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Tai-Shing Electronics Components Corporation	Associate
Godsmith Sensor INC.	Associate
Liang Shing Eclife Corp. ("Eclife")	Other associate
TXC (Ningbo) Corporation	Subsidiary
TXC (Chongqing) Limited	Subsidiary
Ningbo Jingyu Company Limited	Subsidiary
TETC CORP. NINGBO	Subsidiary
TXC Technology, Inc.	Subsidiary
Taiwan Crystal Technology (HK) Limited	Subsidiary
TXC Japan Corporation	Subsidiary
Growing profits Trading Ltd.	Subsidiary
TXC Europe GmbH	Subsidiary

b. Sales of goods

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 446,515	\$ 143,831
Other associate	11,808	7,371
Associates	<u>115,221</u>	<u>64,445</u>
	<u>\$ 573,544</u>	<u>\$ 215,647</u>

In 2021 and 2020, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, CKG, TETC, Ningbo Jingyu, TXC Technology, TCTH and TXC JP whose trading price depends on its function within the Group.

c. Purchase of goods

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
TXC (Ningbo) Corporation	\$ 2,893,530	\$ 2,515,798
TXC (Chongqing) Limited	1,361,626	1,230,037
Others	<u>270,565</u>	<u>116,409</u>
	<u>4,525,721</u>	<u>3,862,244</u>
Other associates	<u>226</u>	<u>355</u>
	<u>\$ 4,525,947</u>	<u>\$ 3,862,599</u>

In 2021 and 2020, the selling price and purchasing price were not significantly different from those with third parties, except those for NGB, CKG, TETC, Ningbo Jingyu, TXC Technology, TCTH and TXC JP whose trading price depends on its function within the Group.

d. Operating expenses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
TXC Technology, Inc.	\$ 43,837	\$ 53,264
TXC Japan Corporation	34,046	34,520
TXC Europe GmbH	<u>11,698</u>	<u>12,009</u>
	<u>89,851</u>	<u>99,793</u>
Other associates	<u>3,237</u>	<u>1,420</u>
	<u>\$ 92,818</u>	<u>\$ 101,213</u>

The consulting fee above is due to the Company's part of business activities committed to the related parties.

e. Rental income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Associates	<u>\$ 3,576</u>	<u>\$ 4,117</u>



f. Receivables from related parties (excluding loans to related parties)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 129,761	\$ 42,436
Associates	27,256	28,006
Other associates	3,706	2,223
Less: Allowance for impairment loss	<u>(68)</u>	<u>(67)</u>
	<u>\$ 160,655</u>	<u>\$ 72,598</u>

The outstanding accounts receivable from related parties are unsecured.

g. Payables to related parties (excluding loans from related parties)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries		
TXC (Ningbo) Corporation	\$ 606,223	\$ 624,504
TXC (Chongqing) Limited	321,195	357,633
Others	<u>93,357</u>	<u>35,642</u>
	<u>1,020,775</u>	<u>1,017,779</u>
Other associates	<u>8</u>	<u>54</u>
	<u>\$ 1,020,783</u>	<u>\$ 1,017,833</u>

The outstanding trade payables to related parties are unsecured.

h. Other receivables from related parties

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Associates	\$ 350	\$ 9
Other associates	<u>25</u>	<u>-</u>
	<u>\$ 375</u>	<u>\$ 9</u>

Other receivables resulted from purchasing machinery and equipment on behalf of subsidiaries.

i. Other payables to related parties

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Subsidiaries	\$ 369	\$ 3
Other associates	<u>3,495</u>	<u>1,479</u>
	<u>\$ 3,864</u>	<u>\$ 1,482</u>

The credit period of the transaction above is similar to those for the third parties.

j. Prepayments

	<u>December 31</u>	
	2021	2020
Other associates	\$ 4,247	\$ 107

k. Payments for property, plant and equipment

	<u>For the Year Ended December 31</u>	
	2021	2020
Other associates	\$ 7,563	\$ 2,755

l. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2021	2020
Short-term employee benefits	\$ 204,921	\$ 121,647
Post-employment benefits	<u>3,978</u>	<u>3,696</u>
	<u>\$ 208,899</u>	<u>\$ 125,343</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	<u>December 31</u>	
	2021	2020
Pledged deposits	\$ 53,719	\$ 52,170
Land and land improvement	-	570,178
Building equipment, net	-	656,625
Investment properties, net	<u>-</u>	<u>19,458</u>
	<u>\$ 53,719</u>	<u>\$ 1,298,431</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021, unused letters of credit amounted to approximately JPY453,148 thousand and EUR1,188 thousand.

b. As of December 31, 2021, the Company unrecognized commitments are as follows:

**In Thousand of Foreign Currencies/New Taiwan Dollars**

	<b>Contract Amount</b>	<b>Paid Amount</b>	<b>Unpaid Amount</b>
Acquisition of equipment	\$ 138,482	\$ 95,264	\$ 43,218
Acquisition of equipment	<u>USD 1,345</u>	<u>USD 944</u>	<u>USD 401</u>
Acquisition of equipment	<u>RMB 3,088</u>	<u>RMB 1,544</u>	<u>RMB 1,544</u>
Acquisition of equipment	<u>JPY 994,060</u>	<u>JPY 596,172</u>	<u>JPY 397,888</u>
Acquisition of equipment	<u>EUR 1,697</u>	<u>EUR 509</u>	<u>EUR 1,188</u>

**31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: NONE**

**32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

**Unit: In Thousands of Foreign Currencies and New Taiwan Dollars**

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 154,524	27.69 (USD:NTD)	\$ 4,278,770
JPY	713,455	0.2406 (JPY:NTD)	171,657
RMB	73,925	4.3487 (RMB:NTD)	321,478
Non-monetary items			
Investments accounted for using equity method			
USD	7,016	27.69 (USD:NTD)	194,276
JPY	127,527	0.2406 (JPY:NTD)	30,683
RMB	1,478,484	4.3487 (RMB:NTD)	6,429,484
EUR	147	31.3382 (EUR:NTD)	4,598
<u>Financial liabilities</u>			
Monetary items			
USD	35,942	27.69 (USD:NTD)	995,234
JPY	1,609,213	0.2406 (JPY:NTD)	387,177
RMB	73,870	4.3487 (RMB:NTD)	321,238

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 117,525	28.5080 (USD:NTD)	\$ 3,350,403
JPY	91,491	0.2765 (JPY:NTD)	25,297
RMB	130,102	4.3691 (RMB:NTD)	568,429
Non-monetary items			
Investments accounted for using equity method			
USD	4,932	28.5080 (USD:NTD)	140,598
JPY	113,888	0.2765 (JPY:NTD)	31,490
RMB	1,272,110	4.3691 (RMB:NTD)	5,557,976
EUR	102	35.0563 (EUR:NTD)	3,578

Financial liabilities

Monetary items			
USD	36,683	28.5080 (USD:NTD)	1,045,759
JPY	1,269,487	0.2765 (JPY:NTD)	351,013
RMB	82,141	4.3691 (RMB:NTD)	358,882

For the years ended December 31, 2021 and 2020, unrealized net foreign exchange gains or loss were \$17,000 thousand and \$(60,458) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Lending funds to others. (None)
- 2) Providing endorsements or guarantees for others. (Table 1)
- 3) Holding of securities at the end of the period. (Table 2)
- 4) Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more. (Table 3)
- 5) Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 6) Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more. (None)
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 4)

- 8) Trade receivables from related parties reaching NT\$100 million or 20 percent of paid-in capital or more. (Table 5)
  - 9) Trading in derivative instruments. (Note 7)
  - 10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 8)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

**TXC CORPORATION**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Note
		Name	Relationship								
1	TXC (Ningbo) Corporation	Chongqing All Sun Company Limited	Subsidiary with equity method	\$ 3,228,252	\$ 478,357	\$ -	\$ -	\$ -	-	\$ 6,456,504	

Note: The total amount of TXC (Ningbo) Corporation endorsements and guarantees provided shall not exceed 100% of the amount of the net value of TXC (Ningbo) Corporation; the amount of individual entity endorsements shall not exceed 5% of the amount of the net value of the individual entity. However, the amount of individual entity endorsements is permitted with 50% of net value of subsidiary.

TABLE 2

## TXC CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Shares	
TXC Corporation	<u>Shares - unlisted company</u> Godsmith Sensor Inc.	None	Non-current assets held for sale	350	\$ 6,979	5	\$ 6,979	
	"	"	Financial assets at fair value through other comprehensive income - non-current	550	\$ 9,322	7	\$ 9,322	
	RFIC Technology Corporation	"	"	2,334	5,359	12	5,359	
	Win Precision Technology Co., Ltd.	"	"	1,365	62,785	3	62,785	
	<u>Shares - listed company</u> UPI Semiconductor Corp.	The Company is a direct of UPI Semiconductor Corp.	"	1,516	1,399,268	2	1,399,268	
							\$ 1,476,734	
TXC (Ningbo) Corporation	<u>Beneficiary certificate</u> CICC Wealth Management No. 800 Funds	None	Financial assets at fair value through profit or loss - current	RMB 23,969	\$ 104,235	-	\$ 104,235	
	Huifeng Zhicheng No. 6 ABS Funds	"	"	RMB 20,000	86,974	-	86,974	
					\$ 191,209		\$ 191,209	
	<u>Shares overseas - unlisted company</u> Ningbo SJ Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	RMB 6,000	\$ 53,469	7	\$ 53,469	
TXC (Chongqing) Limited	<u>Structured deposits</u> China Merchants Bank	None	Financial assets at fair value through profit or loss - current	RMB 21,048	\$ 91,532	-	\$ 91,532	
	CTBC Bank Co., Ltd	"	"	RMB 32,434	141,047	-	141,047	
	China Construction Bank Corporation	"	"	RMB 20,293	88,246	-	88,246	
	China Everbright Bank Co., Ltd	"	"	RMB 10,000	43,487	-	43,487	
					\$ 364,312		\$ 364,312	
Ningbo Beilun Jingyu Trading Corporation	<u>Beneficiary certificate</u> Southern Cash Fund	None	Financial assets at fair value through profit or loss - current	RMB 64	\$ 278	-	\$ 278	
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	<u>Shares unlisted overseas</u> Zhejiang Bright Semiconductor Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	RMB 7,000	\$ 176,775	6	\$ 176,775	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares	Carrying Amount	Percentage of Ownership	Shares	
TXC Technologies Inc.	<u>Shares overseas - unlisted company</u> Investment QST LLC	None	Financial assets at fair value through other comprehensive income - non-current	US\$ 250	<u>\$ 3,114</u>	-	<u>\$ 3,114</u>	
Chongqing All Sun Company Limited	<u>Structured deposits</u> Chongqing Rural Commercial Bank	None	Financial assets at fair value through profit or loss - current	RMB 37,542	<u>\$ 163,259</u>	-	<u>\$ 163,259</u>	
ChongQing Dingsen Commercial Management Co., Ltd.	<u>Structured deposits</u> China Construction Bank Corporation	None	Financial assets at fair value through profit or loss - current	RMB 361	<u>\$ 1,571</u>	-	<u>\$ 1,571</u>	

(Concluded)



## TXC CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Equity in Net Gain (Loss)	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal		Shares	Amount
TXC (Chongqing) Limited	QianYuan - Ri Xin Open-end Financial Investment Product	Financial instruments at FVTPL - current	China Construction Bank	None	-	\$ -	-	\$ 711,653	-	\$ (712,692)	\$ (711,653)	\$ 1,039	\$ -	-	\$ -
	QianYuan - Ri Xin Yue Yi (daily) Open-end Financial Investment Product	"	China Construction Bank	None	-	-	-	538,676	-	(539,285)	(538,676)	609	-	-	-
Chongqing All Sun Company Limited	Jiangyu wealth "tian Tian Jin" Yu Kuaibao Open-end Financial Investment Product	Financial instruments at FVTPL - current	Chongqing Rural Commercial Bank	None	-	214,802	-	254,692	-	(310,974)	(310,890 )	84	4,655	-	163,259

## TXC CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	Purchase	\$ 2,893,530	38	No significant differences with the third parties.	Its trading price depends on its function within the Group	No significant differences with the third parties.	\$ (606,223)	(37)	
	"	"	Sale	394,363	3	"	"	"	110,500	3	
	TXC (Chongqing) Limited	"	Purchase	1,361,626	18	"	"	"	(321,195)	(20)	
	Taiwan Crystal Technology (HK) Limited.	"	Purchase	136,472	2	"	"	"	(25,110)	(2)	
	TETC CORP. NINGBO	"	Purchase	133,002	2	"	"	"	(67,990)	(4)	
TXC (Ningbo) Corporation	TXC (Chongqing) Limited	"	Purchase	260,687	10	"	"	"	(56,581)	(7)	
	TETC CORP. NINGBO	"	Sale	236,572	5	"	"	"	115,449	11	

**TXC CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2021**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TXC Corporation	TXC (Ningbo) Corporation	Subsidiary	\$ 110,500	5.22	\$ -		\$ 48,140	\$ -
TXC (Ningbo) Corporation	TXC Corporation	Parent entity	606,223	4.70	-		209,206	-
TXC (Chongqing) Corporation	TXC Corporation	Parent entity	321,195	3.92	-		107,414	-
TXC (Ningbo) Corporation	TETC CORP. NINGBO	Subsidiary	115,449	4.10	-		56,401	-

## TXC CORPORATION

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2021			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
TXC Corporation	Taiwan Crystal Technology International Ltd.	Western Samoa	Investment management	\$ 1,390,461	\$ 1,390,461	42,835	100.00	\$ 6,429,484	\$ 1,155,980	\$ 1,150,767	
	Taiwan Crystal Technology International (HK) Limited	Hong Kong	International trading	2,371	2,371	80	100.00	173,321	53,217	53,217	
	TXC Japan Corporation	Japan	Marketing activities	6,172	6,172	2	100.00	30,683	3,629	3,629	
	TXC Technology Inc.	U.S.A.	Marketing activities	9,879	9,879	300	100.00	20,955	6,652	6,652	
	Tai-Shing Electronics Components Corporation	Taiwan	Manufacture and sales of electronics products	373,432	359,266	8,802	33.34	391,214	65,451	21,323	
	TXC Europe GmbH	Germany	Marketing activities	1,746	1,746	50	100.00	4,598	1,527	1,527	

## TXC CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021 (In Thousand)	Investee Company Current Net Income	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2021	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
TXC (Ningbo) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	\$ 2,350,052	Indirect investment of the Corporation in mainland China through the Corporation's subsidiary in a third region	\$ 1,427,630	\$ -	\$ -	\$ 1,427,630	\$ 1,156,003	100	\$ 1,156,003	\$ 6,456,504	\$ 720,617
TXC (Chongqing) Corporation	Research and development, manufacture, and sale of quartz elements and related electronic products	1,162,074	Other investment of the Corporation in mainland China	-	-	-	-	213,487	100	213,487	1,613,494	306,500
TETC CORP. NINGBO	Research and development, manufacture, and sale of quartz elements and related electronic products	433,440	Other investment of the Corporation in mainland China	-	-	-	-	109,391	100	109,391	544,490	-
Chongqing All Suns Company Limited	Properties development	684,908	Other investment of the Corporation in mainland China	-	-	-	-	218,018	100	218,018	802,057	-
Ningbo Beilun Jingyu Trading Corporation	International trading	7,090	Other investment of the Corporation in mainland China	-	-	-	-	27	100	27	5,894	-
Ningbo Longying Semiconductor Co., Ltd.	Research and development in integrated circuit	183,180	Other investment of the Corporation in mainland China	-	-	-	-	(18,897)	40	(7,559)	40,087	-
Ningbo Meishan Free Trade Port Area Ding Kai Investment Management Company Limited	Investment management	160,043	Other investment of the Corporation in mainland China	-	-	-	-	-	100	-	177,041	-
ChongQing Dingsen Commercial Management Co., Ltd.	Property management	2,185	Other investment of the Corporation in mainland China	-	-	-	-	(1,197)	100	(1,197)	918	-

2. The limited amounts of the investment in Mainland China

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$1,427,630	\$2,350,052	Note

Note: The investment in mainland China has no maximum limit since the Company has acquired the approval from the Industrial Development Bureau for the establishment of the Company's operating headquarters in Taiwan.

## TXC CORPORATION

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2021**  
(In Thousands of New Taiwan Dollars)

1. Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details				Accounts/Notes Receivable/Payable		Unrealized Gain or Loss	
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance		%
TXC Corporation	TXC (Ningbo) Corporation	Purchase	\$ 2,893,530	38	Its trading price depends on its function within the Group	Similar with third parties	Its trading price depends on its function within the Group	\$ (606,223)	(37)	\$ 465
	TXC (Ningbo) Corporation	Sale	394,363	3	"	"	"	110,500	3	8,186
	TXC (Chongqing) Corporation	Purchase	1,361,626	18	"	"	"	(321,195)	(20)	-
	TETC CORP. NINGBO	Purchase	133,002	2	"	"	"	(67,990)	(4)	-

2. The transactions of properties and the profit or loss: None.
3. Endorsements guarantees or collateral directly or indirectly provided to the investees: None
4. Financings directly or indirectly provided to the investees: None
5. Other transactions that significantly impacted the current year's profit or loss or financial position: None

# TXC CORPORATION

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	Statement 1
Statement of financial assets at fair value through profit or loss - non-current	Table 2
Statement of notes receivable	Note 10
Statement of trade receivables	Statement 2
Statement of other receivables	Note 10
Statement of inventories	Statement 3
Statement of non-current held for sale	Note 12
Statement of changes in financial assets at fair value through other comprehensive income - non-current	Statement 4
Statement of changes in investments accounted for using equity method	Statement 5
Statement of changes in property, plant and equipment	Note 14
Statement of changes in accumulated depreciation of property, plant and equipment	Note 14
Statement of changes in accumulated impairment of property, plant and equipment	Note 14
Statement of changes in investment properties	Note 16
Statement of changes in accumulated depreciation of investment properties	Note 16
Statement of deferred income tax assets	Note 24
Statement of short-term loans	Note 17
Statement of financial liabilities at fair value through profit or loss - current	Note 7
Statement of trade payables	Statement 6
Statement of other payables	Note 19
Statement of long-term loans	Note 17
Statement of deferred income tax liabilities	Note 24
Major Accounting Items in Profit or Loss	
Statement of net revenue	Statement 7
Statement of cost of goods sold	Statement 8
Statement of manufacturing expenses	Statement 9
Statement of operating expenses	Statement 10
Statement of other gain and losses	Note 23
Statement of finance costs	Note 23
Statement of labor, depreciation and amortization by function	Statement 11

**TXC CORPORATION****CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, and Foreign Currency)**

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<b>Item</b>		<b>Amount</b>
Cash		
Cash on hand	Including US\$15 thousand @27.69; JPY237 thousand @0.2406; HK\$4 thousand @3.5506; and RMB27 thousand @4.3487; SGD3 thousand @20.4634; EUR6 thousand @31.3382	\$ 889
Cash in banks		
Checking accounts and demand deposits		731,544
Foreign-currency deposits	Including US\$30,005 thousand @27.69; JPY559,115 thousand @0.2406; EUR153 thousand @31.3382; RMB1,589 thousand @4.3487; and HK\$4 thousand @3.5506	977,068
Time deposits	Including RMB29,000 thousand @4.3487; US\$2,000 thousand @27.69	251,492
Cash equivalents		<u>31,000</u>
		<u>\$ 2,270,993</u>



**TXC CORPORATION****TRADE RECEIVABLES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Explanation	Amount
Related parties		
TXC (Ningbo) Corporation	For goods	\$ 110,500
TXC (Chongqing) Corporation	"	354
Tai-Shing Electronics Components Corporation	"	27,256
TETC CORP. NINGBO	"	14,942
TXC Japan Corporation	"	1,229
TXC Europe GmbH	"	2,622
TXC Technology Inc.	"	114
Liang Shing Eclife Corp.	"	<u>3,706</u>
		160,723
Less: Allowance for impairment loss		<u>(68)</u>
		<u>\$ 160,655</u>
Third parties		
A Company	For goods	\$ 284,212
B Company	"	253,547
C Company	"	152,712
Others (Note)	"	<u>2,703,173</u>
		3,393,644
Less: Allowance for doubtful accounts		<u>(9,985)</u>
		<u>\$ 3,383,659</u>

Note: Each of the accounts was less than 5% of the total account balance.

**TXC CORPORATION****INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Cost</b>	<b>Market Value (Note)</b>
Raw materials	\$ 350,177	\$ 346,980
Supplies and spare parts	85,771	85,132
Work in process	193,497	190,778
Finished goods	364,227	340,121
Merchandise	355,965	351,628
Goods in transit	<u>30,273</u>	<u>30,273</u>
	1,379,910	<u>\$ 1,344,912</u>
Less: Allowance for loss	<u>(34,998)</u>	
	<u>\$ 1,344,912</u>	

Note: The market value is based on net realizable value.

## TXC CORPORATION

CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Remeasure	Increase		Decrease		Ending Balance			Pledge or Security
	Shares	Amount		Shares	Amount	Shares	Amount	Shares	% of Ownership	Amount	
Emerging shares											
UPI Semiconductor Corp	1,516	\$ 113,446	\$ -	-	\$ 1,285,822	-	\$ -	1,516	2	\$ 1,399,268	None
Unlisted shares											
Win Win Precision Technology Co., Ltd.	1,365	89,323	-	-	-	-	26,538	1,365	3	62,785	"
Godsmith Sensor Inc.	550	10,967	-	-	-	-	1,645	550	7	9,322	"
Clear Signal Technology Corporation	-	-	-	536	5,359	536	5,359	-	-	-	"
RFIC Technology Corporation	-	-	-	2,334	5,359	-	-	2,334	12	5,359	"
		<u>100,290</u>	<u>-</u>		<u>10,718</u>		<u>33,542</u>			<u>77,466</u>	
		<u>\$ 213,736</u>	<u>\$ -</u>		<u>\$ 1,296,540</u>		<u>\$ 33,542</u>			<u>\$ 1,476,734</u>	

## TXC CORPORATION

CHANGES IN INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
 (In Thousands of New Taiwan Dollars and Shares)

	Beginning Balance		Increase		Decrease		Equity in Investees Gain (Loss)	Ending Balance			Market Price or Net Asset Value		Valuation Method	Pledge or Security
	Shares	Amount	Shares	Amount	Shares	Amount		Shares	% of Ownership	Amount	Unit Price	Amount		
Unlisted company														
Taiwan Crystal Technology International Ltd.	42,835	\$ 5,557,976	-	\$ -	-	\$ 171,440	\$ 1,042,948	42,835	100	\$ 6,429,484	-	\$ 6,429,484	Equity method	None
TXC Technology Inc.	300	16,371	-	-	-	-	4,584	300	100	20,995	-	20,955	Equity method	None
TXC Japan Corporation	2	31,490	-	-	-	-	(807)	2	100	30,683	-	30,683	Equity method	None
Taiwan Crystal Technology International (HK) Limited	80	124,227	-	-	-	-	49,094	80	100	173,321	-	173,321	Equity method	None
Tai-Shing Electronics Components Corporation	8,435	373,626	367	14,166	-	-	3,422	8,802	33.34	391,214	38.85	341,958	Equity method	None
TXC Europe GmbH	50	3,578	-	-	-	-	1,020	50	100	4,598	-	4,598	Equity method	None
		<u>\$ 6,107,268</u>		<u>\$ 14,166</u>		<u>\$ 171,440</u>	<u>\$ 1,100,261</u>			<u>\$ 7,050,255</u>		<u>\$ 7,000,999</u>		

Note: All the above are unlisted company which do not have market price to evaluated.

**TXC CORPORATION****ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Related parties		
TXC (Ningbo) Corporation	Payment for goods	\$ 606,223
TXC (Chongqing) Corporation	"	321,195
Taiwan Crystal Technology (HK) Limited	"	25,110
Liang Shing Eclife	"	8
Ningbo Jingyu Company Limited	"	257
TETC CORP. NINGBO	"	<u>67,990</u>
		<u>1,020,783</u>
Third parties		
A Corporation	Payment for goods	97,332
B Corporation	"	91,940
C Corporation	"	83,526
D Corporation	"	61,894
E Corporation	"	61,856
F Corporation	"	53,869
Others (Note)	"	<u>157,479</u>
		<u>607,896</u>
		<u>\$ 1,628,679</u>

Note: Each of the accounts was less than 5% of the total account balance.

**TXC CORPORATION**

**OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Quartz crystal products	\$ 11,819,803
Less: Sales returns	105,934
Less: Sales allowances	<u>33,167</u>
	<u>\$ 11,680,702</u>

**TXC CORPORATION****COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Direct materials	
Beginning materials	\$ 386,329
Add: Material purchase	1,279,672
Add: Unfavorable cost variance	127,987
Less: Expense	(175,212)
Less: Adjustment items	(12,470)
Ending materials	<u>(432,112)</u>
	1,174,194
Direct labor	381,729
Overhead	<u>1,068,525</u>
Manufacturing cost	2,624,448
Beginning work in process	206,168
Add: Purchases	87,633
Add: Others	276
Less: Expense	(35,794)
Less: Favorable cost variance	(109,722)
Ending work in process	<u>(190,778)</u>
Finished goods cost	2,582,231
Beginning finished goods	188,727
Add: Unfavorable cost variance	13,436
Less: Expense	(23,743)
Less: Others	(547)
Ending finished goods	<u>(340,121)</u>
Production cost	<u>2,419,983</u>
Beginning merchandise inventory	271,758
Add: Purchase	5,931,410
Less: Others	(257)
Less: Favorable cost variance	(8,050)
Less: Expense	(691)
Ending merchandise inventory	<u>(351,628)</u>
Purchase cost	<u>5,842,542</u>
Loss on physical inventory	<u>14,763</u>
	<u>\$ 8,277,288</u>

**TXC CORPORATION****OVERHEAD EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Explanation</b>	<b>Amount</b>
Indirect labor	Including salary and wages, pension, food stipend, employee benefits and insurance etc.	\$ 352,766
Indirect materials		124,651
Depreciation		350,288
Utilities		83,452
Maintenance fee		57,937
Others		<u>99,431</u>
		<u>\$ 1,068,525</u>

Note: Each of the accounts was less than 5% of the total account balance.



**TXC CORPORATION****OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Explanation</b>	<b>Selling and Marketing</b>	<b>General and Administration</b>	<b>Research and Development</b>
Salary		\$ 74,910	\$ 177,803	\$ 372,443
Insurance		4,338	14,763	17,281
Depreciation		716	4,983	84,622
Research expense		-	-	121,703
Commission		13,930	-	-
Import and export expense		44,530	-	-
Others		<u>129,811</u>	<u>51,116</u>	<u>50,967</u>
		<u>\$ 268,235</u>	<u>\$ 248,665</u>	<u>\$ 647,016</u>

Note: Each of the accounts was less than 5% of the total account balance.

## TXC CORPORATION

**EMPLOYEE WELFARE, DEPRECIATION AND AMORTIZATION EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

Item	2021			2020		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Salaries	\$ 650,039	\$ 550,532	\$ 1,200,571	\$ 480,896	\$ 396,397	\$ 877,293
Insurance	44,907	31,016	75,923	35,457	25,808	61,265
Pension	17,529	13,694	31,223	15,040	12,968	28,008
Remuneration of directors	-	60,930	60,930	-	29,164	29,164
Other employee benefit	385	1,527	1,912	33	1,490	1,523
	<u>\$ 712,860</u>	<u>\$ 657,699</u>	<u>\$ 1,370,559</u>	<u>\$ 531,426</u>	<u>\$ 465,827</u>	<u>\$ 997,253</u>
Depreciation expense	<u>\$ 350,288</u>	<u>\$ 90,321</u>	<u>\$ 440,609</u>	<u>\$ 266,727</u>	<u>\$ 102,394</u>	<u>\$ 369,121</u>
	<u>\$ 1,063,148</u>	<u>\$ 748,020</u>	<u>\$ 1,811,168</u>	<u>\$ 798,153</u>	<u>\$ 568,221</u>	<u>\$ 1,366,374</u>

Note 1: As of December 31, 2021 and 2020, the number of employees was 1,151 and 1,055 people with 6 and 6 directors not included in the employees, respectively.

Note 2: Information should be disclosed:

- a. The average of employee benefit is \$1,143,781 in the current year.  
The average of employee benefit is \$922,869 in the previous year.
- b. The average of salaries is \$1,048,534 in the current year.  
The average of salaries is \$836,314 in the previous year.
- c. Change in the average of salaries adjustment rates is 25.4%.

Note 3: The Company did not have the supervisors for the year ended December 31, 2021 and 2020. Therefore, the Company did not have the corresponding remuneration of supervisors.

Note 4: The Company and its subsidiaries set the salary scales according to the relative contribution of the employees' positions, in line with the company's operation and development strategy, and based on their personal performance, future development potential and the Company's operation status as the basis for salary adjustment and bonus payment, so as to encourage the employees to make positive efforts and excellent performance and to achieve the "internal fairness" and "individual fairness" pursuant to the salary; and to encourage employees to deliver great performance at work, the Company allocates a certain proportion of profit-making earnings as the basis of employee dividends and shares the earnings results with colleagues, considers the benchmark enterprises of the industry, regularly checks the rationality of various salary and welfare systems by the "remuneration committee", maintains the company's high level employee welfare, attracts outstanding talents to join and stay for a long time.

Note 5: The remuneration of directors is determined based on the Company's Articles of Incorporation. Fair remuneration is provided by considering the operation results and contributions towards company performance. President and vice presidents remuneration payment policy is based on the Company's Salary Management Rules and salary levels for that job position in the industry market, the scope of authority of that job position inside the Company and the degree of contribution toward operation targets. The procedure for setting remuneration follows evaluation and review procedures under the Company's Director and Manager Performance Evaluation Rules. In addition, the Company's overall operational performance, future industry risks and development trends, individual performance achievement rates and contribution towards company performance are also considered in order to provide a fair compensation. The fairness of related performance evaluations and remuneration are reviewed by the salary and compensation committee and board of directors. The remuneration system is discussed at appropriate time based on the actual operating conditions and with respect to related laws to achieve a balance between sustainable company operation and risk control.