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VisEra Technologies Company Ltd.



2021 Annual Report

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VisEra Technologies website: <https://www.viseratech.com/tw>

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▪ **Names of financial statement auditors and the name, address, website, and contact number of the accounting firm for the latest financial report**

Certifying CPA: CPA Shang-Chih Lin, CPA Ming-Yuan Chung
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Website: <http://www.deloitte.com.tw>

▪ **Name of overseas exchange where securities are listed, and method of inquiry:** Not applicable.

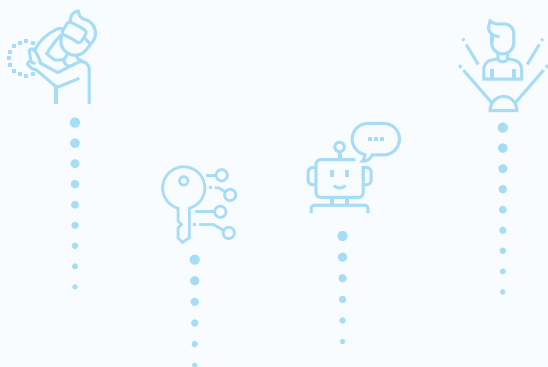
▪ **Company website:** <http://www.viseratech.com>

2021 Annual Report



Table of Contents of Annual Report

One. Report to Shareholders	6
Two. Company Profile	8
I. Date of Incorporation	8
II. Corporate History	8
Three. Corporate Governance Report	10
I. Organization and main departments	10
II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches	12
III. Compensation paid to directors, supervisors, the President, and vice presidents in 2021	20
IV. Corporate governance	26
V. Disclosure of CPA fee	52
VI. Change of CPA	52
VII. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprise within the most recent year	52
VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest	52
IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders	53
X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and shareholding in aggregate of the above parties	53
Four. Capital Overview	54
I. Capital and shares	54
II. Disclosure relating to corporate bonds	58
III. Preferred shares	58
IV. Global depository receipts	59
V. Employee warrants	59
VI. Issuance of new restricted employee shares.	60
VII. New shares issued for merger or acquisition.	60
VIII. Progress on planned use of capital	60



Five. Operation Overview	61
I. Business Content	61
II. Market and Production-Marketing Overview	68
III. The number of employees employed	73
IV. Disbursements for environmental protection	73
V. Labor relations	73
VI. Information and communication security management	75
VII. Important contracts	76
Six. Financial Overview	77
I. Condensed balance sheet and statement of comprehensive income for the last 5 years	77
II. Financial analysis for the last 5 years	78
III. Audit Committee's Review Report	80
IV. Latest financial statements	80
V. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the printed date of annual report.	80
Seven. Review of Financial Status, Financial Performance, and Risk Management	81
I. Financial status	81
II. Financial performance	82
III. Cash flow	82
IV. Material capital expenditures in the last year and impacts on financial position and business performance	83
V. Investment policy in the last year, main causes for profits or losses, improvement plan, and investment plan for the coming year	83
VI. Evaluation of risk management issues in the last year up until the printed date of annual report	83
VII. Other material issues	86
Eight. Special Disclosure	87
I. Affiliated enterprises	87
II. Private placement of securities in the last year up until the printed date of annual report.	90
III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the printed date of annual report	90
IV. Other supplementary information	91
V. Occurrences significant to shareholders' interests or securities price, as defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the last year up until the printed date of annual report	91

One.Report to Shareholders

Ladies and gentlemen:

In 2021, industrial production and consumer confidence gradually recovered. The economy conspicuously revived, owing to the increasing COVID-19 vaccination rate worldwide, eased lockdown measures, and support of a full-fledged government stimulus policy. IMF forecasted the global economic growth rate for 2021 to be 5.9%. In addition, the pandemic substantially changed the life pattern worldwide. Online operation became normal for enterprises, individuals, education, and the government, sending the semi-conductor industry into an upward spiral. Driven by robust semi-conductor demands, an interrupted supply chain, and increased average selling price, the production value increased by 26% year on year, making 2021 a year of booming growth, opportunities, and challenges for Taiwan's semi-conductor industry.

Looking back at 2021, the Company's operating performance constantly grew, thanks to the universal presence of 5G smartphones, substantial improvement in performance and resolution of the photo-taking function a mobile phone has, expansion of market share of light sensors embedded in mobile devices, and sales growth in the market for security control and automotive applications. In response to the already tight capacity and yet increasing business opportunities coming from customers, VisEra has commenced the construction of a new plant in Longtan, which is expected to start phase 1 mass production in 2022 and in doing so, inject long-term business momentum .

Financial Performance

The Company's revenues in 2021 were NTD 9.029 billion, an increase of 30% compared to NTD 6.946 billion in the previous year; the gross profit was 40%, a decrease of 5% compared to the previous year, mainly due to the upfront investment cost incurred by the construction of a new plant to expand capacity; profit after tax was NTD 2.165 billion, an increase of 4% compared to NTD 2.091 billion in the previous year. The earnings per share were NTD 7.41.

Technology Development

We relentlessly devoted ourselves to advanced technology development with respect to image sensors and micro-optical components in order to consolidate our role as a market leader. In 2021, we successfully mass-produced 0.61 μ m image sensors with 0.2 billion pixels, the image sensor with the highest resolution in the global market. We moved forward to pursue more miniature pixel sizes to develop 0.56 μ m image sensors. Meanwhile, we also engaged in the development of several key technologies, including 1) developing narrow band optical coating technology, which is used for the application of different spectral bands; 2) developing micro-optical components, which are developed using advanced optical display technology, so as to help customers improve their display performance; and 3) developing metasurface-structured micro-optical components to support AR/VR applications that require compact optical components, so as to maintain the momentum for long-term technology development

Future Outlook

Although COVID-19 is expected to continue through 2022, the wide availability of vaccines and oral medication will help ease the pandemic. Despite the presence of some uncertainties, e.g. inflation, interest rate spike, political factors of China, the restructured supply chain and robust consumption demands are likely to maintain the global economic growth. Looking forward, benefiting from thriving new applications such as optical sensing for human-machine communication driven by 5G, the Company is in an advantageous position in the industrial trend. With our core technology with respect to wafer-level optoelectronics integration, we have helped customers realize product innovation. In the future, we will advance our critical competitiveness to create a sustainable corporate value for shareholders.

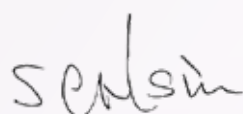
We wish you

Good health and good luck.

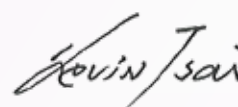
Chairman: Robert Kuan



Manager: S.C. Hsin



Accounting Supervisor: Kevin Tsai



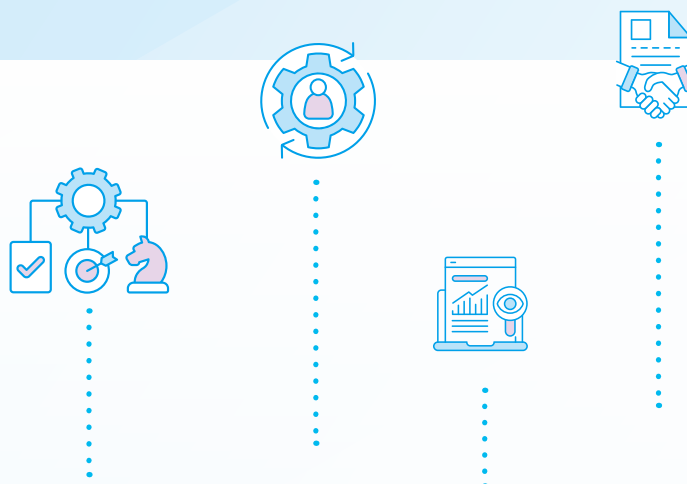
Two. Company Profile

I. Date of Incorporation:

December 1, 2003

II. Corporate History:

Year	Milestones
2003	<ul style="list-style-type: none"> · VisEra Technologies Company Ltd. was founded, providing color filter services · Paid-in capital NTD 204,000 thousand
2005	<ul style="list-style-type: none"> · Approved by the Science Park Bureau to invest in the establishment of a wafer-level color filter manufacturing plant in the Hsinchu Science Park · Purchased color filter production equipment from TSMC and leased part of TSMC's plant and plant facilities to engage in the manufacturing of color filters and micro-lenses · Issuance of common stock worth NTD 496,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NTD 700,000 thousand
2006	<ul style="list-style-type: none"> · The color filter and micro-lens plant was officially put into operation and started mass production · The color filters and micro-lenses for automotive image sensors obtained the ISO quality certification · Issuance of common stock worth NTD 766,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NTD 1,466,000 thousand
2007	<ul style="list-style-type: none"> · Issuance of common stock worth NTD 1,260,000 thousand to increase cash capital. Employee profit sharing to increase capital by NTD 98,097 thousand. After the capital increase, the paid-up capital amounted to NTD 2,824,097 thousand
2008	<ul style="list-style-type: none"> · Employee profit sharing to increase capital by NTD 29,083 thousand. After the capital increase, the paid-up capital amounted to NTD 2,853,180 thousand · The Company owned plant in Hsinchu was officially put into operation
2009	<ul style="list-style-type: none"> · Mass production of 8" backside illumination (BSI) color filters and micro-lenses · Employee profit sharing to increase capital by NTD 5,797 thousand. After the capital increase, the paid-up capital amounted to NTD 2,858,977 thousand
2010	<ul style="list-style-type: none"> · Mass production of 12" color filters and micro-lenses
2011	<ul style="list-style-type: none"> · Employee profit sharing to increase capital by NTD 17,327 thousand. After the capital increase, the paid-up capital amounted to NTD 2,876,304 thousand
2012	<ul style="list-style-type: none"> · Mass production of first RGBC sensor of 12" color filter film and micro-lenses · Employee profit sharing to increase capital by NTD 35,227 thousand. After the capital increase, the paid-up capital amounted to NTD 2,911,531 thousand
2015	<ul style="list-style-type: none"> · Investment and development of on-chip multi-film technology



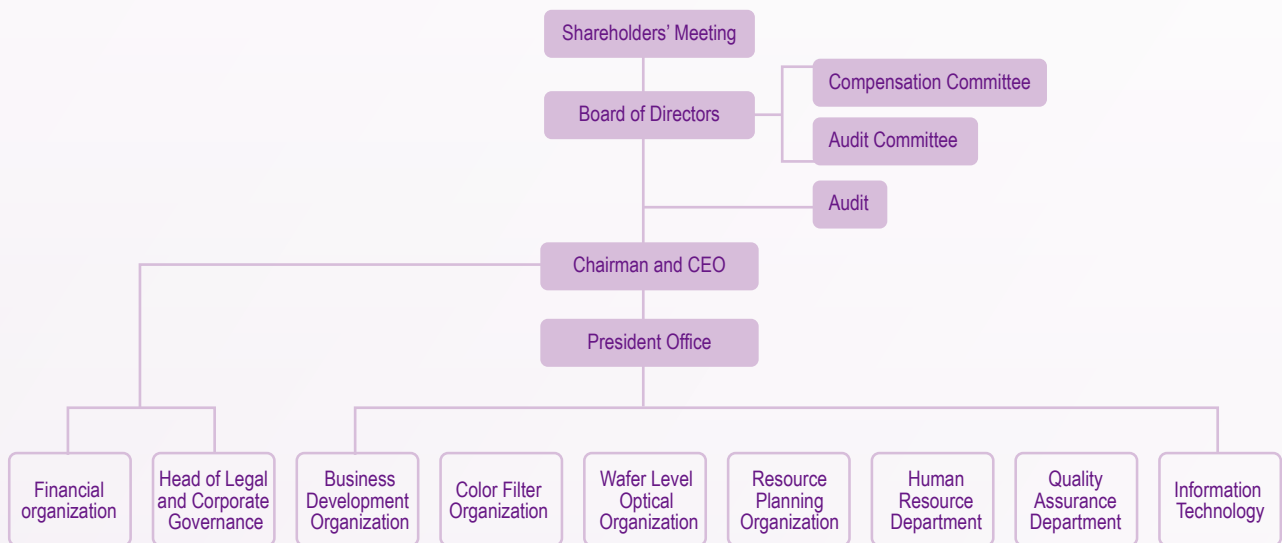
Year	Milestones
2016	· Mass production of 12" 1.1μm color filters and 16 million pixel image sensors
2017	· Mass production of on-chip multi-film (OCMF)
2018	· Mass production of optical finger print sensors (OFP) · Mass production of proximity light sensors
2019	· Mass production of 12" 0.8μm color filters and 48 million pixel image sensors · Development of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones · Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification
2020	· Mass production of 12-inch 0.7μm colors filter and 64-million pixel image sensors · Mass production of new generation ambient light sensors · Set a production record for the year to 1.5 million pieces of equivalent 8" wafers · Taipei Exchange approved the Company's shares to be offered to the public.
2021	· The Company's shares were traded on the Emerging Stock Market. · Pioneered the launch of the 12-inch 0.61μm image sensors with a specially optical-structured color filter · Winner of the 6th Taiwan Mittelstand Award · Issuance of new shares in the amount of NTD 21,240 thousand resulting from exercise of employee stock options. After the capital increase, the paid-up capital amounted to NTD 2,932,771 thousand.







Three.Corporate Governance Report

I. Organization and main departments

(I) Organizational Chart



(II) Responsibilities of main departments:

Name of department	Responsibilities
 Chairman (and Chief Executive Officer)	<ul style="list-style-type: none"> Formulate the Company's medium and long-term business development strategy. Implement the Board of Directors' resolutions and sustainable development goals. Supervise the business performance and budget management of the subordinate units.
 President	<ul style="list-style-type: none"> Better the management system and organizational structure. Supervise the business performance of the subordinate units. Management of the annual business plan, investment plan, and budget.
 Audit	<ul style="list-style-type: none"> The Audit is an independent and objective unit that contributes and adds value to the organization through consultation services. Assesses and improves effectiveness of risk control and corporate governance practices. Provides reasonable assurance to the management about the accomplishment of various control targets, including: operational performance and efficiency, reliability of financial report, asset security, and compliance.
 Business Development Organization	<ul style="list-style-type: none"> Monitors market trends, price changes, and new technologies launched by peers; keeps the management informed of market trends and technological changes. Devises solutions and helps customers resolve issues concerning to product and technical system application. Produces promotional materials for special production procedures, and thereby convey the value, advantage, and application of various technologies owned by the Company. Explores customers for existing products offered by the Company, and assists customers in the development and mass production of new products. Markets a diverse range of services to support customers' business activities, and increases customers' revenue contribution to the Company. Issues quotation forms and manages customers' orders. Answers customers' inquiries concerning delivery date and shipping status.



Color Filter
Organization

- Responsible for the management of production procedures, manufacturing, equipment, and inter-department coordination.
- Planning, preparation, and coordination of production capacity.
- Executes total control over production procedures to meet customers' product requirements, and thereby improve customer satisfaction.
- Maintenance, servicing, and ongoing improvement of production and measuring equipment.
- Improvement of yields for various production procedures.



Wafer Level Optical
Organization

- Responsible for the development of new products and new process technologies for mass production.
- Responsible for the development of advanced modules for mass production.
- Maintains productive interaction with customers, learns customers' requirements, and solves customers' problems.
- Planning, preparation, and coordination of production capacity.
- Improvement of multi-film yield.
- Responsible for the implementation of multi-film production equipment.
- Provides customers with production specifications, procedures, and controls for various products.



Resource Planning
Organization

- Oversees procurement, logistics, plant affairs, capacity improvement, and new plant construction.
- Purchase of raw materials, supplies, and equipment.
- Capacity calculation and productivity improvement.
- Enforcement and assessments of safety and health, and environmental protection issues.
- Assessment and execution of plant affairs raised by various departments.
- Ensures compliance with the Company's work safety and environmental protection rules and relevant laws and regulations.
- Planning and preparation of new plants and production capacity.



Human Resource
Department

- Makes annual human resource capacity plans.
- Designs the compensation/welfare system and ensures compliance with laws and regulations.
- Establishes employee training program and executes deal assessment.
- Management of employee relations and labor-management relations.



Quality Assurance
Department

- Leads the Quality Engineering Department, Reliability Engineering Department, and Quality System and Customer Quality Assurance Department.
- Project management of major abnormalities related to FAB quality issues.
- Enforces quality culture and strategies throughout the Company.
- Planning, promote, and assessment of activities for various departments under the Quality & Reliability Assurance Division.
- Coordinates plants, divisions, and departments within the Company to assist the Quality & Reliability Assurance Division in various initiatives.
- Represents the Company in negotiating quality-/reliability-related matters with customers.



Information
Technology

- Provides good computers and network operation platform to improve operating efficiency and quality.
- Development and design of an e-commerce system for improved customer satisfaction.
- Establishment of a cybersecurity system to ensure security of information used within the Company.
- Responsible for the integration, use, and promotion of information technologies within the Company.



Financial
organization

- Performs administrative tasks such as operational planning, organization, guidance, coordination, control, and evaluation for subordinate departments.
- Oversees funding and supervises/reviews financial and accounting practices to ensure compliance with internal control and regulations.
- Reviews annual budget and operational performance, and proposes recommendations for financial/taxation/investment/funding decisions.
- Oversees details concerning the convention of shareholder's meeting.



Legal

- Reviews and drafts contracts or related legal documents.
- Handles submission, review, reward, and management of proposals pertaining to intellectual property rights.
- Assists various departments with compliance matters and offers recommendations.
- Serves secretarial duties for the Board of Directors and Audit Committee, and oversees board meeting affairs and audit committee meeting affairs.

II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches

(I) Background information of directors and supervisors

Position	Nationality or place of registration	Name	Gender Age	Date elected (appointed) (Note 1)	Tenure	Date first elected (Note 1)	Shareholding when elected		Current shareholding	
							Shares	%	Shares	%
Chairman	R.O.C.	TSMC(Note 2)	-	-	3 years	-	253,120,000	86.94	213,619,000	72.81
		Representative: Robert Kuan (Note 3)	Male 51-60 years old	March 4, 2021		May 16, 2021	-	-	154,600	0.05
Directors	R.O.C.	TSMC	-	-	3 years	-	253,120,000	86.94	213,619,000	72.81
		Representative: George Liu (Note 3)	Male 61-70 years old	March 4, 2021		December 3, 2015	-	-	-	-
Directors	R.O.C.	TSMC	-	-	3 years	-	253,120,000	86.94	213,619,000	72.81
		Representative: C.S. Yoo (Note 3)	Male 61-70 years old	June 14, 2019		November 1, 2018	-	-	-	-
Directors	R.O.C.	TSMC	-	-	3 years	-	253,120,000	86.94	213,619,000	72.81
		Representative: Sylvia Fang (Note 4)	Female 51-60 years old	June 19, 2020		June 19, 2020	-	-	-	-
Directors	R.O.C.	TSMC	-	-	3 years	-	253,120,000	86.94	213,619,000	72.81
		Representative: Diane Kao (Note 3)	Female 51-60 years old	March 4, 2021		June 19, 2020	-	-	-	-
Supervisor	R.O.C.	Wendell Huang (Note 5)	Male 61-70 years old	June 14, 2019	3 years	June 15, 2012	-	-	-	-
Supervisor	R.O.C.	Morris Cheng (Note 5)	Male 41-50 years old	June 19, 2020	3 years	June 19, 2020	-	-	-	-
Independent Director	R.O.C.	Laura Huang (Note 3)	Female 61-70 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-
Independent Director	R.O.C.	Emma Chang (Note 3)	Female 51-60 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-
Independent Director	R.O.C.	Peng-Heng Chang (Note 3)	Male 61-70 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-

Note 1: Month/Day/Year.

Note 2: Abbreviation of Taiwan Semiconductor Manufacturing Co., Ltd. ("TSMC" hereinafter).

Note 3: Service commenced following the director election held during the extraordinary shareholder's meeting dated March 4, 2021.

Note 4: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021; the change of shareholding reflected information as of the time of departure.

Note 5: The Company assembled the Audit Committee on March 4, 2021. Hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default. Change of shareholding reflected information as of the time of departure.

Note 6: The Chairman concurrently serving as the CEO of the Company is solely responsible for 1) matters regarding operational judgment, operation management, and crisis management; 2) exercising professional knowledge of the international market, so as to demonstrate his/her leadership and decision-making competence to adopt the Company's operations to market trends; 3) determining the Company's annual financial budget, final accounting plan, earnings distribution plan, and loss make-up plan; 4) implementing corporate governance, so as to strike an operational balance among all stakeholders; 5) ensuring operational planning that will achieve sound management; and 6) being accountable to the Board of Directors, organizing and implementing all resolutions and regulations resolved by the Board of Directors, fulfilling the criteria set forth by the Board of Directors, and reporting the implementation status to the Board of Directors. The Company has also set a post for president. The President

February 28, 2022; shares; %

Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
Shares	%	Shares	%			Position	Name	Relation	
-	-	-	-	-	-	-	-	-	-
-	-	-	-	Master of Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	CEO of the Company	-	-	-	Note 6
-	-	-	-	-	-	-	-	-	-
-	-	-	-	Master of Electrical Engineering, Arizona State University TSMC-Senior Head of Department Vanguard International Semiconductor Corporation - Vice President Intel Corporation - Director	TSMC-Senior Head of Department	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	Ph.D., Worcester Polytechnic Institute TSMC-Vice President	TSMC-Vice President	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	Master of Comparative Law, The University of Iowa Attorney in Taiwan TSMC-Vice President and Chief Legal Officer Taiwan International Patent & Law Office - Senior Legal Specialist	Note 7	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	MBA, University of California, Berkeley; TSMC-Senior Head of Department	TSMC-Senior Head of Department	-	-	-	-
-	-	-	-	MBA, Cornell University TSMC - Vice President and CFO	Note 8	-	-	-	-
14,000	0.00	-	-	Ph.D. in Law, University of California, Berkeley Attorney in Taiwan and USA TSMC - Head of Department Taiwan Hsinchu District Court - Judge	TSMC - Head of Department	-	-	-	-
-	-	-	-	MBA, University of Missouri UBS - Director and President/Head of Taiwan Region, Ultra High Net Worth Department Merrill Lynch - Director and President China Development Financial Holding Corporation - Senior VP/Head of Investment Banking	-	-	-	-	-
-	-	-	-	Master of Law, University of Washington MediaTek Inc. - Head of Legal Affairs and Intellectual Property Department Standard Chartered Bank - Chief Legal Officer TSMC-Deputy Head of Legal	-	-	-	-	-
-	-	-	-	Ph.D. in Materials Science & Engineering, Purdue University Motech Industries Inc. - Chairman TSMC-Vice President WSMC - Vice President	Note 9	-	-	-	-

is responsible for taking charge of operational management work (such as sales marketing, R&D, and production and manufacturing), organizing and implementing the Company's annual business plan, and implementing and supervising the investment plan. They complement one another because such an organizational design is an embodiment of a hierarchy of authority that can improve overall operational efficiency. A majority of members of the Board of Directors do not concurrently serve as the Company's employee or manager. The Board of Directors has three seats for independent directors, who compose each functional committee, which thoroughly discusses important issues before submitting suggestions to the Board of Directors. Such an organizational design is capable of implementing the spirit of corporate governance and exhibiting overall operating performance. The Company expects to elect one additional Independent Director in 2023.

Note 7: TSMC-Vice President and Chief Legal Officer; TSMC North America/TSMC Japan Limited/TSMC Arizona Corporation/TSMC Development Inc./TSMC Partners, Ltd./TSMC Design Technology Canada Inc./TSMC Global Ltd.-Director; and TSMC (Nanjing) Co., Ltd. - Supervisor.

Note 8: TSMC - Vice President and CFO; TSMC Europe B.V./TSMC Design Technology Japan, Inc./TSMC Korea Limited/TSMC Arizona Corporation/WaferTech, LLC/ TSMC Global Ltd. - Directors; TSMC (Nanjing) Co., Ltd. - Supervisor; TSMC Technology, Inc.-Chairman; TSMC Development, Inc.-Chairman and President; TSMC Partners, Ltd. - Director and President.

Note 9: MediaTek Inc. - Independent Director; Ruiyang Optoelectronics - Representative of Corporate Director; Chi-Kuang Solar Energy - Chairman; Ruiyi Optoelectronics - Representative of Corporate Director; and Big Sun Energy Technology Inc. - Representative of Corporate Director.

Major shareholders of corporate shareholders

June 23, 2021

Name of corporate shareholder	Major shareholders of corporate shareholders	Shares Ratio (%)
Taiwan Semiconductor Manufacturing Co., Ltd.	Citibank in its capacity as Master Custodian for Depository Receipts of TSMC	20.52
	National Development Fund, Executive Yuan	6.38
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of GIC Pte Ltd. (Singapore)	2.42
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of Norges Bank	1.48
	JP Morgan Chase Bank in its Capacity as Master Custodian for PGIA Progress International Equity Index	1.17
	New Labor Pension Fund	1.03
	JP Morgan Chase Bank Taipei Branch in its capacity as Master Custodian for Investment Account of Vanguard FTSE Emerging Markets ETF	0.95
	Fubon Life Insurance Co., Ltd.	0.84
	Standard Chartered Bank in its Capacity as Master Custodian for iShares Emerging Markets ETF	0.81
	JP Morgan Chase Bank Taipei Branch in its Capacity as Master Custodian for Investment Account of Europacific Growth Fund - A Group of 14 Trustees including David Fisher	0.79

Where the major shareholders of a corporate shareholder are also a corporate shareholder

Name of corporate entity	Corporate entity's major shareholders	Shares Ratio (%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.	100.00



Disclosure of information on professional qualifications of directors and supervisors and on the independence of independent directors:**Independence**

There did not exist a relationship among the Company's directors, among supervisors, or among directors and supervisors that violates the independence requirements specified in the Securities and Exchange Act.

Name	Criteria	Professional qualifications and experience	Number of positions as independent director in other public companies
 TSMC Representative: Robert Kuan (Note 1)		<p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • Master of Materials Science and Engineering, National Tsing Hua University • TSMC-Plant Manager • SSMC -VP of Operations <p>Incumbent:</p> <ul style="list-style-type: none"> • The Company's Chairman and CEO <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 TSMC Representative: George Liu (Note 1)		<p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • Master of Electrical Engineering, Arizona State University • Vanguard International Semiconductor Corporation - Vice President • Intel Corporation - Director <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC-Senior Head of Department <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 TSMC Representative: C.S. Yoo (Note 2)		<p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • Ph.D., Worcester Polytechnic Institute <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC-Vice President <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 TSMC Representative: Sylvia Fang (Note 2)		<p>Professional qualification: Attorney in Taiwan</p> <p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • Master of Comparative Law, The University of Iowa • Taiwan International Patent & Law Office - Senior Legal Specialist • Taiwan Association for Trade Secrets Protection (TTSP) - Director <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC-Vice President and Chief Legal Officer • TSMC North America/TSMC Japan Limited/TSMC Arizona Corporation/TSMC Development Inc./TSMC Partners, Ltd./TSMC Design Technology Canada Inc./TSMC Global Ltd.-Director. • TSMC (Nanjing) Co., Ltd. - Supervisor <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 TSMC Representative: Diane Kao (Note 1)		<p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • MBA, University of California, Berkeley <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC-Senior Head of Department <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 Wendell Huang (Note 3)		<p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • MBA, Cornell University • ING Barings - Financial Vice President • Chase Manhattan - Financial Vice President • Bankers Trust - Financial Vice President <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC - Financial Vice President, CFO, and Spokesperson • TSMC - Vice President and CFO <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0
 Morris Cheng (Note 3)		<p>Professional qualification: Attorney in Taiwan and the United States</p> <p>Main career (academic) achievements:</p> <ul style="list-style-type: none"> • Ph.D. in Law, University of California, Berkeley • Taiwan Hsinchu District Court - Judge <p>Incumbent:</p> <ul style="list-style-type: none"> • TSMC - Head of the Legal Affairs and Legal Compliance Department <p>(No occurrence of any of the circumstances stated in Article 30 of the Company Act)</p>	0

Independence

The Company's three independent directors qualify for the independence requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"

Name	Criteria	Professional qualifications and experience	Number of positions as independent director in other public companies
 Laura Huang (Note 1)		Main career (academic) achievements: <ul style="list-style-type: none"> MBA, University of Missouri UBS - Director and President/Head of Taiwan Region, Ultra High Net Worth Department Merrill Lynch - Director and President China Development Financial Holding Corporation - Senior VP/Head of Investment Banking Incumbent: Serving as the Company's chairman of the Audit Committee, with accounting and professional financial background. <ul style="list-style-type: none"> Having more than 5 years of work experience in commerce, law, finance, or other professional areas that fits the business needs of the Company (refer to their major education and experience as stated above) A graduate in accounting, finance, and business related disciplines. Possess professional certificates such as Taiwan Senior Salesperson and various qualifications granted by Hong Kong Securities and Futures Commission (SFC). (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	0
 Emma Chang (Note 1)		Main career (academic) achievements: <ul style="list-style-type: none"> Master of Law, University of Washington MediaTek Inc. - Head of Legal Affairs and Intellectual Property Department Standard Chartered Bank - Chief Legal Officer TSMC-Deputy Head of Legal (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	0
 Peng-Heng Chang (Note 1)		Main career (academic) achievements: <ul style="list-style-type: none"> Ph.D. in Materials Science & Engineering, Purdue University Motech Industries Inc. - Chairman TSMC-Vice President WSMC - Vice President Incumbent: <ul style="list-style-type: none"> Having more than 5 years of work experience in commerce, law, finance, or other professional areas that fits the business needs of the Company (refer to their major education and experience as stated above) The Company's Remuneration Committee - Chairman MediaTek Inc. - Independent Director Ruiyang Optoelectronics - Representative of Corporate Director Chi-Kuang Solar Energy - Chairman Ruiji Optoelectronics - Representative of Corporate Director Big Sun Energy Technology Inc. - Representative of Corporate Director (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	1

Note 1: Service commenced following the director election held during the extraordinary shareholder's meeting dated March 4, 2021.

Note 2: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021.

Note 3: The Company assembled the Audit Committee on March 4, 2021. Hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default.

(I) Diversification of Board of Directors:

The Company's directors are selected based on its business operations, operating dynamics, and development needs in accordance with Article 23 of "Corporate Governance Best Practice Principles", which include, without being limited to, the following two general standards:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills:

A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. The Board of Directors as a whole shall possess the following capabilities: Ability to make judgments about operations; ability to perform accounting and financial analysis; business management ability; crisis management ability; industrial knowledge; Knowledge of international markets; leadership; and ability to make policy decisions, so as to achieve the ideal of corporate governance.

Implementation of the diversification policy with regard to Board of Directors members is stated as follows:

I. Basic requirements and values: The Company's Board of Directors is assembled based on the Company's scale of operation and management, taking into account practical operation. Members are all Taiwanese nationals; only one director concurrently serves as an employee. The Company also values gender equality, in that 3 out of the 6 seats of directors are female, constituting 50% of the members of the Board of Directors. As regards the dispersion of age range, 3 directors are aged between 51 - 60 years old and another 3 directors are aged 61-70 years old. The Board of Directors has an even dispersion of gender and age.

II. Professional knowledge and skills:

Diversification item Name of director	Industrial knowledge and experience						Professional capability					
	Semi-conductor industry	Optoelectronics industry	Finance and management	Finance and securities	Operational judgment	Operational management	Crisis management	Industrial knowledge	Knowledge of the international markets	Leadership and decision-making	Finance and accounting	Law
TSMC Representative: Robert Kuan	●	●			●	●	●	As shown on the left	●	●		
TSMC Representative: George Liu	●				●	●	●	As shown on the left	●	●		
TSMC Representative: Diane Kao	●		●		●	●	●	As shown on the left	●	●	●	
Independent Director Laura Huang			●	●	●	●	●	As shown on the left	●	●	●	
Independent Director Emma Chang	●			●	●	●	●	As shown on the left	●	●		●
Independent Director Peng-Heng Chang	●	●			●	●	●	As shown on the left	●	●		

(II) Independence of Board of Directors:

The Company has 6 directors, of which 3 are independent directors, accounting for no less than half of the director seats. Each independent director satisfies the independence requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and there is no relationship as a spouse or second-degree relative among directors, which is in compliance with the regulations specified in Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act.

(II) Background information on the President, vice presidents, assistant vice presidents, and heads of various departments and branches

Position	Nationality	Name	Gender	Date elected (appointed) (Note 1)	No. of shares held		Shareholding of spouse and underage children		Shares held by	
					Shares	%	Shares	%	Shares	%
Chairman and CEO	R.O.C	Robert Kuan	Male	May 16, 2021	154,600	0.05	-	-	-	-
President	R.O.C	S.C. Hsin	Male	March 15, 2011	-	-	-	-	-	-
Vice President and CFO/ Accounting Supervisor	R.O.C	Kevin Tsai	Male	July 10, 2006	-	-	592,500	0.20	-	-
Vice President	R.O.C	H.J. Tsai	Male	November 12, 2010	335,060	0.11	-	-	-	-
Vice President	R.O.C	K.P. Lin	Male	March 6, 2020	26,736	0.01	50,000	0.02	-	-
Vice President	R.O.C	W.R. Huang	Male	March 6, 2020	-	-	-	-	-	-
Vice President	R.O.C	J.C. Hsieh	Male	February 23, 2022	32,981	0.01	-	-	-	-
Assistant Vice President	R.O.C	C.C. Chen	Male	June 1, 2011	100	0.00	391	0.00	-	-
Assistant Vice President	R.O.C	Ben Fun	Male	July 1, 2011	170	0.00	-	-	-	-
Audit Supervisor	R.O.C	Meng-shan Wu	Female	June 19, 2020	6,000	0.00	-	-	-	-
Head of Corporate Governance	R.O.C	Chia-hui Lin	Female	August 11, 2021	-	-	-	-	-	-

Note 1: Month/Day/Year.

Note 2: Mr. J.C. Hsieh was promoted to Vice President on February 23, 2022 with the approval of the Board of Directors.

Note 3: Ms. Chia-hui Lin was promoted to the Head of Corporate Governance on August 11, 2021 with the approval of the Board of Directors.

February 28, 2022; Unit: shares/%

proxy	Main career (academic) achievements	Concurrent duties in the Company and in other companies	Manager who is a spouse or a second-degree relative			Remarks
			Position	Name	Relation	
	Master of Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	-	-	-	-	-
	Master of Physics, National Tsing Hua University TSMC - Head of Department Philips Taiwan - Manager	-	-	-	-	-
	Bachelor of Accounting, Soochow University WIN Semiconductors - CFO TSMC-Department Manager TI-Acer Inc. - Department Manager	-	-	-	-	-
	Master of Materials Science, National Tsing Hua University Zhongwei Semi- - Department Manager TSMC-Manager	-	-	-	-	-
	Bachelor of Chemical Engineering, National Tsing Hua University TSMC - Chief Engineer	-	-	-	-	-
	Bachelor of Industrial Engineering, National Tsing Hua University HOYA Microelectronics Taiwan CO., Ltd. - Vice President TSMC - Deputy Head of Department	-	-	-	-	-
	Master of Chemical Engineering, National Cheng Kung University TSMC-Project Manager	-	-	-	-	Note 2
	Master of Materials Science, National Taiwan University	-	-	-	-	-
	PhD in Industrial Engineering and Engineering Management, National Tsing Hua University GlobalFoundries - Deputy Head of Department TSMC-Department Manager	-	-	-	-	-
	Bachelor of Accounting, Chung Yuan University GIS-KY Internal Audit Micron Technology, Inc. - Internal IT Audit	-	-	-	-	-
	Master of Laws, Boston University FIH Co., Ltd. - Senior Manager	-	-	-	-	Note 3

III. Compensation paid to directors, supervisors, the President, and vice presidents in 2021

(I) Compensation to directors

Position	Name	Directors' compensation								Sum of A, B, C, and D as a percentage of net income	
		Compensation (A)		Severance payment and pension (B)		Director remuneration (C)		Fees for services rendered (D)			
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report
Chairman	TSMC										
	Representative: Robert Kuan										
Directors	TSMC										
	Representative: George Liu										
Directors	TSMC										
	Representative: C.S. Yoo (Note)										
Directors	TSMC	2,971	2,971	-	-	2,674	2,674	-	-	0.26%	0.26%
	Representative: Sylvia Fang (Note)										
Directors	TSMC										
	Representative: Diane Kao										
Independent Director	Laura Huang										
Independent Director	Emma Chang										
Independent Director	Peng-Heng Chang										

Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None

Director Compensation Bracket Table

Range of compensation paid to directors	Name of director	Sum of first 4 compensations (A+B+C+D)	
		The Company	All companies included in the financial report
Below NT\$ 1,000,000		TSMC Representative: Robert Kuan; George Liu; C.S. Yoo; Sylvia Fang; Diane Kao; Laura Huang; Emma Chang; and Peng-Heng Chang.	TSMC Representative: Robert Kuan; George Liu; C.S. Yoo; Sylvia Fang; Diane Kao; Laura Huang; Emma Chang; and Peng-Heng Chang.
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (non-inclusive)		-	-
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (non-inclusive)		-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)		-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)		-	-
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)		-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		-	-
NT\$ 100,000,000 and above		-	-
Total		A total of 8 persons	A total of 8 persons

Unit: NTD thousand; %

	Compensation received as employee								Sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
	Salaries, bonuses, special allowances etc. (E)		Severance payment and pension (F)		Employee remuneration (G)						
	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
					Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			

Note: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021.

Sum of first 7 compensations (A+B+C+D+E+F+G)	
The Company	All companies included in the financial report I
George Liu; C.S. Yoo; Sylvia Fang; Diane Kao; and Peng-Heng Chang.	TSMC Representative: George Liu; C.S. Yoo; Sylvia Fang; Diane Kao; Laura Huang; Emma Chang; and Peng-Heng Chang.
-	-
-	-
-	-
-	-
-	-
TSMC Representative: Robert Kuan	TSMC Representative: Robert Kuan
-	-
-	-
-	-
A total of 8 persons	A total of 8 persons

(II) Supervisors' compensation:

Position	Name	Supervisors' compensation						Sum of A, B, and C as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Remuneration (B)		Fees for services rendered (C)				
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	
Supervisor	Wendell Huang	-	-	-	-	-	-	-	-	None
Supervisor	Morris Cheng	-	-	-	-	-	-	-	-	None

Note: The Company assembled an Audit Committee on March 4, 2021, hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default.

Compensation Bracket Table

Range of compensation paid to supervisors	Name of supervisor	Sum of the first 3 compensations (A+B+C)	
		The Company	All companies included in the financial report D
Below NT\$ 1,000,000		Wendell Huang, Morris Cheng	Wendell Huang, Morris Cheng
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (non-inclusive)		-	-
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (non-inclusive)		-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)		-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)		-	-
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)		-	-
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		-	-
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		-	-
NT\$ 100,000,000 and above		-	-
Total		A total of 2 persons	A total of 2 persons

(III) Compensation to the President and vice presidents

December 31, 2021; Unit: NTD thousand; %

Position Name	Salary (A)		Severance payment and pension (B) (Note 1)		Bonus and special allowances (C)		Employee remuneration (D)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
							Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Chairman and CEO Robert Kuan													
President S.C. Hsin													
Vice President Kevin Tsai	22,009	22,009	680	680	12,736	12,736	51,245	-	51,245	-	86,670	86,670	None
Vice President H.J. Tsai											4.00%	4.00%	
Vice President K.P. Lin													
Vice President W.R. Huang													
Vice President J.C. Hsieh													

Note 1: Represents pension contributions made in accordance with laws.

Note 2: Mr. J.C. Hsieh was promoted to Vice President on February 23, 2022 with the approval of the Board of Directors.

Compensation Bracket Table

Range of compensation to the President and vice presidents	Names of President and vice presidents	The Company	All companies included in the financial report
Below NT\$ 1,000,000	-	-	-
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (non-inclusive)	-	-	-
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (non-inclusive)	-	-	-
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)	-	-	-
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	-	-	-
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)	Kevin Tsai, H.J. Tsai, K.P. Lin, W.R. Huang	Kevin Tsai, H.J. Tsai, K.P. Lin, W.R. Huang	Kevin Tsai, H.J. Tsai, K.P. Lin, W.R. Huang
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)	S.C. Hsin, Robert Kuan	S.C. Hsin, Robert Kuan	S.C. Hsin, Robert Kuan
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)	-	-	-
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)	-	-	-
NT\$ 100,000,000 and above	-	-	-
Total	A total of 6 persons	A total of 6 persons	A total of 6 persons

(IV) Names of managers entitled to employee remuneration and amount entitled:




December 31, 2021; Unit: NTD thousand; %

Position	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Chief executive officer	Robert Kuan				
President	S.C. Hsin				
	Kevin Tsai				
	H.J. Tsai				
	K.P. Lin				
Vice President	W.R. Huang	-	70,775 (Note)	70,775 (Note)	3.27
	J.C. Hsieh				
	C.C. Chen				
Assistant Vice President	Ben Fun				
Head of Corporate Governance	Chia-hui Lin				

Note: Ms. Chia-hui Lin was promoted to the Head of Corporate Governance on August 11, 2021 with the approval of the Board of Directors.

(V) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective percentages to standalone or consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

1. Directors', supervisors', President's, and vice presidents' compensations paid in the last two years as a percentage to net income

Position	2020 Total compensation as a percentage of net income		2021 Total compensation as a percentage of net income	
	The Company	All companies included in the financial report	The Company	All companies included in the financial report
 Directors	-	-	0.26%	0.26%
 Supervisor	-	-	-	-
 President and vice presidents	4.11%	4.11%	4.00%	4.00%

2. Compensation policies, standards, packages, and procedures, and association with business performance and future risks

Remuneration for the Company's directors and supervisors has been outlined in the Articles of Incorporation; payment of which is resolved by the Board of Directors and reported in shareholders' meeting. Compensation for the President and vice presidents include salary, bonus, and employee remuneration; compensation packages are determined based on the role, responsibilities, and contribution of each individual while taking into consideration the peer level and overall performance of the Company. Compensations for directors, supervisors, the President, and vice presidents have all been determined after taking into consideration the Company's future prospects and risks. Compensations are positively correlated with business performance, and have been properly balanced against sustainability and risks.



IV. Corporate governance

(I) Functionality of the Board of Directors

The Board of Directors convened a total of 4 regular meetings and 2 extraordinary meetings in 2021; details of directors' and supervisors' attendance are shown below:

Position	Name	No. of in-person attendance	Required attendance	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
Chairman	TSMC Representative: Robert Kuan	6	6	0	100%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.
	TSMC Representative: George Liu	5	6	1	83%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.
Directors	TSMC Representative: C.S. Yoo	1	1	0	100%	Duty commenced on June 14, 2019 Departed from duty at the extraordinary shareholders' meeting dated March 4, 2021.
	TSMC Representative: Sylvia Fang	1	1	0	100%	Duty commenced on June 19, 2020 Departed from duty at the extraordinary shareholders' meeting dated March 4, 2021.
	TSMC Representative: Diane Kao	6	6	0	100%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.
	Wendell Huang	1	1	0	100%	Duty commenced on June 14, 2020 Departed from duty at the extraordinary shareholders' meeting dated March 4, 2021.
Supervisor	Morris Cheng	1	1	0	100%	Duty commenced on June 19, 2020 Departed from duty at the extraordinary shareholders' meeting dated March 4, 2021.
	Laura Huang	5	5	0	100%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.
Independent Director	Emma Chang	5	5	0	100%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.
	Peng-Heng Chang	5	5	0	100%	Duty commenced at the extraordinary shareholders' meeting dated March 4, 2021.

Other mandatory disclosures:

- I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions.
- (I) Conditions described in Article 14-3 of the Securities and Exchange Act: None.
- (II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.
- II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: Chairman Robert Kuan recused himself from the discussion of, and voting on, his compensation.

Date of Board meeting (Month/Day/Year)	Name of director	Motion	Nature of conflicting interest	Participation in voting
March 12, 2021	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' performance in 2020 and salary raise in 2021, with a fixed amount of compensation. Managers' performance evaluation items for 2021. 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
June 22, 2021	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' bonus plan Employee compensation in cash for managers of 2020 To rent a small passenger car 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
August 11, 2021	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' bonus plan 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
November 11, 2021	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' bonus plan Managers' performance evaluation items for 2022. 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
February 23, 2022	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' bonus plan Policy on managers performance evaluation and remuneration; performance evaluation results for 2022; salary raise and fixed amount of compensation. 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed

- III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method, and details of board performance self (or peer) evaluations performed, and complete Table 2 section (2) Execution of Board Performance Evaluation: See table below.
- IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of Audit Committee, improvement of information transparency etc.), and progress of such enhancements: To effectively establish a Board governance system and sound monitoring function, the Company has formulated the "Regulations Governing Board Meetings". All important motions are disclosed on the Market Observation Post System to fully disclose information and protect shareholders' interest. In addition, the Company has established three posts of independent directors, who compose the Audit Committee and the Remuneration Committee, so as to fulfill the spirit of corporate governance.

(II) Implementation status of review of Board of Directors' performance



Annually



January 1 through December 31, 2021



Board of Directors; members of the Board of Directors; and functional committees



Self-evaluation, both by the Board of Directors as a whole, and by each Board of Directors member



I. Items used to evaluate the Board of Directors' performance includes the following five aspects:

- (I) The extent of participation in the Company's operations
- (II) Improvement in the Board's decision-making quality
- (III) Composition and structure of the Board of Directors
- (IV) Election of directors and their continuous education
- (V) Internal control

II. Items used to evaluate the Board members' performance include the following six aspects:

- (I) Grasp the Company's goals and tasks
- (II) Understanding of a director's duties
- (III) The extent of participation in the Company's operations
- (IV) Internal relationship management and communication
- (V) Directors' profession and continuous education
- (VI) Internal control

III. Items used to evaluate the functional committees' performance include the following five aspects:

- (I) The extent of participation in the Company's operations
- (II) Understanding of the functional committee's duties
- (III) Improvement in the functional committee's decision-making
- (IV) quality
- (V) Composition of the functional committee and election of
- (VI) committee members
- (VII) Internal control

On June 22, 2021, the Board of Directors approved the proposed "Regulations Governing Performance Evaluation of the Board of Directors" and disclosed it on the Company's website. It stipulates that at each first quarter, an evaluation shall be conducted to assess the performance for the previous year of the Board of Directors, members of the Board of Directors, and the functional committees, and that the evaluation results shall be submitted to the Board of Directors as a reference for determining their remuneration, or for selection or nomination of directors.

As for the performance evaluation of the Board of Directors of 2021, the self-evaluation by each director was conducted in January 2022 in accordance with the “Regulations Governing Performance Evaluation of Board of Directors”, with 15 pieces of effective questionnaires collected. Self-evaluation of the performance of the Board of Directors as a whole averaged 4.82 points (with 5 points being the highest score); the self-evaluation of the performance of individual directors averaged 4.9 points (with 5 points being the highest score). Both indicate that the Board of Directors functioned well. The self-evaluation of the performance of the functional committees averaged 4.96 points (with 5 points being the highest score), indicating a high degree of independent directors’ recognition for the operation of the Audit Committee and the Remuneration Committee.

(III) Operating status of the Audit Committee:

The Company established the Audit Committee to strengthen corporate governance and board functions. Its main functions include the selection (and dismissal), independence, and performance of certified public accountants, the fair presentation of financial reports, the management of the existing or potential risks of the Company, and the supervision of the effective implementation of internal control systems of the Company.


The Audit Committee meets regularly on a quarterly basis and, within its terms of reference, may invite the managers of relevant departments, internal audit officers, certified public accountants, attorneys, or other personnel of the Company to attend the meeting as non-voting participants and provide pertinent and necessary information.

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

- The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act;
- Assessment of the effectiveness of the internal control system;
- The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others;
- Matters in which a director is an interested party;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto;
- Appointment or discharge of financial, accounting, or internal auditing officers;
- Annual and semi-annual financial reports;
- Proposal of business report, profit distribution or loss appropriation;
- Other significant matters as stipulated by the Company, laws and regulations, or competent authorities.

The Audit Committee held 5 meetings (A) in 2021 and up to the publication date of this annual report; attendance by independent directors is shown as follows:

1. Summary of the Audit Committee’s major tasks for the given year (e.g. reviewing the financial statements, verifying the effectiveness of the internal control system, and so on).
2. The Audit Committee held 5 meetings (A) in 2021 and up to the publication date of this annual report; attendance by independent directors is shown as follows:

Position	Name	Number of in-person attendance (B)	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
 Independent Director	Laura Huang	5	0	100	Convener
	Emma Chang	5	0	100	
	Peng-Heng Chang	5	0	100	

Other mandatory disclosures:

I. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, the dissenting opinion, qualified opinion, or significant suggestions of the independent director, resolutions of the audit committee meetings, and the Company's response to audit members' opinion should be specified.

(I) Matters described in Article 14-5 of the Securities and Exchange Act:

Note: Month/Day/Year.

Board of Directors meeting date (note) and session	Motion	Resolution of the Audit Committee	The Company's response to Audit Committee members' opinion
March 12, 2021 1st meeting of the 1st session	<ul style="list-style-type: none"> Audit the effectiveness of the internal control system and its implementation for 2020, as well as the internal control statement. Audit the business report, financial statements, earnings distribution proposal for 2020. Review the capital budget expenditure. 	Approved by all committee members as proposed	Approved by all directors present as proposed
June 22, 2021 2nd meeting of the 1st session	<ul style="list-style-type: none"> Review the renting of plant and plant facilities. Review the capital budget expenditure. Review the renting of a small passenger car. Review the "Self-assessment Form for Preparation of Financial Statements". 	Approved by all committee members as proposed	Approved by all directors present as proposed
August 11, 2021 3rd meeting of the 1st session	<ul style="list-style-type: none"> Review the effectiveness of the internal control system and its implementation, as well as the internal control statement, for the period between July 1, 2020 and June 30, 2021. Review the capital budget expenditure. Review the "Assessment Form of Financial Statements Preparation Ability". 	Approved by all committee members as proposed	Approved by all directors present as proposed
November 11, 2021 4th meeting of the 1st session	<ul style="list-style-type: none"> Review the revision of the internal Control System and the Implementation Rules for Internal Auditing. Review the audit plan for 2022. Review the internal control statement for the period between October 1, 2020 and September 30, 2021. Review the capital budget expenditure. Review the "Assessment Form of Financial Statements Preparation Ability". Review the underwriting of the common shares to which the subscription right has been abandoned by the original shareholder. Review the fee for CPAs providing attestation service. 	Approved by all committee members as proposed	Approved by all directors present as proposed
February 23, 2022 5th meeting of the 1st session	<ul style="list-style-type: none"> Audit the business report, financial statements, earnings distribution proposal for 2021. Review the amendments to "Procedures for the Acquisition or Disposal of Assets". Review the capital budget expenditure. Review the proposal that suggests not formulating operating procedures for supervision and monitoring of subsidiaries. Review the items for supervision and monitoring of subsidiaries that will be added to the audit plan for 2022. Audit the effectiveness of the internal control system and its implementation, as well as the internal control statement, for 2021. 	Approved by all committee members as proposed	Approved by all directors present as proposed

(II) Any other resolutions that were approved by two-thirds of Board members but not approved by the Audit Committee other than those described above: None.


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

III. Communications between independent directors and the Company's chief internal auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.)

1. The Company's chief internal auditor regularly submits a report to the independent directors, communicates with them at any time by phone, mail, or text message whenever necessary, and be present at the Audit Committee meeting to provide suggestions and explanation when a committee member requires so.
2. The Company's CPAs explain matters pertaining to review or audit of the financial statements to independent directors, either face to face or in writing; independent directors may respond in the same manner. If need be, full communication may be made by phone, mail, or text message at any time.
3. The Company's independent directors did not express any specific opinion on the matters communicated between them and the chief internal auditor or the CPAs.

(IV) Supervisors' involvement in Board of Directors meetings:

The Board meetings were convened a total of 4 regular meetings and 2 extraordinary meetings in 2021; details of supervisors' attendance are shown below:

Position	Name	No. of in-person attendance	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
 Supervisor	Wendell Huang	1	0	100%	March 4, 2021 Departed from duty at an election at an extraordinary shareholders' meeting.
	Morris Cheng	1	0	100%	March 4, 2021 Departed from duty at an election at an extraordinary shareholders' meeting.

Other mandatory disclosures:

1. Composition and duties of supervisors: The Company already established the Audit Committee on March 4, 2021, which assumed supervisors' duties. The Audit Committee is responsible for reviewing the annual financial statements, monitoring the Company's business and financial conditions, and may request a report from the Board of Directors and exercise any authorities vested in it by law.
2. Supervisors' communication with employees and shareholders: Supervisors may communicate with employees, shareholders, or stakeholders directly whenever deemed necessary.
3. Communication between supervisors and internal/external auditors: Audit report and tracking report are prepared and submitted by the chief internal auditor, and forwarded to supervisors before the end of the month following the audit. The chief internal auditor responds to supervisors' queries in a timely manner, and the both parties have been able to communicate with each other in a productive manner. The chief internal auditor also maintains open communication with CPAs, and complies with instructions of the authority by providing CPAs with copies of next year's audit plan, progress report of previous year's audit plan, and reports of internal control defects identified as well as improvements made during the year once they have been filed.
4. Opinions expressed by supervisors in board meetings; state the date and type of the meeting held, the discussed motion, the board's resolution, and how the Company had responded to supervisors' opinions:
None

Deviation and causes of deviation of the Company's actual governance from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Assessment	Yes	No
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	●	
II. Shareholding structure and shareholders' interests		
i. Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	●	
ii. Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	●	
iii. Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	●	
iv. Has the Company established internal policies that prevent insiders from trading securities against non-public information?	●	
III. Composition and responsibilities of the Board of Directors		
i. Has the board devised and implemented policies to ensure diversity of its members?	●	
ii. Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	●	
iii. Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the Board of Directors and used as reference for compensation and nomination decisions?	●	
iv. Are external auditors' independence assessed on a regular basis?	●	
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	●	

Actual governance	Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
Summary description	
The Company has established and disclosed its own "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", and always abides by regulations stipulated therein to disclose the various information.	No significant deviation
The Company has established its own "Rules of Procedure for Shareholders Meetings". In addition, abiding by the "Corporate Governance Best Practice Principles", the Company has established a spokesperson system to deal with relevant matters and set a post of stock affairs personnel to handle the submissions and concerns of, or disputes between, the shareholders. Yet, the Company maintains a harmonious relationship with shareholders and has so far not had any disputes with them.	No significant deviation
The Company has a good grasp of the shareholding status of major shareholders, directors, and managers by referencing the shareholder register on the book closure date that is provided by the stock agent. In addition, the Company files the shareholding changes of insiders (directors, managers, and shareholders holding no less than 10 percent of the Company's shares) with the competent authority through its designated Market Observation Post System on a monthly basis.	No significant deviation
The Company has established the "Operating Procedures for Transactions with Related Party, Specified Company or Institution, and Group Entity", "Endorsement and Guarantee Procedures", "Lending Funds to Other Parties Procedures", and "Procedures for the Acquisition or Disposal of Assets" - all aim to establish an appropriate risk control mechanism and firewall.	No significant deviation
The Company has established the "Procedures for the Prevention of Insider Trading" that prohibits insiders from trading securities against non-public information, to avoid violating the regulations governing insider trading.	No significant deviation
The Company has taken into account the diversity among Board of Directors members in accordance with the "Corporate Governance Best Practice Principles" and the "Regulation Governing the Election of Directors". Incumbent directors are all professionals in areas such as finance, law, accounting, industry, and technology, evidencing a diversified composition among Board members.	No significant deviation
The Company has established the Remuneration Committee and the Audit Committee on March 4, 2021 and will further plan the establishment of other similar functional committees according to business needs.	No significant deviation
To implement corporate governance and improve its Board's functions, the Company has established various performance goals to enhance the Board's operating efficiency. The Company already formulated its "Regulations Governing Performance Evaluation of Board of Directors", by which it completed the performance evaluation of the Board of Directors of 2021 in January 2022 and submitted the evaluation results to the Board of Directors to serve as a reference, both for discussion and determination of the remuneration for the Board of Directors of 2021, and for re-nomination of directors in future Board elections.	No significant deviation
The Company's Audit Committee regularly reviews the independence of the independent auditors and reports the result to the Board of Directors. The nearest evaluation results submitted by the Audit Committee to the Board of Directors were on November 11, 2021. The Company's Audit Committee regularly evaluates the independent auditor's independence and suitability every year by means of either demanding that the independent auditors provide a "Statement of Independence", or by formulating the "Assessment Form of Independent Auditor's Independence and Suitability", against which all items that might impact independence are evaluated one after another. After evaluation, the Company believes it true that the independent auditors have no business or financial relationship with the Company, except the fees for their attestation and taxation service, evidencing the requirement for independence and suitability.	No significant deviation
The Company has appointed Chia-hui Lin, Head of Legal, to be the Head of Corporate Governance, who is responsible for handling corporate governance affairs and providing the Board of Directors and its members with all information needed.	No significant deviation

Assessment	Yes	No
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	<input checked="" type="radio"/>	<input type="radio"/>
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	<input checked="" type="radio"/>	<input type="radio"/>
VII. Information disclosure		
v. Has the Company established a website to disclose financial, business, and corporate governance-related information?	<input checked="" type="radio"/>	<input type="radio"/>
vi. Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)?	<input checked="" type="radio"/>	<input type="radio"/>
vii. Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance before the required due dates?	<input checked="" type="radio"/>	<input type="radio"/>
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	<input checked="" type="radio"/>	<input type="radio"/>
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: Not applicable.		

Actual governance	Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
Summary description	
The Company has created a dedicated section on its website for stakeholders to serve as a communication channel between it and stakeholders.	No significant deviation
The Company has commissioned the Agency Department of CTBC Bank as the stock transfer agent, which is responsible for handling shareholder service and shareholder meeting affairs.	No significant deviation
	No significant deviation
The Company has created own website (http://www.viseratech.com/) to disclose information on its business, finance, and corporate governance.	No significant deviation
The Company has designated dedicated personnel to collect and disclose the Company's information and implemented the spokesperson system and the acting spokesperson system as required.	No significant deviation
<p>The Company makes public announcements and reports in accordance with Article 36 of Securities and Exchange Act and Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies.</p> <p>The Company's financial statements for 2021 were approved for publication and announcement by the Board of Directors within two months after the end of the fiscal year; it also announced and filed its financial statements for each two quarters and its business performance for each month within the specified due dates. The Company believes itself to have satisfied the requirements for a TWSE/TPEX listed company.</p>	No significant deviation
<ol style="list-style-type: none"> 1. Employee rights: The Company ensures employees' legal rights by adhering to the Labor Standards Act and its personnel regulations. It also regularly holds labor-management meetings to harmonize its labor relations. 2. Employee care: The Company upholds the philosophy of a friendly workplace in recruiting and retaining talents. It strives to provide a good work environment: Apart from the establishment of the Employee Benefits Committee, to which it regularly contributes employee benefit funds, it also contributes a certain amount of employee retirement funds as required by law, purchases group insurance for employees, and arranges health check-up for them, so as to maximize the employees' benefits it can provide. 3. Investor relation: The Company has a spokesperson system and an acting spokesperson system, through which it communicates with outsiders. Aside from updating its operating results, the Company also assigns dedicated personnel to disclose its information on the Market Observation Post System as required by law. 4. Supplier relations: Through activities such as supplier audit/supplier evaluation/raw material supply and demand tracking/contractor meeting/quality improvement meeting and ongoing exchange of opinions with the management, the Company works closely with key suppliers and contractors, and maintains productive relationships that would ensure better performance in the future. 5. Stakeholders' interests: The Company has maintained a smooth communication channel with employees, customers, suppliers, and contractors, and respects and upholds their legal rights. Stakeholders may communicate their opinions to the Company at any time. The Company values their opinions and will use them as reference for future work implementation. 6. Continuing education of directors and supervisors: The Company has established the Audit Committee to assume the duties of supervisors. All the Company's directors are experts in certain area; they also regularly take part in continuing education courses as required by law and have obtained certificates. 7. Risk management policies, practices, and risk assessment standards: The Company has established internal policies in accordance with laws to manage and assess risks. 8. Execution of customer policy: The Company has assigned a dedicated unit to handle customers' complaints and issues. The unit is responsible for appropriately addressing issues that concern customers, and in doing so, maintains a good relationship with customers, thereby creating profits for the Company. 9. Purchase of liability insurance for directors: The Company has purchased liability insurance for its directors in order to reduce and diversify the risk of causing significant losses to shareholders due to directors' errors or negligence. 	No significant deviation




(V) Disclose the composition, responsibilities, and functioning of remuneration committee, if available:

1. In order to implement corporate governance and establish a sound remuneration system for directors and managers, on March 4, 2021, the Company established the Remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange. The committee comprises three members, who are appointed by the Board of Directors through a resolution. At least one of them is the Company's independent director. The Remuneration Committee members shall select an independent director to serve as the convener and chairperson of their meetings, and as a representative of the Remuneration Committee when dealing with outsiders. The committee shall exercise the due care of a good administrator to loyally perform the following powers and duties, and shall submit its suggestions to the Board of Directors for discussion:

- (1) Establishment the overall compensation policies of the Company.
- (2) Establishment and regular review of directors' and managers' performance, as well as remuneration policies, systems, standards, and structures.
- (3) Regular assessment and determination of the remuneration for directors and managers.

2. Information on Remuneration Committee members

February 28, 2022



Title	Name	Criteria	Professional qualifications and experience	Number of public companies for which the committee member concurrently serves in their remuneration committees.
 Independent Director	Laura Huang	Main career (academic) achievements: <ul style="list-style-type: none">• MBA, University of Missouri• UBS - Director and President/Head of Taiwan Region, Ultra High Net Worth Department• Merrill Lynch - Director and President• China Development Financial Holding Corporation - Senior VP/Head of Investment Banking Incumbent: Serving as the Company's chairman of the Audit Committee, with accounting and professional financial background. <ul style="list-style-type: none">• Having more than 5 years of work experience in commerce, law, finance, or other professional areas that fits the business needs of the Company (refer to their major education and experience as stated above)• A graduate in accounting, finance, and business related disciplines.• Possess professional certificates such as Taiwan Senior Salesperson and various qualifications granted by Hong Kong Securities and Futures Commission (SFC).	-	
 Independent Director	Emma Chang	Main career (academic) achievements: <ul style="list-style-type: none">• Master of Law, University of Washington• MediaTek Inc. - Head of Legal Affairs and Intellectual Property Department• Standard Chartered Bank - Chief Legal Officer• TSMC-Deputy Head of Legal	-	
 Independent Director	Peng-Heng Chang	Main career (academic) achievements: <ul style="list-style-type: none">• Ph.D. in Materials Science & Engineering, Purdue University• Motech Industries Inc. - Chairman• TSMC-Vice President• WSMC - Vice President Incumbent: <ul style="list-style-type: none">• The Company's Remuneration Committee - Chairman• MediaTek Inc. - Independent Director• Ruiyang Optoelectronics - Representative of Corporate Director• Chi-Kuang Solar Energy - Chairman• Ruiri Optoelectronics - Representative of Corporate Director• Big Sun Energy Technology Inc. - Representative of Corporate Director	1	

Independence

The Company's three independent directors qualify for the independence requirements set forth in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

3. Status of operation of the Remuneration Committee

- (1) The Company's Remuneration Committee comprises three members.
- (2) Service tenure of the current committee: Between March 4, 2021 and March 3, 2024. As of 2021 and up to the publication date of this annual report, the Remuneration Committee held a total of 5 meetings [A]; the attendance by committee members is stated as follows:

Position	Name	Number of in-person attendance [B]	Number of proxy attendance	Percentage of in-person attendance (%) [B/A]	Remarks
 Convener	Peng-Heng Chang	5	0	100	
	Laura Huang	5	0	100	
 Committee member	Emma Chang	5	0	100	

Other mandatory disclosures:

- I. If the Board of Directors declines to adopt or modify a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the Board of Directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- II. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions, and the response to members' opinion should be specified: None.

(VI) Fulfillment of Sustainable Development; Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies; and Causes for Such Deviations

Promoted Items	Yes	No
I. Does the company establish a governance structure and set up an exclusively (or concurrently) dedicated unit to promote sustainable development? Is such unit being dealt with by high level management as authorized by the Board of Directors? How is it supervised by the Board of Directors?	<input checked="" type="radio"/>	
II. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	<input checked="" type="radio"/>	
III. Environmental issues		
(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	<input checked="" type="radio"/>	
(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	<input checked="" type="radio"/>	
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	<input checked="" type="radio"/>	
(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	<input checked="" type="radio"/>	

Execution progress	Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
Summary description	
<p>In 2021, the Company established the "ESG Sustainable Development Promotion Committee", the highest decision-making body within the Company with respect to sustainable development. The committee is chaired by the President who, together with a representative and various high-level management possessing different expertise, reviews the Company's core operating capabilities and sets up the medium- and long-term sustainable development plan.</p> <p>Through quarterly meetings and workshops established to cover different issues, the "ESG Sustainable Development Promotion Committee" identifies the sustainability issues that are relevant to the Company's operations and concern stakeholders. The committee also formulates a response strategy and working policy, and further tracks the implementation performance to ensure that the sustainable development strategy is incorporated into the Company's daily operations. The management representative regularly reports to the Board of Directors on the sustainable development implementation performance and future work plan.</p>	No significant deviation
<p>In 2021, the Company's Board of Directors approved the formulation of the "Risk Management Policy and Procedures", the highest level guidelines on risk management within the Company. Upholding its business vision and the long-term sustainability accountability it holds to society and the industry, the Company has established the Enterprise Risk Management (ERM), which, by evaluating the frequency of risk events occurrence and the extent of operational impact they have, defines the risk control priority and risk levels, and adopts a risk management policy corresponding to the risk levels defined. Relevant policies and procedures, management scope, organizational structure, and operating status have been disclosed on the Company's website.</p>	No significant deviation
<p>The Company views pollution prevention as one of its top priorities, and is dedicated to promoting environmental sustainability, green production, and building its reputation as the role model in environmental protection. The Company adopted ISO 14001 - Environmental Management System in the early stage of plant construction and later adopted ISO 50001 - Energy Management System in 2014. Since then, the Company has been making annual improvements and taking the initiative to minimize the environmental impacts of its production and operational activities from an environmental, energy management, and regulatory perspective.</p>	No significant deviation
<ol style="list-style-type: none"> 1. Low carbon manufacturing: The Company continues to adopt the best technologies to reduce greenhouse gas emission, and strives to become the industry's role model in low carbon manufacturing. 2. Use of renewable energy: The Company adopts the use of solar power system and is constantly searching for opportunities to make use of renewable energy. 3. Improving energy efficiency: The Company introduces new energy conservation measures each year and takes pro-active energy actions to raise energy efficiency. 4. Resilience to climate change: The Company has response and preventive measures in place to mitigate climate change risks. 	No significant deviation
<p>The Company actively supports green energy, carbon reduction, and environmental protection trends throughout the world, and fulfills its environmental duties as Earth's resident. The Company gives thorough consideration to environmental protection, in that it has actively purchased local renewable energy, invested resources to develop green machinery, introduced new-generation energy-efficient machinery, and strived to achieve the green objective of doubling its energy efficiency for each unit product produced. Meanwhile, it also plans and constructs green buildings, executes projects regarding energy and water conservation and carbon reduction, and raises the ground level of buildings.</p>	No significant deviation
<p>The Company completed the assessment of product life cycle, carbon footprint, and water footprint and managed to obtain third-party certification in 2019. The Company has been certified with international standards including ISO 14040, ISO 14067, and ISO 14046. The Company makes pro-active attempt at minimizing environmental footprint of its product, and continues to enforce green actions including greenhouse gas reduction, energy conservation, water conservation, waste reduction, resource recycling/reuse, and pollution prevention throughout the Company.</p> <ol style="list-style-type: none"> 1. Greenhouse gas reduction and energy management <p>The Company implemented a greenhouse gas self-survey system in 2013 that enabled it to complete scope 1 and scope 2 greenhouse gas surveys annually for the previous year. Survey results are verified by an external party according to ISO 14064-1 standards and reported back to the parent company for consolidation. Greenhouse gas emission per unit of product in 2021 and 2020 was 45.89% and 59.5% lower than the 2018 level, whereas PFCs emission per unit of product was 93.03% and 38.4% lower than the 2018 level.</p> 2. Water resource management: <ol style="list-style-type: none"> (1) Resource risk management: The Company executes climate risk mitigation solutions and takes progressive steps to conserve water and adjust to water shortage. Water usage per unit of product in 2021 and 2020 was 34.72% and 41.18% lower than the 2018 level. (2) Diversified water resources: The Company continues to cut down production water usage and recycle water through integration of internal and external resources. The Company recycled 88% of production wastewater in 2021 and 2020. (3) Development of treatment technology: Advanced water treatment technologies are being adopted to ensure effective removal of TMAH and other pollutants in wastewater. TMAH concentration of wastewater discharged was measured to be 9.09mg/L in 2021 and 12mg/L in 2020. 3. Waste management: <ol style="list-style-type: none"> (1) Reduction at the source: Suppliers are being requested to supply chemical machinery of low consumption, which helps reduce waste at the source. Volume of outsourced waste disposal per unit of wafer in 2021 and 2020 was 0.09kg and 0.09kg, respectively, less than the 2018 level. (2) Circular economy: The Company is constantly in search of new waste recycling technology to increase the volume of waste recycled and reused. In 2021 and 2020, the Company recycled 55% and 54%, respectively, and landfilled 0.1% and 0.24%, respectively, of waste. (3) Audit and counseling: The Company performs audit and joint evaluation/counseling according to Waste Management Service Provider Evaluation Standards for High-tech Industry. 	No significant deviation

Promoted Items

Yes

No

IV. Enforcement of public interest

(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?



(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?



(III) Does the Company provide employees with a safe and healthy work environment?
Are employees trained regularly on safety and health issues?



(IV) Does the Company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?

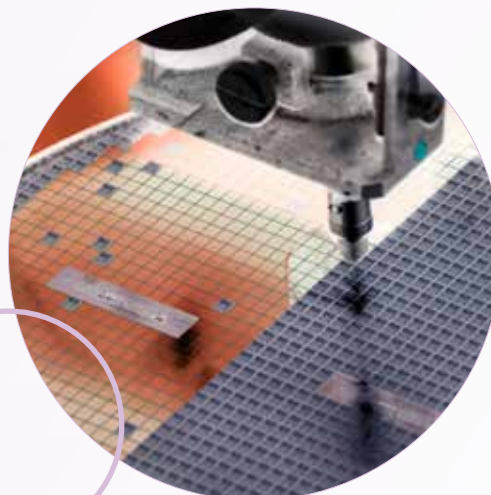


Execution progress	Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
Summary description	
<p>The Company strictly abides by labor laws and regulations, with which all of its internal regulations and systems comply. "VisEra Corporate Social Responsibility Policy" and "VisEra Supplier Code of Conduct" have been created based on "Responsible Business Alliance (RBA, formerly known as EICC) Code of Conduct" and "United Nations Guiding Principles on Business and Human Rights." From 2021 onwards, the Company requires suppliers to sign the "VisEra Supplier Code of Conduct" in order for them to fulfill the requirements of workers' human rights, terms of employment, workers' health, occupational safety and health, and environmental protection.</p>	No significant deviation
<p>The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company's sustainable development and promotes the following employee welfare measures:</p> <ol style="list-style-type: none"> 1. Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance. 2. Group Insurance: In addition to the employees themselves, their spouses, children and parents are also covered, so that colleagues and their families can be protected. 3. Employee welfare: The Company makes welfare fund contributions as per the "Employee Welfare Fund Act," and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work. In response to the COVID-19 pandemic in 2021, the Company cancelled the planned activities such as employee tours, family day, and company-wide year-end party, which were replaced with benefit fund subsidies and department-wide year-end parties. Activities planned for 2022 will depend on how the pandemic develops. 4. Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel are hired, and physicians are regularly arranged for to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. Health promotion courses are organized regularly, such as the body-mind courses. Blood donation activities are arranged, both to accelerate metabolism and to do charity. Health lectures were suspended due to the COVID-19 pandemic in 2021; onsite services provided by physicians and professional psychological consultants were still available. 5. Group meals: The Company has a canteen and coffee bar which provide various meals such as buffet, fast food, and wheat dishes. Lunch, dinner and supper are all subsidized by the Company. The Company starts providing exotic cuisine meals, which mainly comprise native cuisine of those foreign-national migrant workers, in order to comfort their homesickness. 6. Bonus system: The Company pays bonuses depending on performance results. 7. Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies. <p>Employee compensation is determined by the provisions of the Company's Articles of Incorporation, which fixes it at no less than 1% of annual earnings.</p>	No significant deviation
<ol style="list-style-type: none"> 1. Fully featured work environment: <ul style="list-style-type: none"> • The plant completed in 2007 received Award of Excellence for Green Plant Initiative within the science park. • Safe and constant-temperature clean room environment. • Well-lit, comfortable, and accessible office environment where employees may communicate easily with each other. • Five-star fitness center featuring commercial-grade fitness equipment, aerobics rooms, pool table, and table tennis equipment. • Employees are entitled to car/scooter/bicycle parking lots. 2. Professional services: The Company has a health center, equipped with nursing professionals to provide professional health consultation and nursing services; a nursery room has also been created to cater for the needs of working mothers. 3. Health events: The Company organizes regular health checkups and screenings that are more comprehensive than what the laws require, thereby allowing early identification of health problems. Complimentary health seminars, physique management courses, hiking events, and massage services are organized for employees' benefit. Although the health lectures were cancelled due to the COVID-19 pandemic, in 2021, the Company still took care of employees by arranging a health check-up for them, as required by law. 4. The Company complies with laws and makes ongoing efforts to promote employees' safety and health awareness. New recruits are subjected to safety and health training upon commencement of duty, and all employees are trained regularly on evacuation and use of fire extinguishers and fire hydrants. Practical CPR/AED training are also arranged for employees' safety. 	No significant deviation
<p>The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. A quarterly labor-capital meeting is held to explain the Company's operation profile to labor representatives and participate in discussions on labor conditions and welfare matters. Employee communication meetings are held quarterly for direct and two-way interaction and communication. Important information and recent events are announced through the internal website (My VisEra). A channel for employee grievances has been established and the responsible segment and the Company's top management will be informed based on the nature of the grievances. There is also an employee suggestion box to allow employees to give their comments about work and environmental issues and suggestions. Multiple channels for employee feedback are maintained, voices of employees are listened to, and responses and communication are made in a timely manner to promote labor-management harmony and achieve win-win for both the enterprise and employees.</p>	No significant deviation

Promoted Items	Yes	No
(V) Has the Company complied with laws and international standards with respect to issues such as customers' health, safety and privacy, marketing, and labeling that involve its products and services, and implemented consumer and customer protection policies and complaint procedures?	<input checked="" type="radio"/>	<input type="radio"/>
(VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?	<input checked="" type="radio"/>	<input type="radio"/>
V. Does the Company prepare its sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or the opinion of a third-party certifier?	<input type="radio"/>	<input checked="" type="radio"/>
VI. If the company has established sustainable development principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe its current practices and any deviations from those principles: The Company has established a "Responsible Business Alliance Management Handbook" based on its current practices, and takes progressive steps toward fulfilling its corporate social responsibilities.		
VII. Other importance information that facilitates the understanding of how well sustainable development is currently being implemented: Volunteer services: The Company has long been cooperating with local government agencies, schools, and non-profit organizations to support education, environmental protection, and charity. Through volunteer service, we aim to bring more positivity and hope to Taiwan's society. Industry-academia collaboration: The Company views education as the most worthy investment of all. Through industry-academia collaboration, we equip young students with the proper knowledge to grow and gain employment opportunities. At VisEra, we make it our responsibility to nurture the next generation of technology talents.		
VIII. Describe the criteria undertaken by any institution to certify the Company's CSR report: Not applicable.		



Execution progress	Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
Summary description	
Not applicable as VisEra does not produce the final products.	Not applicable.
<p>Plant affairs, quality management, and sales teams continue to work with suppliers on resolving various issues:</p> <ol style="list-style-type: none"> 1. Restriction of Hazardous Substances: VisEra promotes "green purchase," an initiative that requires all raw material suppliers to issue statements assuring that their products contain no substances that are considered harmful to the environment or are banned internationally. In doing so, the Company ensures that its products comply with RoHS requirements of its customers, such as those in the EU. 2. "VisEra Supplier Code of Conduct" has been created based on "Responsible Business Alliance (RBA, formerly known as EICC) Code of Conduct" and "United Nations Guiding Principles on Business and Human Rights." It requires suppliers to conform with various requirements concerning: workers' human rights, terms of employment, workers' health, occupational safety and health, and environmental protection. 3. Management of conflict minerals: With regards to the management of conflict minerals, VisEra Technologies requires all suppliers to prohibit against using "minerals sourced from conflict regions," and to sign commitment to non-conflict minerals as per request of VisEra. 	No significant deviation
<p>The Company has always been committed to high standards of corporate social responsibility, and strives to fulfill its duties as a corporate citizen. The Company values sound employee relations, supplier management, corporate governance, commercial ethics, social care, and environmental protection as the foundation for sustainable growth. Below are the 7 policies that VisEra Technologies has adopted towards fulfilling corporate social responsibilities:</p> <ol style="list-style-type: none"> 1. Uphold integrity and enforce corporate governance. 2. Comply with and act within the confines of laws, and refrain from violation. 3. Avoid corruption and favoritism; refrain from bribery and exploiting political affiliation. 4. Provide a satisfying work environment, including attractive compensations and challenging works, that cater for employees' physical and mental needs. 5. Emphasize and actively reward innovation. 6. Enforce environmental protection measures in response to climate change. 7. Care for the local community and support educational and cultural events on an ongoing basis. <p>Being yet to be listed on the TWSE, the Company has not prepared a corporate social responsibility report. Nevertheless, to fulfill government requirements, the Company will compile its first corporate sustainability report this year in accordance with the Global Reporting Initiatives (GRI) and, as required by law, will invite a third-party certifier to attest its report.</p>	Adapted to international standards; implemented phase by phase.



(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies:

Assessment	Yes	No
I. Establishment of integrity policies and solutions		
(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the Board of Directors and the senior management committed to fulfilling this commitment?	<input checked="" type="radio"/>	<input type="radio"/>
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	<input checked="" type="radio"/>	<input type="radio"/>
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	<input checked="" type="radio"/>	<input type="radio"/>
II. Enforcement of business integrity		
(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	<input checked="" type="radio"/>	<input type="radio"/>
(II) Does the Company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the Board of Directors on a regular basis (at least once a year)?	<input checked="" type="radio"/>	<input type="radio"/>
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	<input checked="" type="radio"/>	<input type="radio"/>
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	<input checked="" type="radio"/>	<input type="radio"/>
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	<input checked="" type="radio"/>	<input type="radio"/>
III. Whistleblowing system		
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	<input checked="" type="radio"/>	<input type="radio"/>
(II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	<input checked="" type="radio"/>	<input type="radio"/>
(III) Has the Company provided proper whistleblower protection?	<input checked="" type="radio"/>	<input type="radio"/>
IV. Enhanced information disclosure		
(I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	<input checked="" type="radio"/>	<input type="radio"/>
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics". All employees, managers, and Board members must be obliged by such principles and code, as well as other relevant regulations. There was no deviation of implementation from the contents of such principles and code.		

Actual governance	Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
Summary description	
Based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", the Company has formulated its own "Ethical Corporate Management Best Practice Principles", which has been approved by the Board of Directors. The Board of Directors and management fully understand and implement those principles; they have incorporated those principles into their internal management and external business activities.	No significant deviation
The Company's formulating the "Ethical Corporate Management Best Practice Principles" and the "Code of Ethics" ensures its ethical corporate management. The Company also regularly holds education and trainings on corporate governance for directors, irregularly disseminates corporate ethics, specifies awards and disciplinary actions in its "Work Rules" to prevent employees' conducting unethical conduct, and implements ethical corporate management through internal approval process and the internal control system.	No significant deviation
As stated above. The Company also disseminates "ethical corporate management" internally; In addition, the Company's internal and external websites both provide a channel for whistleblowing/complaint/opinion submissions, which will be transmitted by their nature to the dedicated department and the Company's highest-level manager.	No significant deviation
All of the Company's transaction counterparties are subject to this supplier management mechanism. With suppliers and contractors already under partnership with the Company, the Company also regularly audits and assesses them, and includes provisions of business ethics in the contracts with them.	No significant deviation
To fulfill the supervision responsibilities for ethical corporate management, it is implemented by the Legal and the HR units. The head of the Legal regularly reports the Company's legal compliance status at a management meeting. In addition, internal audit personnel make regular reports to the Board of Directors on the outcome of audit activities. Managers of the Company, particularly the CEO and CFO, perform duties under the supervision of the Board of Directors, and are responsible for ensuring that any financial and accounting information disclosed by VisEra Technologies to the authority and the public is complete, fair, accurate, timely, and easy-to-understand. In 2022, the Company created the Corporate Governance Task Force, the implementation unit, which regularly reports to the Board of Directors. Compliance training is one of the most important elements of VisEra's compliance plan. Through regular introduction of regulation awareness and training courses, employees of VisEra are informed on the latest laws and rules that are most relevant to them. This knowledge helps enforce employees' commitment to business integrity. Each year every employees receives at least 0.5 hour of training courses (e-Learning) on ethical conduct and legal compliance. In 2021, the course completion rate was 100% (with a total of 1,355 persons). Legal compliance trainings will still be provided in 2022.	No significant deviation
For those having a personal interest when involving in certain business activities, they shall report to their supervisor and recuse themselves from such activities in order to prevent conflict of interest. When any motion where a director's interest in at odds with their obligations to the Company is considered, all directors concerned recuse themselves from consideration and voting in accordance with the principle for avoidance of conflict of interest.	No significant deviation
The Company's accounting system is established against actual business needs, as well as the Securities and Exchange Act, Company Act, Business Entity Accounting Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the FSC-endorsed International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations. The Company's internal control system is established against the "Regulations Governing Establishment of Internal Control Systems by Public Companies". Both the accounting system and the internal control system are well implemented. The audit department under the Board of Directors also regularly audit the compliance with the accounting system and the internal control system, and reports the results to the Board of Directors.	No significant deviation
By having employees attend the annual online "Business Integrity and Legal Compliance Annual Dissemination Seminar", the Company makes them well aware of the Company's determination to achieve ethical corporate management, business ethical policy, prevention programs, and the consequence of violating the policy. The Company also has an employee complaint channel in place to ensure communication between the Company and employees, so as to create a harmonious labor relation and build consensus.	No significant deviation
	No significant deviation
The Company has implemented the "Ethical Corporate Management Best Practice Principles", "Code of Ethics", and "Workplace Violation Prevention Policy" internally. Employees and outsiders are able to report misconduct relating to finance, laws, or ethics through the corporate website or directly to the CEO or President. Employees have the responsibility to report any suspicion of unethical practice to the line manager, the head of human resources, or through available whistleblowing channels.	No significant deviation
The Company will definitely keep confidential the whistle-blower's identity and the whistle-blown contents, and actively verify the contents and handle the case. Where a violation is deemed, the violator will be subject to disciplinary actions based on the extent of violation.	No significant deviation
The Company has disclosed on its website the "Ethical Corporate Management Best Practice Principles", measures taken to realize ethical corporate management, and the status of corporate social responsibility implementation.	No significant deviation
VI. Other information important to the understanding of ethical corporate management: Aside from the "Ethical Corporate Management Best Practice Principles", the Company also creates other internal regulations, such as the Code of Ethics, Corporate Governance Best Practice Principles, Procedures for the Prevention of Insider Trading, and Operating Procedures for Transactions with Related Party, Specified Company or Institution, and Group Entity.	

(VIII) Where a company has established its own corporate governance principles and other regulations, the manner through which they are available for consultation shall be specified: They are accessible at <http://www.viseratech.com>, the Company's dedicated area for investors.

(IX) Other information material to the understanding of corporate governance within the Company:

1. The Company has always been supportive of sound corporate governance since it was first founded. It adopts an operational strategy that not only conforms with the corporate governance spirit, but supports the Company's business activities and maximizes shareholders' interests as well. The Board of Directors consists of members with diverse expertise, including law professionals, industry veteran, and finance/investment professionals. The Board of Directors is considered to have functioned as intended.
2. The Company implements and executes a robust internal control system. It has self-inspection systems in place to check day-to-day operations, whereas the Board of Directors and the management conduct regular reviews on self-inspection reports submitted by individual departments and audit reports submitted by internal auditors. In doing so, the management ensures performance and efficiency of the Company's operations, the accuracy of financial statements prepared, and compliance throughout the organization.
3. Continuing education on corporate governance for the Company's directors in the most recent year and up to the publication date of this annual report

Position	Name	Date of continuing education (Month/Day/Year)	Organizer	Course title	Hours
Chairman	Robert Kuan	March 4, 2021	●	Corporate governance and securities regulations	3
Directors	George Liu	March 5, 2021			3
Directors	Diane Kao	March 4, 2021			3
Independent Director	Laura Huang	March 4, 2021			3
Independent Director	Emma Chang	March 4, 2021			3
		March 4, 2021			3
Independent Director	Peng-Heng Chang	October 26, 2021		Use of AI and Big Data to Prevent and Investigate Internal Fraud in Enterprise (Part 1)	3
		October 26, 2021		Use of AI and Big Data to Prevent and Investigate Internal Fraud in Enterprise (Part 2)	3

● Taiwan Corporate Governance Association

4. Continuing education on corporate governance for the Company's managers (President, Vice Presidents, and accounting, financial, and audit supervisors) in the most recent year up to the publication date of this annual report

Position	Name	Date of continuing education (Month/Day/Year)	Organizer	Course title	Hours
President	S.C. Hsin	March 4, 2021	●	Corporate governance and securities regulations	3
Vice President	Kevin Tsai	March 4, 2021			3
Audit Supervisor	Meng-shan Wu	March 4, 2021			3
		March 4, 2021			3
Head of Corporate Governance	Chia-hui Lin	September 3, 2021	●	Corporate Governance Re-evolution Seminar--From CSR, ESG to National Action Plan on Business & Human Rights	7
		December 22, 2021	●	The 17th (2021) Corporate Governance Summit Forum - Practicing ESG to Implement Corporate Governance and Sustainable Development	6

● Taiwan Corporate Governance Association ● Taiwan Technology Law Institute

(X) Execution of internal control system

1. Statement of Internal Control System:



采鈺科技股份有限公司 VisEra Technologies Company Ltd.
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2F, No. 6, Li-Hsin Rd., VI, Hsinchu Science Park, Hsinchu, Taiwan 30078, R.O.C.
30077 新竹市科學園區碩新二路6號 Tel 886-3-6668788 Fax 886-3-5799983
No. 6, Creation Rd., II, Hsinchu Science Park, Hsinchu, Taiwan 30077, R.O.C.

VisEra Technologies Company Ltd.

Statement of Internal Control System

February 23, 2022

The following statement regarding the Company's internal control system has been made based on its 2021 self-assessment:

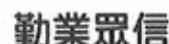
1. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance and efficiency (including profitability, performance, asset security etc), reliable, timely, and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control system: 1. Control environment; 2. Risk assessment; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.
4. The Company has adopted the above mentioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective at December 31, 2021. This system has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal no misrepresentations or nondisclosures in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was passed unanimously without objection by all 6 Directors present at the Board meeting dated February 23, 2022.

VisEra Technologies Company Ltd.

Chairman: Robert Kuan

President: S.C. Hsin

2. Independent Auditor's Review Report:

勤業眾信聯合會計師事務所
300091 新竹市東區科學園區廣興一路
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Internal Control System Statement Review Report

We have reviewed the accompanying statement provided by VisEra Technologies Company (the "Company") on November 13, 2021 asserting that its internal control system dated September 30, 2021 with respect to external financial statements and asset security assurance is, after its own assessment, effectively designed and implemented. Maintaining an effective internal control system and assessing its effectiveness is the responsibility of management. Our job is to express an opinion on the effectiveness of the Company's internal control system and on its internal control system statement based on our review.

We plan and conduct our review against the "Regulations Governing Establishment of Internal Control Systems by Public Companies" as well as the generally accepted auditing standards in the Republic of China to provide a reasonable assure whether the Company's internal control system is effective in all material respects. Our review also includes understanding the Company's internal control system, assessing the processes adopted by management to assess the effectiveness of the Company's internal control system, testing and assessing the effectiveness of the design and implementation of the internal control system, and other auditing procedures that we deem necessary. We believe that our review work can provide a reasonable basis for our opinion.

Any internal control system has its inherent restrictions, and so the internal control system of the Company, as stated above, might be unable to detect all errors or fraud when they exist. In addition, future environmental changes may cause lower compliance with the internal control system. As such, an internal control system deemed effective in the period may not be effective in the future.

Based on our opinion, when judging by the criterion for judging the effectiveness of an internal control system as set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the statement of internal control system of the Company dated September 30, 2021 with respect to external financial statements and asset security assurance is designed and implemented in a manner that can maintain effectiveness in all material respects, and the statement provided by the Company on November 13, 2021 asserting that its internal control system with respect to external financial statements and asset security assurance is, after its own assessment, effectively designed and implemented is appropriate in all material respects.

Deloitte & Touche
CPA Shang-Chih Lin

CPA Ming-Yuan Chung

December 28, 2021

(XI) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up until the publication date of annual report that may significantly impact shareholders' interest or security price: None.

(XII) Major resolutions passed in shareholders' meetings and Board of Directors meetings in the most recent year up until the publication date of annual report:

1. Major resolutions of the first extraordinary shareholders' meeting in 2021 dated March 4, 2021.



Major resolutions	Execution progress
Total re-election of directors	>
Passed amendments to the Company's "Articles of Incorporation"	> Approved by the Ministry of Economic Affairs on March 17, 2021; disclosed on the company website.
Approved removal of restrictions on competing business involvement for new directors	> Removal of restrictions on competing business involvement for new directors approved in shareholders' meeting
Approved amendments to "Procedures for the Acquisition or Disposal of Assets"	>
Approved amendments to "Procedures for Derivative Transactions"	>
Approved amendments to "Endorsement and Guarantee Procedures"	>
Approved amendments to "Lending Funds to Other Parties Procedures"	> Announced on the Company's website; matters were carried out in accordance with the amended procedures.
Approved amendments to "Regulation Governing the Election of Directors"	>
Approved amendments to "Rules of Procedure for Shareholders Meetings"	>

2. Major resolutions of the annual general meeting dated July 22, 2021

Major resolutions	Execution progress
Adoption of the 2020 business report and financial statements.	> Completed according to shareholders' meeting resolution
Adoption of the 2020 earnings appropriation proposal	> Set the ex-dividend date to be at August 28, 2021; all dividends were paid out on September 15, 2021, as had resolved by the shareholders' meeting. (a cash dividend of NT\$1.98654499 was paid to each share.)

3. Major Board of Directors resolutions made in 2021 and up until the printed date of this annual report

 Date (Month/Day/Year)	 Major resolutions are summarized as follows:
Extraordinary Board of Directors meeting dated January 26, 2021	 <ol style="list-style-type: none"> 1. Approved capital budget for acquisition of machinery and equipment 2. Approved to apply for registration on the Emerging Stock Market board with the securities authority 3. Approved to fully issue non-physical share certificates; authorized the Chairman to set a record date for such share exchange. 4. Approved to host an early election to elect a total of 6 directors (including 3 independent directors) 5. Approved to convene the first extraordinary shareholder meeting in 2021 and set the duration and venue for accepting independent director nominees from shareholders 6. Approved to set up the Audit Committee and formulate the "Audit Committee Charter". 7. Approved to set up the Remuneration Committee and formulate the "Remuneration Committee Charter". 8. Approved amendments to Articles of Incorporation 9. Approved to establish the "Procedures for the Acquisition or Disposal of Assets", "Procedures for Derivative Transactions", "Endorsement and Guarantee Procedures", "Lending Funds to Other Parties Procedures", "Rules of Procedure for Shareholders Meetings", and "Regulation Governing the Election of Directors". 10. Approved to amend the "Regulations Governing Board Meetings" and the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises". 11. Approved the establishment of the "Procedures for Suspension and Resumption of Over-the-Counter Stock Trading" 12. Approved to amend the "Internal Control System" and the "Implementation Rules for Internal Auditing".
Extraordinary Board of Directors meeting dated March 4, 2021	<ol style="list-style-type: none"> 1. Mr. Robert Kuan was elected as the Company's Chairman of the Board. 2. Approved members for the first Remuneration Committee
Regular Board of Directors meeting dated March 12, 2021	 <ol style="list-style-type: none"> 1. Approved 2020 business report and financial statements 2. Approved 2020 earnings appropriation proposal 3. Approved allocation of employee remuneration for 2020 4. Approved the "Internal Control System Statement" for 2020 5. Convened the 2021 annual general meeting 6. Approved capital budget for capacity expansion or acquisition of machinery 7. Approved routine capital budget for the second quarter of 2021 8. Approved the "Regulations Governing Payment of Directors' Compensation, Remuneration, and Transportation Fee" 9. Approved the overall remuneration proposal for 2021. 10. Approved the performance of managers and managers concurrently serving as a director for 2020 and the salary raise of, and fixed amount of compensation paid to, them for 2021. 11. Approved the performance evaluation items for managers and managers concurrently serving as a director for 2021.
Regular Board of Directors meeting dated June 22, 2021	 <ol style="list-style-type: none"> 1. Approved the renting of plant and plant facilities. 2. Approved capital budget for acquisition of machinery and equipment or addition of product lines. 3. Approved the change to the convention date of the 2021 annual general meeting. 4. Authorize the Chairman to set the record date for dividend payout for 2020 and adjust the dividend payout ratio. 5. Approved to formulate the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Regulations Governing Performance Evaluation of Board of Directors", "Operating Procedures for Transactions with Related Party, Specified Company or Institution, and Group Entity", "Risk Management Policy and Procedures". 6. Approved to draft the "Self-assessment Form for Preparation of Financial Statements". 7. Approved to formulate the "Regulations Governing Payment of Managers' Remuneration". 8. Approved the managers bonus proposal, as well as the employee compensation proposal for 2020. 9. Approved the renting of a small passenger car.

 Date (Month/Day/Year)	 Major resolutions are summarized as follows:
Regular Board of Directors meeting dated August 11, 2021	<ol style="list-style-type: none"> 1. Approved the "Internal Control System Statement" for the period between July 1, 2020 and June 30, 2021. 2. Approved capital budget for expansion of product lines or acquisition of machinery. 3. Approved the appointment of the Head of Corporate Governance and the fixed amount of compensation of 2022. 4. Approved managers' bonus proposal. 5. Approved the Company's "Assessment Form of Financial Statements Preparation Ability". 6. Set a record date for issuance of common shares for employee stock options.
Regular Board of Directors meeting dated November 11, 2021	<ol style="list-style-type: none"> 1. Approved to amend the "Internal Control System" and the "Implementation Rules for Internal Auditing". 2. Approved the audit plan for 2022. 3. Approved the "Internal Control System Statement" for the period between October 1, 2020 and September 30, 2021. 4. Approved the business plan for 2022. 5. Approved routine capital budget for 2022. 6. Approved the quota on short-term bank borrowings and derivatives. 7. Approved the application for its shares to be listed on the TWSE. 8. Approved the financial forecasts for the fourth quarter of 2021 and the first quarter of 2022. 9. Approved commissioning a securities underwriter to provide over-allot option. 10. Approved the proposal that an original shareholder's privileged right to subscribe to new share issuance may be waived if such a shareholder consents to. 11. Convened the first Extraordinary Shareholders' Meeting in 2022. 12. Set a record date for issuance of common shares for employee stock options. 13. Approved the performance evaluation items for managers of 2022 and the managers' bonus proposal. 14. Approved the fee paid to CPAs for their attestation services in 2022.
Regular Board of Directors meeting dated February 23, 2021	<ol style="list-style-type: none"> 1. Approved the business report, financial statements, earnings distribution proposal for 2021. 2. Approved amendments to the Articles of Incorporation and the "Procedures for the Acquisition or Disposal of Assets" of the Company. 3. Convened the 2022 annual general meeting. 4. Changed the convention venue of the first Extraordinary Shareholders' Meeting in 2022. 5. Set a record date for issuance of common shares for employee stock options. 6. Approved capital budget for acquisition of equipment. 7. Approved the acquisition of the right-of-use assets for land. 8. Approved the performance evaluation results of the Board of Directors of 2021 and directors' remuneration for 2021. 9. Approved allocation of employee remuneration for 2021. 10. Approved the overall remuneration proposal for 2022. 11. Approved the promotion of Mr. J.C. Hsieh to Vice President. 12. Approved the performance of managers for 2021 and the salary raise of, and fixed amount of compensation paid to, them for 2022. 13. Approved the managers' bonus proposal of the Company. 14. Approved the proposal that suggests not to formulate operating procedures for "supervision and monitoring of subsidiaries". 15. Approved the items for supervision and monitoring of subsidiaries that will be added to the audit plan for 2022. 16. Approved the "Internal Control System Statement" for 2021.

(XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the publication date of annual report: None.

(XIV) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D in the most recent year up until the publication date of annual report: None.

V. Disclosure of CPA fee

(I) Fee information:

Unit: NTD thousand

Accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fee	Total	Remarks
Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	January 1 through December 31, 2021	2,527	1,300	3,827	Non-audit fees are mainly fees for internal control system project review

(II) Any replacement of accounting firm that resulted in the reduction of audit remuneration paid, as compared to the previous year: None.

(III) Any reduction in audit remuneration by more than 10% compared to the previous year: None.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprise within the most recent year: None.

VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest:

(I) Change of shareholding of directors, supervisors, managers, and major shareholders

		2021		In 2022 up to February 28, 2022	
Position	Name	Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/Major shareholder	TSMC	(39,501,000)	-	-	-
	Representative: Robert Kuan (Note 1)	100,000	-	-	-
Director/Major shareholder	TSMC	(39,501,000)	-	-	-
	Representative: George Liu (Note 1)	-	-	-	-
	TSMC	(39,501,000)	-	-	-
	Representative: C. S. Yoo (Note 2)	-	-	-	-
	TSMC	(39,501,000)	-	-	-
	Representative: Sylvia Fang (Note 2)	-	-	-	-
	TSMC	(39,501,000)	-	-	-
	Representative: Diane Kao (Note 1)	-	-	-	-
Supervisor	Wendell Huang (Note 3)	-	-	-	-
	Morris Cheng (Note 3)	-	-	-	-
President	S.C. Hsin	-	-	-	-

Position	Name	2021		In 2022 up to February 28, 2022	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Independent Director	Laura Huang (Note 1)	-	-	-	-
	Emma Chang (Note 1)	-	-	-	-
	Peng-Heng Chang (Note 1)	-	-	-	-
Vice President	Kevin Tsai	-	-	-	-
	H.J. Tsai	-	-	-	-
	K.P. Lin	(28,000)	-	-	-
	W.R. Huang	-	-	-	-
	J.C. Hsieh	(2,000)	-	-	-
Assistant Vice President	C.C. Chen	-	-	-	-
	Ben Fun	50,000	-	(49,830)	-
Head of Corporate Governance	Chia-hui Lin	-	-	-	-

Note 1: Service commenced following the director election held during the extraordinary shareholder's meeting dated March 4, 2021.

Note 2: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021; change of shareholding reflected information as of the time of departure.

Note 3: Mr. Wendell Huang and Mr. Morris Cheng departed from duty as supervisors on March 4, 2021; change of shareholding reflected information as of the time elected.

Note 4: Ms. Chia-hui Lin was promoted to the Head of Corporate Governance on August 11, 2021 with the approval of the Board of Directors. Her shareholdings were declared from such date.

(II) Transfer of shares where the counterparty is a related party:

Name	Reason for share transfer	Transaction date (Month/Day/Year)	Counterparty	Relationship between the counterparty and the Company, the Company's director or supervisor, or a major shareholder holding more than 10% of the Company's total shares	Number of shares (share)	Transaction price
K.P. Lin	Gift	November 24, 2021	Yu-pei Yang	Spouse	50,000	Not applicable.

(III) Pledge of shares where the counterparty is a related party: None.

IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders: There was no relationship among the Company's top-10 shareholders that was characterized as spouse or second-degree relative or closer.

X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and shareholding in aggregate of the above parties: None.

Four. Capital Overview

I. Capital and shares

(I) Source of capital:

1. Source of capital

Unit: shares; NTD

Month/ Year	Issued price	Authorized capital		Paid-in capital		Remarks			
		Shares	Amount	Shares	Amount	Source of capital	Capital in- creased by assets other than cash	Others	
December 2003	10	81,600,000	816,000,000	20,400,000	204,000,000	Initial investment	Technology share 102,000 thousand	Note 1	
December 2005	10	81,600,000	816,000,000	70,000,000	700,000,000	Cash issue: 49,600,000 shares	None	Note 2	
July 2006	10	81,600,000	816,000,000	81,600,000	816,000,000	Cash issue: 11,600,000 shares	None	Note 3	
November 2006	10	300,000,000	3,000,000,000	146,600,000	1,466,000,000	Increased authorized capital: 218,400,000 shares Cash issue: 65,000,000 shares	None	Note 4	
June 2007	10	300,000,000	3,000,000,000	272,600,000	2,726,000,000	Cash issue: 126,000,000 shares	None	Note 5	
July 2007	10	300,000,000	3,000,000,000	282,409,715	2,824,097,150	Capitalization of em- ployee profit sharing: 9,810,000 shares	None	Note 6	
August 2008	10	300,000,000	3,000,000,000	285,317,988	2,853,179,880	Capitalization of em- ployee profit sharing: 2,908,000 shares	None	Note 7	
July 2009	10	300,000,000	3,000,000,000	285,897,696	2,858,976,960	Capitalization of em- ployee profit sharing: 580,000 shares	None	Note 8	
July 2011	10	300,000,000	3,000,000,000	287,630,386	2,876,303,860	Capitalization of em- ployee profit sharing: 1,733,000 shares	None	Note 9	
August 2012	10	300,000,000	3,000,000,000	291,153,119	2,911,531,190	Capitalization of em- ployee profit sharing: 3,523,000 shares	None	Note 10	
June 2020	10	400,000,000	4,000,000,000	291,153,119	2,911,531,190	Increased authorized capital: 100,000,000 shares	None	Note 11	
Septem- ber 2021	20	400,000,000	4,000,000,000	293,711,119	2,930,711,190	Issuance of 1,918 thousand new shares for the exercise of employee stock op- tions	None	Note 12	
November 2021	20	400,000,000	4,000,000,000	293,125,119	2,931,251,190	Issuance of 54 thou- sand new shares for the exercise of em- ployee stock options	None	Note 13	
	18			293,277,119	2,932,771,190	Issuance of 152 thousand new shares for the exercise of employee stock op- tions			

Note 1: Approved under Letter No. Shou-Zhong-09233022800.
 Note 2: Approved under Letter No. Yuan-Shang-0940035746.
 Note 3: Approved under Letter No. Yuan-Shang-0950019783.
 Note 4: Approved under Letter No. Yuan-Shang-0950031023.
 Note 5: Approved under Letter No. Yuan-Shang-0960014670.
 Note 6: Approved under Letter No. Yuan-Shang-0960018082.
 Note 7: Approved under Letter No. Yuan-Shang-0970021565.
 Note 8: Approved under Letter No. Yuan-Shang-0980020771.
 Note 9: Approved under Letter No. Yuan-Shang-1000021018.

Note 10: Approved under Letter No. Yuan-Shang-1010024106.
 Note 11: Approved under Letter No. Zhu-Shang-1090017893.
 Note 12: Approved under Letter No. Zhu-Shang-1100025817.
 Note 13: Approved under Letter No. Zhu-Shang-1100034901.

As of February 28, 2022, the Company's total shares outstanding were 293,381,119 shares, among which 104,000 shares were issued for employees' exercising their employee stock options, which is the reason why such change in share numbers hasn't been filed with the competent authority.

2. Share categories

February 28, 2022; Unit: shares




Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	293,381,119	106,618,881	400,000,000	Shares traded on the Emerging Stock Market

Note: As of February 28, 2022, the Company's total shares outstanding were 293,381,119 shares, among which 104,000 shares were issued for employees' exercising their employee stock options, which is the reason why such change in share numbers hasn't been filed with the competent authority.

3. Information relevant to the aggregate reporting policy: None.

(II) Shareholder structure:

February 28, 2022 (Note); Unit: persons; shares; %

Quantity	Shareholder structure					Total
	Government institutions	Financial institution	Other juridical persons	Individual	Foreign institutions or foreigners	
 Count	-	4	55	8,799	46	8,904
 No. of shares held	-	4,560,000	218,390,550	35,200,341	35,230,228	293,381,119
 Shares Ratio	-	1.55	74.44	12.00	12.01	100.00

Note: The book closure date was between February 22, 2022 and March 23, 2022.

(III) Diversity of ownership:

February 28, 2022 (Note); Unit: persons; shares; %

Shareholding range	Number of shareholders	No. of shares held	Shares Ratio
1 to 999	4,077	731,915	0.25
1,000 to 5,000	3,935	6,829,815	2.33
5,001 to 10,000	353	2,760,538	0.94
10,001 to 15,000	135	1,692,292	0.58
15,001 to 20,000	95	1,744,281	0.59
20,001 to 30,000	100	2,473,968	0.84
30,001 to 40,000	45	1,565,309	0.53
40,001 to 50,000	31	1,406,762	0.48
50,001 to 100,000	67	4,790,308	1.63
100,001 to 200,000	28	4,177,053	1.42
200,001 to 400,000	13	3,342,972	1.14
400,001 to 600,000	14	7,922,045	2.70
600,001 to 800,000	2	1,410,450	0.48
800,001 to 1,000,000	0	0	0.00
1,000,001 and above	9	252,533,411	86.09
Total	8,904	293,381,119	100.00

Note: The book closure date was between February 22, 2022 and March 23, 2022.

(IV) List of major shareholders: shareholders with more than 5% ownership interest or are among the top 10

February 28, 2022 (Note);
Unit: persons; shares; %

Name of major shareholder	Shares	
	No. of shares held	Shares Ratio
Taiwan Semiconductor Manufacturing Co., Ltd.	213,619,000	72.81
The Banking Department of Standard Chartered in its capacity as the custodian for the investment account with the Small-amount World Fund.	14,864,800	5.07
GIC Private Limited	11,670,000	3.98
The Banking Department of Standard Chartered in its capacity as the custodian for the investment account with the Fidelity funds.	4,165,908	1.42
JP Morgan Chase Bank Taipei Branch in its capacity as master custodian for Investment account with Fidelity Investment Funds.	2,061,237	0.70
Cathay Life Insurance Co., Ltd.	1,700,000	0.58
Fubon Life Insurance Co., Ltd.	1,700,000	0.58
Chun-Chi Lin	1,411,548	0.48
Heng-Hao Kuo	1,340,918	0.46
Tai-ping Wu	783,000	0.27

Note: The book closure date was between February 22, 2022 and March 23, 2022.

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Unit: thousand shares; NTD

Item	Year	2020	2021
	Highest	Unlisted	Unlisted
	Lowest	Unlisted	Unlisted
	Average	Unlisted	Unlisted
	Before dividend	25.01	30.40
	After dividend	23.01	28.40 (Note 2)
	Weighted average outstanding shares (in thousands) (Before adjustment)	291,153	292,028
	EPS (before adjustment)	7.18	7.41
	EPS (after adjustment)	7.18	7.41
	Cash dividends	2.0 (Note 1)	2.0 (Note 2)
	Stock dividends	-	-
	Cumulative unpaid dividends	-	-
	Price earnings ratios	Unlisted	Unlisted
	Price-to-dividends ratio	Unlisted	Unlisted
	Cash dividend yield	Unlisted	Unlisted

Note1: The dividend payout ratio was adjusted to NT\$1.98 per share due to the issuance of common shares for employees' exercising their employee stock options on August 4, 2021.

Note2: Pending the resolution by the shareholders' meeting to be held on May 24, 2022.

(VI) Dividend policy and execution:

1. Dividend policy stated in the Company's Articles of Incorporation

A company shall not pay dividends or bonuses, if there is no surplus earnings. When allocating earnings, the Company shall first estimate and retain a portion of its earnings for taxation and reimbursement of previous losses. The residual balance plus non-net income items is then added to unappropriated earnings in the current year, and the sum of which is subject to a 10% provision for statutory reserves, unless the Company has already accumulated statutory reserves to an amount equal to paid-up capital. Next, provisions for special reserve are to be made according to laws or instructions of the authority.

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

Distribution of employee remuneration is subject to resolution in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors. This decision shall be reported in shareholders' meeting.

After making mandatory allocations according to the Articles of Incorporation, the residual earnings can be added to unappropriated earnings carried from previous years and distributed as shareholder dividends/profit sharing at Board of Director's proposal, subject to resolution in a shareholders' meeting.

The Company may choose to distribute all distributable earnings after taking into account financial, business, and operational factors. Dividends from earnings can be paid in cash or in shares. Cash distribution should take precedence, and while dividends can be paid in shares, stock dividends should not amount to more than 50% of total dividends. The Company may distribute all or part of its capital surplus, subject to compliance with laws and the authority's instructions, in situations where the Company has no earning to distribute, or if the amount of earnings is far less than the amount distributed in the previous year, or for whatever financial, business, and operational concerns the Company may have. Where distribution is made in

cash, the Board of Directors may resolve and execute the decision according to Article 241 of The Company Act and report the decision in a subsequent shareholders' meeting without seeking shareholders' acknowledgment.

2. Dividends proposed (approved) for the current year

The Company had NT\$4,039,620 thousand of earnings available for distribution in 2021; after proposing cash dividends at NT\$2 per share, the Company was left with unappropriated earnings of NT\$3,452,908 thousand at the end of the period. This appropriation proposal was passed during the Board of Directors meeting held on February 23, 2022, and will be raised for acknowledgment during the annual shareholders' meeting to be held on May 24, 2022.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee, directors' and supervisors' remuneration:

1. Percentage and range of employee, directors' and supervisors' remuneration stated in the Articles of Incorporation

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

2. Basis of calculation for employee, directors' and supervisors' remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

The Company estimates employee and directors' remuneration by applying certain percentages to current period profit. If the amount estimated is different from the amount paid, the difference will be treated as a change in accounting estimates and recognized in the year the payment is made.

3. Remuneration passed by the Board of Directors

(1) Employee, directors' and supervisors' remuneration, in cash or in shares. Disclose the amount, causes and treatment of any differences between the amount paid and the amount estimated in the year the expense was recognized

The Company estimated an employee compensation in the amount of NT\$433,056 thousand and a directors' remuneration in the amount of NT\$2,700 thousand for 2021. On February 23, 2022, the Board of Directors resolved to distribute an employee compensation in the amount of NT\$433,056 thousand and a directors' remuneration in the amount of NT\$2,674 thousand for 2021, all paid in cash.

The employee compensation resolved by the Board of Directors on February 23, 2022 was the same amount as estimated on the financial statements for 2021. The difference between the directors remuneration resolved by the Board of Directors and that estimated will be adjusted to the profit or loss of 2022.

(2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: None.

4. Remuneration reported in shareholders' meeting and the outcome

The Company will hold the shareholders meeting on May 24, 2022, at which it will propose to distribute an employee compensation in the amount of NT\$433,056 thousand and a directors remuneration in the amount of NT\$2,674 thousand of 2021; all will be paid in cash.

5. Actual payment of employee profit sharing and directors' and supervisors' remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies)

At the shareholders' meeting dated July 22, 2021, the Company resolved to distribute an employee compensation in the amount of NT\$418,109 thousand and a directors remuneration in the amount of NT\$0 for 2020, which amounts were in agreement with those presented as expenses on the financial statements for 2020.

(IX) Buyback of company shares: None.

II. Disclosure relating to corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipts: None.**V. Employee warrants:**

(I) Employee warrants unexpired and outstanding as at the publication date of annual report, and impacts to shareholders' equity

February 28, 2022

Type of Employee Stock Option	2019 First Employee Stock Option	2019 Second Employee Stock Option	2019 Third Employee Stock Option
Effective date of announcement	Not applicable.	Not applicable.	Not applicable.
Issuance date	July 1, 2019	December 1, 2019	April 1, 2020
Duration	6 years	6 years	6 years
No. of units to be issued	5,424 units (1,000 shares/unit)	72 units (1,000 shares/unit)	460 units (1,000 shares/unit)
Subscribable shares as a percentage of total outstanding shares	1.86%	0.02%	0.16%
Exercise period	July 1, 2019 to June 30, 2025	December 1, 2019 to November 30, 2025	April 1, 2020 to March 31, 2026
Method of delivery	New issuance of common shares	New issuance of common shares	New issuance of common shares
Period and percentage (%) of exercise restriction	After two years: 50%, after three years: 75%, and after four years: 100%	After two years: 50%, after three years: 75%, and after four years: 100%	After two years: 50%, after three years: 75%, and after four years: 100%
No. of shares acquired through exercise	2,192,000 shares	36,000 shares	-
Amount of shares subscribed through exercise	NT\$43,400,000	NT\$648,000	-
Forfeited shares	282,000 shares	0 shares	88,000 shares
Number of unexercised shares	2,950,000 shares	36,000 shares	372,000 shares
Subscription price per unexercised share	NT\$18	NT\$18	NT\$18
Number of unexercised shares as a percentage of total outstanding shares (%)	1.01%	0.01%	0.13%
Effect on shareholders' interests	<p>The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 1.01% of outstanding shares, there should be no material dilutive effect.</p> <p>The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 0.01% of outstanding shares, there should be no material dilutive effect.</p> <p>The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 0.13% of outstanding shares, there should be no material dilutive effect.</p>		

(II) Names of managers receiving employee stock option, names of employees ranking top ten in terms of exercisable shares, amount acquired, and amount exercised

February 28, 2022; Unit: In thousands of shares; In thousands of NTD

Position	Name	Exercisable shares	Exercisable shares as a percentage of total outstanding shares	Exercised				Not exercised			
				Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares	Exercise quantity	Exercise price (NTD) (Note 1)	Exercise amount	Exercise quantity as a percentage of total outstanding shares
Chief executive officer	Robert Kuan	1,148 units	0.39%	205	18, 20	3,990	0.07%	943	18	16,974	0.32%
President	S.C. Hsin										
	Kevin Tsai										
	H.J. Tsai										
Vice President	K.P. Lin										
	W.R. Huang										
	J.C. Hsieh										
Assistant Vice President	Ben Fun	728 units	0.24%	364	20	7,280	0.12%	364	18	6,552	0.12%
	C.C. Chen										
Head of Corporate Governance	Chia-hui Lin										
Senior Head of Department	Tsun-Hui Chiang										
	Chien-Pang Lin										
	Han-Lin Wu										
Head of Department	Kai-Wen Chen										
	Ching-Chung Chen										
	Kuo-Hsing Teng										
Deputy Head of Department	Shih-Liang Ku										
	Hsin-Sung Lin										
Deputy Plant Manager	Chia-Chi Chou										
Department Manager	San-Yuan Chung										

Note 1: The exercise price (NT\$/Share) as at the publication date of this annual report.

VI. Issuance of new restricted employee shares: None.

VII. New shares issued for merger or acquisition: None.

VIII. Progress on planned use of capital: None.

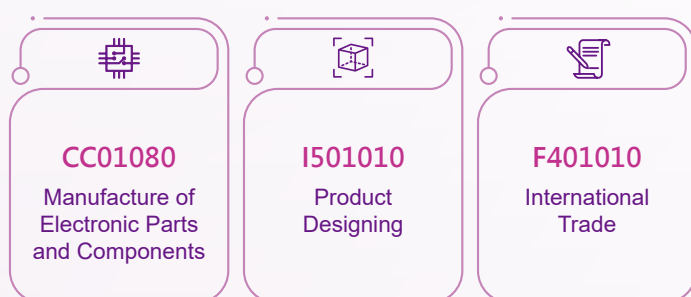


Five. Operation Overview

I. Business Content

(I) Business Scope

1. The main business contents of the Company



A. Research, design, development, manufacture and sale of the following products:

- Color Filter
- Image sensing components and modules
- Light-emitting diode (LED) components and modules
- Packaging and testing related to the above-mentioned products.

B. Concurrently in the import and export trade business related to the Company's business.

2. Weight of each business

Unit: NTD thousand; %

Item	Year 2020		2021	
	Revenue	Percentage	Revenue	Percentage
Image Sensor	4,226,717	60.85	4,947,328	54.79
Micro-optical components	2,602,900	37.47	3,936,619	43.60
Others	116,732	1.68	145,231	1.61
Total	6,946,349	100.00	9,029,178	100.00

3. Current Products (Services) Items of the Company:

Product type	Item	Main products (service) items
Image Sensor	Wafer-level color filter (CF) and micro-lens (ML) technology	Optical image sensors; mainly used in mobile phones, automotive, surveillance, medical, consumer electronics, etc.
Micro-optical components	On-chip multi-film (OCMF) technology	3D sensing components Multi-channel ambient light sensors, proximity light sensors
	Integrated wafer-level color filter (CF) and multi-film technology	Under-display optical finger print sensor, 3D sensor, light sensor, optical biometric component.
Others	Other services	Image sensor engineering and testing service, wafer-level quantum efficiency testing, wafer-level oblique incident light measurement system, optical simulation and design, photomask design service, process integration and spectral conversion efficiency analysis.

4. New Products (Services) Planned for Development

The Company plans to develop the next generation new of products and services

Items to be developed	Technologies	Applications	Market
Color filter (CF) and micro-lens (ML)	0.6μm pixel technology	Image sensors with advanced pixels (108 million pixels)	Smartphones
Color filter (CF) and micro-lens (ML)	0.61μm pixel micro-lens PDAF	Image sensors with advanced pixels and fast focus	Smartphones
Color filter (CF) and micro-lens (ML)	0.56μm pixel micro-lens PDAF	Image sensors with advanced pixels and fast focus	Smartphones
Wafer-level optics ▼ ToF sensing components	Semiconductor optics integration technology	Next generation ToF sensing component	Smartphones, IoT, automotive, robot vacuums, industrial grade products
Wafer-level optics ▼ Ambient light sensors	Semiconductor optics integration technology	New generation multi-channel ambient light sensing components	Mobile devices, wireless Bluetooth headsets, smart TVs
Wafer-level optics ▼ Biosensing components	Semiconductor optics integration technology	Optical biosensing component	Biotech market
Wafer-level optics ▼ 3D sensing components	Optical diffraction components	Non-imaging optical components	Mobile devices
Wafer-level optics ▼ Optical components	Semiconductor optics integration technology	Metasurface	Mobile devices, AR/VR
Wafer-level optics ▼ Optical combiner	Semiconductor optics integration technology	3D display technology	AR/VR

(II) Industry Overview

1. Current Situation and Development of the Industry

(1) Current situation and development of the optical sensor industry

The shipping volume and total output volume of the CMOS Image Sensor (CIS) industry keep surging, thanks to the universal presence of smartphones with multiple lens and the development of security monitoring, advanced driver assistance system (ADAS), and autonomous vehicles. According to a report of the Tokyo Shoko Research, a Japanese research institute, the shipping volume of CIS in the global market reached 7.2 billion pieces, with a total market value of USD18.3 billion in 2020. It forecasted the shipping volume in 2021 to further increase by 10%, to 8 billion pieces, with a total market value of USD20.7 billion, an increase of 12.7% year on year. Below is a summary of the terminal application market:

a. Smartphones market

With the spread of the wave of camera phones, the photo technology of mobile phones equipped with CMOS image sensor has made rapid progress in just ten years, which is comparable to the specifications of single-lens reflex cameras. However, due to the pursuit of lightweight appearances for smartphones, hardware limitations make it difficult to effectively improve the shooting quality by simply increasing the resolution. Thus, image sensing has started to move in the direction of the development of multi cameras. Currently, three lenses have become the mainstream equipment for the rear camera of high-end models. A handful of mobile phones are developed to have four lenses. Beside the addition of lenses, the resolution of the lenses is also an area of concern. As evidenced by the flagship model launched this year, a resolution above 64 million pixels has become the mainstream, boosting the demands for high-end CISs, thereby multiplying the demands for 12-inch wafers. According to a report released by the Tokyo Shoko Research, a Japanese research institute, the shipping volume of mobile phone image sensors reached 5 billion pieces in 2020, and is expected to grow by 9.4% in 2021, and will exceed 6.5 billion pieces in 2025, with an compound annual growth rate of 5%.

Although the overall shipping volume of smartphones in the global market has reached the plateau period, the use of optical components in smartphones will keep increasing, as their functions have been continuing advanced in addition to the photography function. Such optical components may include time-of-flight (ToF) sensors, environment light sensors, 3D facial recognition sensing components, and under-display fingerprint sensors. All will boost the shipping volume and output volume of image sensors, evidencing that the smartphone market is the bulk application market for the CIS industry.

The trend of full screen display smartphones has stimulated the market for under-display fingerprint sensors. According to an Omdia research report, global shipments of under-display fingerprint sensors reached 228 million pieces in 2019, and 346 million pieces in 2020, an increase of 51.7% year on year. It estimates that 37% of smartphones will be equipped with OLED in 2021; shipment of OLED will reach 400 million pieces, an annual growth rate of 16%, with the total output value of USD1.19 billion. By 2025, shipments of under-display fingerprint sensors are expected to reach 520 million pieces, a compound annual growth rate of 7%, and the total output value is expected to reach USD1.29 billion, a compound annual growth rate of 2%.

b. Automotive sensors market

Apart from demands from the smartphone markets, the automotive sensors market is regarded as the next growth market. The introduction of advanced driver assistance

system (ADAS) and autonomous vehicles has boosted the demands for CMOS image sensors. Currently, a car has only two image sensors on average. With the advanced driver assistance system (ADAS) becoming a standard feature of a new car, along with other functions such as reverse image sensing, blind spot detection, and autonomous emergency braking system, the number of sensors in a car will be significantly increased to ensure driving safety. The safety requirements for a Level 4 or Level 5 autonomous car will require 10 plus sensors, signifying a huge potential market in the future.

Yole data indicates that shipments of automotive sensors accounted for 7% of global CIS market in 2019, ranking third in terms of shipments. With the constant penetration of the ADAS, TSR also predicts the automotive sensors market to be the second largest application market, only second to the mobile-phone application market. IC Insights also forecasts the market share of the automotive market to rise to 15% in 2024.

c. Video surveillance market

The various governments' attaching increased value to security engineering and the ever maturer IoT technologies give rise to the concept that the application market for security engineering may be extended from a smart city to a smart home; this turns the security engineering industry from the public area to the consumer market. With respect to development of a smart city, there is a trend to use image data to develop an AI image recognition system that will improve urban governance efficiency. For instance, facial or number-plate recognition technology that covers 2-4 lanes may be applied to smart transportation. The number-plate recognition technology may be deployed in the parking lot gate of a city. In the case of the COVID-19 pandemic, it has accelerated the development of smart image solutions such as temperature sensing, face mask detection, and audience profiling, which in turn drives the demands for replacing old video surveillance cameras with new ones, and for more recognition solutions. According to Frost&Sullivan statistics, in 2020, shipments and output of image monitoring sensors stood at 420 million pieces and USD870 million, respectively, and will reach 800 million pieces and USD2.01 billion, respectively, in 2025, with the compound annual growth rate being 13.75% and 18.23%, thanks to the constant expansion of the security surveillance industry in the future.

In addition, products such as smart TVs, smart speakers and wearable devices (AR/VR) have begun to focus on image and optical sensing features, which are expected to create another wave of emerging demand for consumer imaging applications.

(2) Correlations among up-, mid-, and downstream of the optical sensor industry

Using CIS image sensing modules as an example, the optical design manufacturer provides their engineering needs to and

commissions the Company to conduct optical design and simulation, which will then be implemented in the circuit manufacturing process by a wafer fab. After that, the Company will complete the optical structures, e.g. color filters and micro-lenses, through corresponding processes. Then, the products will be packaged and tested in the later stage. For an IDM (such as Sony and Samsung), all the processes are completed in-house.

With the diversified applications of CIS chips, an IDM may not be able to have a comprehensive coverage in terms of application areas and corresponding commercial values. Taking the huge business potential into account, the amount of fabless IC design houses is therefore growing.

In addition, the manufacturing of CIS chips requires special processes. These can be divided into customized and standard product processes based on the different specifications or the final applications. Currently, more than half of the camera modules of high-end models are manufactured using customized process, integration of process and materials, and spectral conversion efficiency analysis. The customized process has more specific requirements for the products. In terms of the optical design of wafers, the defects during the process and the improvement of the process, close collaboration and cooperation is needed between the front end and the back end of the supply chain.

The Company has many years of experience collaborating with upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry. As a result, the Company's competitiveness in the optical field has increased as well.

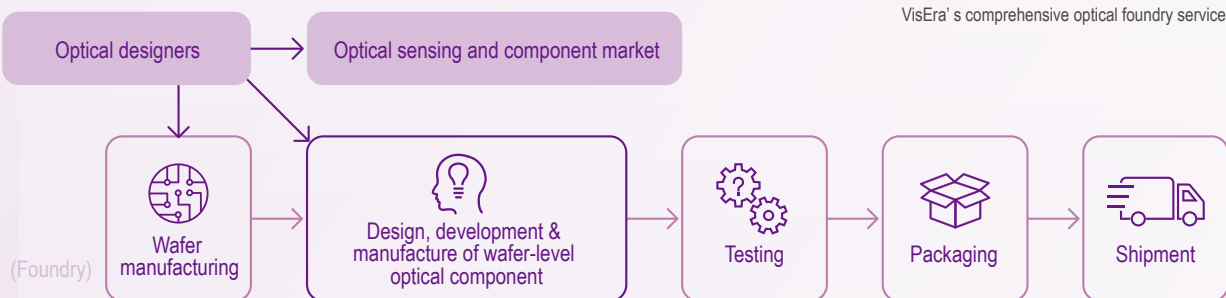
(3) End-use electronic products development trends

Regarding the optical component foundry services provided by the Company, they can be roughly divided into consumer electronics (Consumer), automotive electronic products (Automotive), security surveillance products (Security) and medical products (Medical).

The consumer electronic products provided by the Company mainly comprise image sensors and light sensors (such as time-of-flight [ToF] sensors, ambient light sensors, 3D sensing elements, and under-display optical finger print sensors) that are a must for smartphones, tablet computers, notebook computers, wearable devices, and so on. Nowadays a mobile phone has image sensors that approximate the specification of a single-lens reflective camera, and pursues a design of thin, bezel-less, and full-screen, driving the demand for under-display sensors (e.g. cameras, ambient light sensors, and optical finger print sensors). Among them, the ambient light sensor, which is developing towards the adoption of multi-channel color light sensing technology, requires higher sensitivity and a more compact and micro feature, which is also the direction where the Company's technology develops to.

As for image sensors, they require not only having a high-resolution sophisticated performance, but also maintaining a high-definition photographic effect of a smartphone even in a low light environment, particularly by means of fast auto focus and capture of images using vivid colors. As so, the demand for a compact mobile phone body has driven up the demand for higher sensitivity to light and higher resolution with smaller pixels, the direction where the Company's Color filter (CF) and micro-lens (ML) are developed towards.

Because the higher resolution and smaller pixel ($<0.8\mu\text{m}$) technologies required by a image sensor in a mobile device can only be provided by Sony, Samsung, and OmniVision, the Company is the main supplier of color filter (CF) and micro-lens (ML) for fabless IC design houses.



By incorporating the on-chip multi-film technology developed by the Company in 2015 into the process integration program for color filter (CF) and micro-lens (ML), the Company successfully developed optical components that fit the industrial trend of miniaturization; with such components, the Company assisted customers in tapping the markets for ambient light sensors, ToF sensors, and bio-sensing components that are embedded in a smartphone.

Among the biometric components, the under-display optical finger print sensor and 3D sensing component are the ones with high market potential.

The markets for under-display fingerprint sensors can be examined by type of development technology: optical and ultrasonic. The optical technology comprises the micro-lens technology and the optical lens technology. Currently, the optical lens technology is the most cost-effective technology, and therefore the primary solution for mid- and high-end OLED mobile phones. Emerging under-display fingerprint sensing solutions pursue thinness, larger-area, and low-cost. Aside from being one of the few optical components suppliers on the market who are capable of providing a full range of optical finger print recognition solutions, the Company is the only leader in the optical components industry who can support the optical ultra-thin technology (micro-lens) that is required by a 5G mobile phone, which communicates via millimeter wave.

The video surveillance market can be viewed from a perspective of technology development, which evolves from the CCTV surveillance system in the past to nowadays' online surveillance cameras. During the evolution, the complexity of video surveillance system gradually steps up, pushing up the requirements for the performance of a CMOS image sensor. Such requirements for performance include: HDR, images under a low light environment, high-definition/ultra-high-definition images, and intelligent recognition.

Yet, an automotive sensor needs to meet even more stringent requirements than a security surveillance sensor does. An automotive sensor must have a high dynamic range of 120-140dB, be capable of operating at -40-105°C, have a good night vision capability, be able to recognize traffic lights, and be capable of solving issues such as LED Flicker Mitigation (LFM) and artifacts. In addition, as the performance of ADAS substantially improves, the resolution of an automotive image sensor also catches up. In the past, a resolution of 300k could meet the requirements of a car's rear camera; now, the 2 million resolution becomes a norm. The technology applied has shifted to pursue the specification a smartphone has that can perform high-end image design. This is expected to trigger another wave of competition amid the supply chain. The Company obtained ISO automotive certification in 2006 and has accumulated considerable experience in automotive sensors. The Company is confident in the development and manufacturing of automotive sensors for the ADAS in the future.

In terms of medical products, the Company used to

supply medical imaging products (such as endoscopes). In recent years, the bio-sensing technology tends to realize itself by adopting optical technologies, which identify whether a substance exists by examining the wavelength, wave intensity, and attenuation curve of the fluorescent substances that are labeled in biological reaction. The main application is to provide test chips for the market to perform chromosomal prenatal examination, cancer carrier analysis, protein sequence detection, or rapid screening of infectious diseases. The requirements for developing precision medicine has turned the bio-sensing technology into personalization and decentralization. The market urgently needs a manufacturing technology for miniaturized optical components. Such technology can miniaturize and integrate the optical mechanisms of a bulk optical inspection system into a image sensing chip to enable the possibility of a portable detection device, improvement in and popularization of the efficiency of a single detection, and a reference for the medical units to make rapid and convenient diagnosis. The Company's process integration solution for color filter (CF) and micro-lens (ML) happens to meet the requirements for miniaturization of optical components. Its solution focuses the bioluminescence generated in the reaction well and then induces such bioluminescence to an optical filter, where a sensing chip identifies and decodes the signals. In 2019, the Company made an early deployment and obtained the certificate of ISO 13485 Medical devices -- Quality management systems -- Requirements for regulatory purposes. Currently, the Company is jointly developing products with customers.

The world in the future will feature an internet of everything, which means smart homes, smart wearable devices, smart cities, and autonomous vehicles will have their presence in our daily lives. This will boost the demands for ToF sensors that can create a 3D image, augmented reality (AR) products that emphasize interaction between the physical world and the virtual world, and CIS sensors that have a good night vision and can perform highly dynamic detection. With a globally leading on-chip micro-optical components manufacturing process, the Company plays an important role in critical on-chip optical components and sensors.

(4) Competition in the optical sensor foundry industry

The business model of the Company is based on professionalism in the field of the color filters, micro-lenses, and multi-film (8" and 12"), combined with the advanced integrated manufacturing of optical components and testing services at the wafer level, to develop foundry services that are different from other competitors. The competition of the industry can be divided into two categories based on the types of the main technologies.

a. Color Filters (CF) and Micro-Lenses (ML)

In the current optical image sensing market, most of the optical sensing suppliers are fabless, except for Sony, Samsung and SK Hynix which have an IDM production model. Since the major application market for optical image sensors is the smartphone market, major high-end products are developed towards a pixel size that is smaller than 0.7μm,

which requires more precise manufacturing process control and optical simulation design. The Company's color filter (CF) and micro-lens (ML) technologies are capable of producing high-end image sensors that have a 10 million plus resolution with a pixel size smaller than $0.7\mu\text{m}$. Currently, the Company is the major supplier for the global market.

In 2019, the Company invested in deep ultraviolet (DUV) scanners, and synchronized itself with customers' R&D schedule to head towards a pixel size smaller than $0.56\mu\text{m}$. In 2020, the Company had mass produced products having a pixel size of $0.7\mu\text{m}$; in the third quarter of 2021, it pioneered the mass production of color filters with $0.61\mu\text{m}$ pixel size that have an exclusively designed optical structure.

b. Multi-Film Integration

The Company is the main supplier of multi-film integration technology (8" and 12"). Different from the multi-film technologies that many competitors use for the current image sensors, such as blue glass, IR cut filters and IR narrow-band filters, The Company's multi-film technology can integrate the interferometric multi-film into the wafer-level photolithography process. The use of interferometric multi-film can provide a customized spectral specification. Integrating the multi-film with organic types of color filters into the wafer structure via process integration will facilitate the development of a thinner product that meets the needs of the market.

The Company has a greater competitive advantage than the current major competitors in terms of overall technologies and process capabilities. At the same time, regarding the investment in high-end machines and the establishment of production equipment, the Company can meet the needs of customers and maintain a good cooperative relationship with them.

(III) Technology and R&D Overview

(1) Technical level, research and development

The Company focuses on the foundry production of image sensor and wafer-level optical components. We are one of the few foundries in the world that can concurrently provide color filters, micro-lenses and multi-film, and has the ability to integrate technologies for the professional foundries of product manufacturing.

A. The technologies and R&D for the image sensor product foundry business are described below

a. Regarding the technology of the color filter process, the 8-inch production line is mainly used for automotive sensors and surveillance cameras. In addition to improving pixel processing capabilities, the black filter process has been developed and started mass production as well. The resolution of automotive sensors and surveillance cameras

has been enhanced. Customers have successfully entered the market with this process. The 12-inch plant continues to develop the micron pixel size and high-resolution processes to improve the resolution and film speed of color sensors. As regards the R&D of miniaturized production process, the production process for $0.7\mu\text{m}$ pixel was launched in the middle of 2020; the production process for $0.61\mu\text{m}$ pixel was launched in the second quarter of 2021; and the production process for $0.56\mu\text{m}$ pixel is under development. In terms of the R&D to increase the resolution of sensors, the mass production of sensors with more than 60 million pixels has started in the second quarter of 2020, and the R&D of sensors with more than 100 million pixel used for 4K video recording is in progress. In the future, the Company will continue to develop the small pixel size color filter process and serve customers with high yield and high performance of the foundry's quality.

b. Regarding micro-lens technology, in addition to conventional reflow type micro-lens technology, the Company has also introduced etching type micro-lens technology. Etching type micro-lens technology will significantly improve the spherical accuracy of micro-lenses and the continuity between the micro-lenses, enhancing the light-gathering effect. Meanwhile, in order to improve the focusing speed of sensors, the Company has developed Phase Detection Auto Focus (PDAF) technology micro-lenses, which have been successfully introduced into the market by customers.

B. The technologies and R&D for the on-chip optical components foundry business are described below:

a. In optical finger print sensor technology, the ultra-thin in-display collimator type optical finger print sensor technology developed by the Company has entered mass production. The Company is the main supplier on the market with the ability to provide such foundry services. This process technology has been adopted by major manufacturers around the world and shipments continue to hit new highs.

b. As for 3D sensing components, the high-quality coating technology has been verified and certified by the world's major manufacturers and has been applied to products of all generations. Shipments are maintained at a stable level at the moment.

c. In terms of other multi-film products, the newly developed multiple channel light sensor coating technology has been verified successfully. Trial production has started in the second quarter of 2020 and mass production has started in 2021.

In the future, in addition to continuing to improve color filter and multi-film technologies, the R&D of new technologies will focus on diffraction components and bio-sensing chips in preparation of the next stage of the market. The Company will keep developing various optical process technologies to enhance the benefits of integration and provide customers with excellent optical component foundry services through wafer-level semiconductor processes.

(2) Research and development personnel and their education and work experience

Unit: Person

Education	Year 2020		2021		February 28, 2022	
	Number of people	%	Number of people	%	Number of people	%
Ph.D	13	8	18	9	19	9
Master's	133	85	173	85	175	85
Bachelor's	10	6	11	5	11	5
Senior high school and below	1	1	1	1	1	1
Total	157	100	203	100	206	100

Note: The above-mentioned number of people does not include the direct labor in the R&D segment which does not involve technical skills.

(3) Annual R&D expenses invested within the past five years

Unit: NTD thousand; %

Item	2017	2018	2019	2020	2021
R&D expense	181,621	239,746	346,489	366,794	542,020
Net operating revenues	2,519,211	2,748,420	3,395,724	6,946,349	9,029,178
Ratio to net operating revenues	7.21	8.72	10.20	5.28	6.00

Source: Based on audited financial statements.

(4) Technologies or products successfully developed within the last five years

Year	Technologies or products successfully developed
2017	<ul style="list-style-type: none"> Mass production of 3D optical sensing components to implement on-chip multi-film (OCMF) technology in smartphones Mass production of in-display optical finger print sensors (OFP) Mass production of 12-inch 1.0μm color filters and 20 million pixel image sensors
2018	<ul style="list-style-type: none"> Mass production of ultra-thin in-display optical finger print sensors (OFP) Mass production of distance sensing components to implement on-chip multi-film (OCMF) technology in smartphones Mass production of 12-inch 0.9μm color filters and 24 million pixel image sensors
2019	<ul style="list-style-type: none"> Mass production of 12-inch 0.8μm color filters and 48 million pixel image sensors Development of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification
2020	<ul style="list-style-type: none"> Mass production of 12-inch 0.7μm colors filter and 64 million pixel image sensors Mass production of ambient optical sensing components to apply on-chip multi-film (OCMF) technology to smartphones Mass production of ToF (3D sensor) products
2021	<ul style="list-style-type: none"> Pioneered the launch of the 12-inch 0.61μm image sensors with a specially optical-structured color filter

(IV) Long-term and Short-term Business Development Plans:

Short-term business development plans

Image sensors business

Image sensors for high-end smartphone market: Continue to collaborate with major customers to develop 12-inch CIS image sensor technology and process capabilities, specifically for the market for high-resolution (100 million pixels and above) and small pixel size (0.56μm) sensors required for high-end smartphones.

Provide a technology platform for smart phones and automotive sensors, so as to assist existing customers in cross-sector market development, thereby increasing the market share.

On-chip multi-film (OCMF) business

Develop the next generation of high-end ultra-thin (collimator) type optical finger print market, to consolidate a leading position in the market and meet the market specifications for 5G phones in the future.

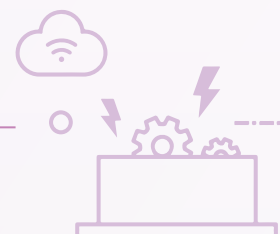
Develop customers specialized in ambient light sensor that are required for a mobile phone, and develop third-generation ambient light sensor products with specific customers.

The Company's current plant cannot fully satisfy the amounts required by customers. In response to robust market demand, in 2020, the Company started to build a second plant for the production lines of 12-inch wafer-level color filters, on-chip multi-film, high-end image sensors, and for the development of high-end under-display optical finger print sensor technology. It is expected to start production in 2022.

Long-term business development plans

Considering the high pressure due to the cost of investment at the initial stage of the new plant, the objectives for business development are:

- Expand and consolidate the existing customer base and market base, and increase market share.
- Continue to develop new products and innovative and niche-based technologies to diversify market risks.
- Conduct R&D to use existing machines for new processes, to reduce the investment pressure for high-end production capacity.
- Develop customized processes together with customers, to secure the production capacity required by customers in the future.
- Sign cooperation and production capacity guarantee contracts with customers, to ensure the production capacity required by customers in the future.
- Develop diversified markets and customer sources so as not to be impacted by a single market or by seasons.



II. Market and Production-Marketing Overview

(I) Market Analysis

(1) Areas where the main products (services) are sold (provided)

Unit: NTD thousand; %

Item	Year		2020		2021	
			Sales	%	Sales	%
Domestic			1,359,257	19.57	1,252,207	13.87
Asia			79.63	75.71	7,695,926	85.23
America			0.22	0.44	25,975	0.29
Europe			0.58	0.78	55,070	0.61
Subtotal			80.43	76.93	7,776,971	86.13
Export						
Total			6,946,349	100.00	9,029,178	100.00

(2) Market share

Wafer-level color filter and micro-lens market

Image sensors are the main product of the wafer-level color filter and micro-lens market, which are used in the smartphone, automobile, and surveillance camera. The Company's image sensor technology mainly provides the sensors required in the mobile device, automobile, and surveillance camera markets. In particular, mobile devices occupy the largest share among them, accounting for 65% of the Company's revenue in 2020. Overall shipments account for about 21.5% of the image sensor market, a substantial increase compared to the previous year. This is mainly due to the growth of high-end image sensors (above 48 million pixels) and the contribution from 2 million pixels and 13 million pixels in the mainstream market.

Currently, VisEra is still a leader in terms of the high-resolution small-pixel ($<0.7\mu\text{m}$) technology, and is expected to continue to maintain such technological leadership in the Fabless foundry market.

Integrated on-chip multi-film market

The Company's integrated on-chip multi-film technology mainly includes in-display optical finger print sensors and 3D optical sensing components.

The Company worked with customers to develop the first generation under-display optical finger print sensor as early as 2016; yet, the market for such a product only emerged in 2018. Under-display fingerprint sensors produced using the optical technology accounted for 90% of the market, excluding those produced using the ultra-sonic technology. With its unique integrated optical structure technology, the Company is able to assist customers in designing an ultra-thin optical finger print sensor ($<0.5\text{mm}$), thereby early seizing market opportunities. The Company is the exclusive supplier of major brands specialized in optical finger print recognition, and maintains a leading market share.

The mainstream technologies of 3D optical sensing components include: stereo systems, structured light and ToF sensors. Because the structured light technology and patent layout are held by some specific manufacturers, all the mobile phone manufacturers have put their effort into the development of ToF sensor technology. The Company is one of the suppliers of biometric sensing components. At the same time, the Company also continues to collaborate with international manufacturers for the development and mass production of ToF sensor technology.

(3) Future supply and demand and growth of the market

It is expected that the number of optical components equipped in end-products will increase, which products include smartphones, automotive products, and the AR/VR products with growth potentials, all are equipped with multiple CIS image sensors and optical sensing components (e.g. ambient light sensors, ToF sensors, and biometric sensors). The market for such products is the one the Company mainly engages in.

The three main markets for CIS image sensors are the mobile phone market, the automotive market and the video surveillance market. According to a report of the Tokyo Shoko Research, a Japanese research institute, by 2025, the total

shipments in the CIS market will reach 9.2 billion pieces, a compound annual growth rate of 5%, representing a total output value of USD25.2 billion, a compound annual growth rate of 7%.

The largest demand for image sensors is mainly driven by the increase ratio of smartphones equipped with multiple lenses. In addition, the force that propels the demand mainly comes from the large-area image sensors that feature high-resolution and small-pixel. The penetration rate of ADAS has also boosted the demand for automotive image sensors.

The demand for equivalent 8-inch wafers, according to a Yole report, is expected to reach 8 million pieces in 2024, with a compound annual growth rate of 7.5%. In the second half of 2019, CIS image sensors have been reported to be out of stock. Although the market was affected by the COVID-19 pandemic in 2020 and 2021, now, the demand is still greater than the supply.

In response to the high growth ratio of CIS sensors in the next five years, the industry has one after another put their new 12-inch fab into operation to produce CIS sensors. Yet, the critical high-end product lines for color filters (CF) and micro-lenses (ML) cannot be replicated and developed within a short period of time. With its leading 12-inch on-chip micro-optics process technology, and its product lines for sub-micron micro-lens and high-end color filter film, the Company has become the preferred cooperative foundry for major international customers.

As for integrated on-chip multi-film technology, the main market is the biometric sensor, including in-display optical finger print sensors and 3D sensing components. Biometric sensors are an essential component of 5G smartphones, and they are currently in a stage of rapid growth. In-display optical finger print sensors currently have an adoption rate in mobile phones of about 30%, and it is expected that the adoption rate will increase year by year in the future.

With respect to the biometric sensor market, the Company targets international customers who have growth potentials and continues to work with them. By leveraging its specialized technologies for on-chip optical multilayer film and micro-optical lens, the Company provides customers with a customized one-stop service, which not only improves the biometric sensing sensitivity of customers' products but also makes the modules thinner. The Company believes that it can jointly make progress with customers and deepen the cooperation with them amid the surging growth wave in the market for biometric sensing that caters both to convenience and to safety.

Miniaturized optical sensors, optical components, and optical display systems are all core hardware components for the AR/VR market that has high growth potential. The objective to increase the degree of customers' immersion experience with VR must boost the demand for sensors that can perform eyeball tracking, face tracking, gesture tracking, and facial expression transmission. The optical system of a pair of AR glasses mainly comprise two accessories: The image source component and the display. Optical waveguide, which is so far the best solution for AR glasses, has the advantages of large field of view and large eye movement range. The market for AR glasses is the next potential market that the Company's technology development aims at.

In response to the strong demand for high-end optical products from the market and major customers, the plant has currently almost reached its full capacity. The new plant is expected to be put into production in the second half of 2022.

(4) Competitive niche

A. Optical one-stop service

Different from the foundries focusing solely on production, the Company is an optical foundry, providing the design, simulation, development, and manufacturing of professional wafer-level optical components. The Company provides a complete optical one-stop service for customers.

B. Tight and strong upstream and downstream supply chain

The Company has more than ten years of experience specializing in the field of optical sensing. We also have many years of experience cooperating with upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry.

C. Close customer relationship and staying on top of industry trends

The Company's partners and target customers are all major manufacturers with a leading position in the optical field, covering the United States, China, Japan, Europe and other places. Therefore, through technical cooperation, we can stay ahead of the market, deploy new technologies in advance and gain insights into the future trends of the market.

D. Provide customized technology and production capacity

Considering the technical features and market requirements of the special specifications of high-end sensing products, the Company has the ability to provide customers with project-based, customized production models, and collaborative development of special optical materials, spectral characteristics, and the integration of special processes.

E. Investment in talents and advanced equipment

The Company is willing to invest in R&D technical talents and advanced optical equipment, follows up the market's requirements for high-end optical products, and has the ability to obtain potential future market opportunities in advance, to secure leading technology and manufacturing capabilities.

(5) Positive and negative factors for future development and the countermeasures

A. Positive factors

a. Huge demand in the end market

Market applications in information, communication, and consumer-related products are continuously innovated and drive the continuous miniaturization of semiconductor process technologies. As for the current largest smartphone market, the biggest selling points for mobile phones and wearable devices are optical lens, biometrics and 3D applications, which will be the leading development trend for the optical industry. This is in line with the Company's direction of research and development in optical miniaturization products.

b. Support from long-term partnership with customers and the customers leading the technology market.

c. A strong management team, combined with advanced process R&D and an outstanding business team, demonstrating excellent operation performance.

B. Negative factors and countermeasures

a. The Chinese government's support of the semiconductor industry causes the pressure of competition

In recent years, the Chinese government has committed to supporting the semiconductor industry, with the objective of building an end-to-end industry chain, actively investing in equipment, and recruiting talents. Within the context of an increase of production capacity from global foundries, the geographic location relative to the supply chain may face pressure from horizontal competition.

Countermeasures:

The Company will keep developing high-end optical products, establish long-term collaborative relationship with customers, and make good use of the advantages of the supply chain, avoiding the pressure of competition caused by the supply chain and Chinese policies.

b. Huge capital expenditure

The financial pressure at the initial stage of investment in a new plant.

Countermeasures:

- 1 Paid with own capital derived from stable operational growth.
- 2 To be listed on the TWSE to diversify the funding channels.
- 3 Considering the long-term development, the Company maintains a good long-term relationship with the bank group to provide funds to support future growth in business.

c. Lack of control of critical materials

Some of the critical optical materials are in the hands of a few major manufacturers.

Countermeasures:

The Company will collaborate with suppliers to develop the optical material market, create a collaborative relationship for a long-term supply and develop a second supplier to prevent plagiarism by other competitors.

d. The market of consumer electronics is easily affected by economic volatility

Miniaturized optical components are mostly used in consumer electronics, and tend to be affected by the international situation, trade strategies and market volatility.

Countermeasures:

A business model of diversified products has been adopted, obtaining ISO certification for automobiles and medical care. A market with a stable supply has been established, reducing the impact on consumer products by market volatility.

(II) Important uses and production processes of main products

(1) Important uses of products produced through foundry services

A. For image sensor related foundry services, the important uses of the main products are described below

The three main markets of image sensors (CIS, CMOS image sensors) are the applications in mobile devices, automotive and surveillance cameras. In terms of image sensors for mobile devices, with consumers' high expectations for the shooting performance of smartphone cameras in recent years, the number of camera modules and the pixels used in smartphones have also increased rapidly. Thus, the suppliers of camera modules have also raised their standards for the production process capability of the sensors and stability of mass production. On the other hand, with the rapid development of autonomous cars and increasing security demands, the requirements for performance, specifications and supply stability of automotive electronics and image sensors used in security surveillance cameras have gradually risen. Automotive image sensors specifically emphasize sensing abilities in extreme environments, such as the glare of opposite cars' headlights, night vision, and low illuminance on rainy days. Therefore, the process capability requirements of sensors used in automotive electronics and surveillance cameras are different from the performance requirements of smartphone camera modules. After years of investment in R&D, the Company is able to perform mass production using relevant production processes, and so has become the foundry partner designated by international brands.

B. For the wafer-level optical components related foundry services, the important uses of the main products are described below

Wafer-level optical components are mainly used in mobile devices to provide a user experience that is more convenience and secured. For example, under-display optical finger print sensors and 3D biometric modules offer quick unlock features and assure the security of payment information; ToF sensors and color ambient light sensors offer screen color and power management functions on mobile devices, improving power efficiency and comfort when using mobile devices. The Company's wafer-level optical component products have been adopted by light sensor suppliers. With the development of various technologies, they are gradually expanding the scope of customers' applications.

(2) Production processes of the main products

In terms of production processes within the supply chain, an image sensor first goes to a fab at the up-stream to have its electronic circuits completed; it then goes to the Company to undergo various processes, such as on-chip micro-lens, color filter, or multi-film; and finally it goes to the downstream fab for packaging and testing and is deemed as a product. The Company's clean rooms and each process (e.g. photoresists coating, exposure, development, etching, and coating) satisfy the international requirements for a wafer-level optical fab.

(III) Supply situation of main materials

The Company's main raw materials are photoresist, developer, photoresist remover, chemicals, and gases. The main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To disperse the problem of concentration of supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

(IV) Customers accounting for 10% or more of the total purchases (sales) in either of the two most recent fiscal years, and their purchase (sale) amount and percentage:

1. Suppliers accounting for 10% or more of the total purchases in either of the two most recent fiscal years

Unit: NTD thousand

Item	Supplier name	2020			2021		
		Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer	Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer
1	Company A	431,115	42.00	None	434,104	33.06	None
2	Company B	85,077	8.29	None	136,114	10.36	None
	Others	510,326	49.71		742,941	56.58	
	Net purchases	1,026,518	100.00		1,313,159	100.00	

Explanation of the changes: The purchase volume increased mainly due to the Company's business growth and the increase in production and sales. Also, the purchase prices of some raw materials increased due to market factors.

2. Customers accounting for 10% or more of the total sales in either of the two most recent fiscal years

Unit: NTD thousand

Item	Name	2020			2021		
		Amount	Percentage of the total net sales of the year (%)	Relation to the issuer	Amount	Percentage of the total net sales of the year (%)	Relation to the issuer
1	Customer A	3,050,156	43.91	None	3,187,407	35.30	None
2	Customer C	25,392	0.37	None	2,508,073	27.78	None
3	Xintec	898,937	12.94	Other related party	750,808	8.32	Other related party
4	Customer B	1,511,497	21.76	None	506,179	5.61	None
	Others	1,485,759	21.39	-	2,076,711	22.99	-
	Total	6,946,349	100.00	-	9,029,178	100.00	-

Explanation of the changes: The Company maintains a stable, collaborative relationship with its major sales customers. At the same time, new products developed by the Company are successively put into mass production, which drives the shipment performance, the growth of sales, and the increase of revenue.

(V) The production volume for the two most recent fiscal years:

Unit: equivalent 8 inch wafer thousand pieces, NTD thousand

Main merchandise (or by segment)	Production value	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Image Sensor		1,301	1,231	2,338,067	1,662	1,390	2,953,010
Micro-optical components		517	343	1,414,258	599	297	2,400,418
Other (Note)		-	-	83,126	-	-	106,778
Total		1,818	1,574	3,835,451	2,261	1,687	5,460,206

Note: Other refers to the income from engineering products and testing services.

Change analysis:

(1) Capacity increased due to expansion of product lines.

(2) Volume and value both increased, owing to consistently increasing market demands.

(VI) The volume of units sold in the two most recent fiscal years:

Unit: equivalent 8 inch wafer thousand pieces, NTD thousand

Main merchandise (or by segment)	Production value	2020				2021			
		Domestic		Export		Domestic		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Image Sensor		103	291,552	1,128	3,935,165	116	334,819	1,274	4,612,509
Micro-optical components		144	1,030,806	199	1,572,094	138	883,975	159	3,052,644
Other (Note)		-	36,899	-	79,833	-	33,413	-	111,818
Total		247	1,359,257	1,327	5,587,092	254	1,252,207	1,433	7,776,971

Note: Other refers to the income from engineering products and testing services.

Change analysis: The sales volume increased mainly due to constantly growing market demands.

III. The number of employees employed:

The data of employees employed for the two most recent fiscal years and up to the date of publication of the annual report

Item	Year	2020	2021	February 28, 2022
Number of employees	Direct labor	516	556	550
	Indirect labor	717	824	837
	Total	1,233	1,380	1,387
Average age (year)		35.9	35.1	35.3
Average years of service (years)		6.6	5.2	5.3
Education level ratio (%)	Ph.D	1	2	2
	Master's	40	42	42
	Bachelor's	45	43	43
	Senior high school	14	13	13
	Senior high school and below	0	0	0

IV. Disbursements for environmental protection:

Any losses suffered by the company in the most recent fiscal year and up to the annual report printed date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

The Company has always strictly observed the environmental protection laws and regulations and has the continuous reduction of pollution and emissions as the objective of environmental protection work in the plants. In the most recent fiscal years and up to the annual report printed date, the Company has suffered no loss resulting from penalties imposed by the relevant authorities for any environmental pollution incidents, and no pollution dispute has occurred.

Nevertheless, the Environmental Protection Bureau of Hsinchu City came to the Company on September 30, 2021 to perform an audit, during which it found that the Company had failed to file the operating record of "fluorine", a toxic chemicals, for April 2021 with the competent authority before the specified deadline on May 10, 2021. Despite that the Company became aware of such failure on May 12, 2021 and voluntarily submitted the records to the Environmental Protection Bureau of Hsinchu City for filing purpose, the Environmental Protection Bureau of Hsinchu City still deemed such a submission as a late filing. On December 17, 2021, it sent the Company the official letter (Letter No. Fu-Shou-Huan-Zong-1100188893 [Administrative Penalty Letter No.: 34-110-120001]) stating therein that the Company had violated Paragraph 2, Article 9 of the "Toxic and Concerned Chemical Substances Control Act" and Paragraph 1, Article 4 of the Regulations Governing the Operating Records and Discharge Records of Toxic and Concerned Chemical Substances, and therefore was fined NT\$60,000 and obliged to attend 2 hours of environmental protection lectures. The Company has paid the fine and attended the lectures. To avoid recurrence of late filing, the Company has established its filing management system to enhance the management mechanism.

V. Labor relations

(I) The Company's employee welfare plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

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

(1) Employee welfare plans

The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company's sustainable development and promotes the following employee welfare measures

- 1 Labor Insurance and National Health Insurance: All employees of the company participate in Labor Insurance and National Health Insurance.
- 2 Group Insurance: In addition to the employees themselves, their spouses, children and parents will also be covered, so that colleagues and their families can be protected.
- 3 Employee welfare: The Company appropriates welfare funds as per the "Employee Welfare Fund Act", and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work.
- 4 Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel are hired, and physicians are regularly arranged for to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. Health promotion courses are organized irregularly, such as the body-mind courses, e.g. stress relief courses or weight loss courses. Blood donation activities are arranged, both to accelerate metabolism and to do charity.
- 5 Group meals: The Company has an restaurant and a coffee bar for employees, where buffet, fast food, and wheat food are offered. Lunch, dinner, and late-night supper are subsidized. Taiwanese food available on the island, as well as exotic cuisines, are provided, both to create a diversified diet, and to meet the diet needs of employees, both of Taiwanese nationals and of foreign nationals.
- 6 Bonus system: The Company issues bonuses based on operating conditions.
- 7 Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies.

(2) Continuing education and training

The Company pays attention to the self-cultivation of the employees and plans diversified training programs to meet the needs of organizational development. Through a systematic training roadmap, it is expected that each employee can realize their potential and improve their

work performance in an environment that is appropriate to their talents, so as to achieve the win-win objective of business development and personal growth. An eLearning platform has been introduced so that the employees can carry out learning activities effectively. Training categories include:

- 1 New employee orientation: The content includes the company profile, environmental safety and health regulations, quality policies, personal data protection, regulatory compliance, and other general education.
- 2 On-the-job training: Buddies are assigned to each new employee to shorten the adaptation period. Through the planning of OJT courses, engineering skills and experiences of various segments are passed on. Technical talent is developed through learning at work to ensure product quality.
- 3 IDP individual training roadmap planning: Differentiated courses are planned according to ranks to improve the working skills and expertise of individuals.
- 4 Professional certificate/license training: Specific training for personnel qualifications is conducted according to laws and regulations and work requirements, and regularly assessed and certified to improve the quality of products.
- 5 Direct labor training: The knowledge, technologies, and methods required for their work are taught to the production and technical personnel so that they can obtain the certification to operate equipment.
- 6 Management functions training: Management development training activities are planned in accordance with management skill and function requirements of supervisors at all levels.

(3) Retirement system and the status of its implementation
The Company has established the "Supervisory Committee of Labor Retirement Reserve" in accordance with labor laws and regulations. For the employees to whom the old labor retirement system applies, the "Labor Retirement Reserve" will be appropriated regularly and deposited in a special account at the Bank of Taiwan in the name of the committee. The committee is responsible for managing, supervising, and reviewing matters related to the retirement reserve.

For employees to whom the new labor retirement system applies, six percent of the employee's monthly salary shall be appropriated to their Individual Labor Pension Account of the Bureau of Labor Insurance as per the "Labor Pension Act".

(4) The status of labor-capital agreements and measures for preserving employees' rights and interests

The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. A quarterly labor-capital meeting is held to explain the Company's operation profile to labor representatives and participate in discussions on labor conditions and welfare matters. Employee communication meetings are held quarterly for direct and two-way interaction and communication. Important information and recent events are announced

through the internal website (My VisEra). A channel for employee grievances has been established and the responsible segment and the Company's top management will be informed based on the nature of the grievances. There is also provide a channel for whistleblowing/complaint/opinion submissions to allow employees to give their comments about work and environmental issues and suggestions. Multiple channels for employee feedback are maintained, voices of employees are listened to, and responses and communication are made in a timely manner to promote labor-management harmony and achieve win-win for both the enterprise and employees.

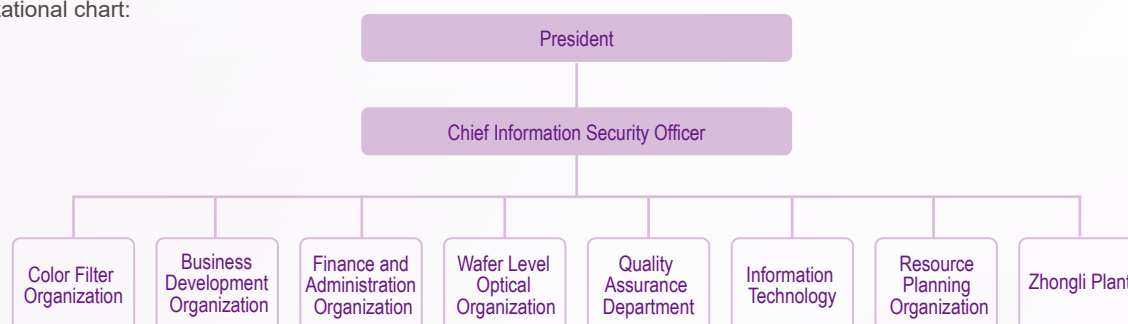
- (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VI. Information and communication security management:

- (I) Describe the management framework, policy, concrete management projects, and invested resources in relation to information and communication security management.

(1) In order to maintain its competitiveness, mitigate the risk of operation interruption, ensure that the information system is confidential, comprehensive, and accessible, and enhance employees' awareness of information security, the Company has established the "Information Security Management Committee" to implement works related to information security management.

Organizational chart:



- (2) Information security policy:

- Establish and implement an information security management system
- Comply with the information security requirements stipulated in regulations or contracts
- Assess risks; set goals and control measures to continuously improve information security
- Disseminate information security requirements to employees and related groups

- (3) Information security risk management:

- The Company assigns a dedicated information and communication security management and a dedicated information security personnel to promote, coordinate, monitor, and review all matters involving information security, to establish an organization responsible for information security incidence reporting and emergency response, to identify information security risks, and to implement improvement measures to mitigate information security risks.
- In 2011, the Company established internal regulations for information security management pursuant to ISO/IEC 27001 – Information technology — Security techniques — Information security management systems — Requirements, against which the Company was audited and qualified by the third party and will be re-audited every year.
- Information security protection measures are implemented at the demilitarized zone (DMZ) server (i.e. the server open to outsiders), office, data center, product lines, and cloud service center, and improved. KPIs for relevant control measures and a daily monitoring mechanism are established.
- The Company participates in information security sharing organization to obtain information security alert, threat, and vulnerability.
- The Company regularly holds information security trainings and a phishing drill to improve the information security awareness.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important contracts:

Nature of the contract	Contracting parties	Commencement dates and expiration dates of the contract (Month/Day/Year)	Major content	Restrictive clauses
Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	June 5, 2006 to December 31, 2025	Lease of land for the Hsinchu Duxing Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau.
Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	April 15, 2020 to December 31, 2039	Lease of land for the Longtan Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau.
Lease contract	Xintec Inc.	November 16, 2020 to November 15, 2022	Lease of Xintec's Zhongli Plant and the relevant plant facilities and services	No subleasing, subletting, lending, transferring, possessing or other means of providing use to other people is allowed
Construction contract	Li Jin Engineering Co. Ltd.	September 30, 2020 ~ until the warranty expires	Construction of Longtan Plant	None
Commissioned for processing	Xintec Inc.	October 1, 2019 to September 30, 2021	Provide customers with wafer processing services, and draw up a contract as per the Regulations Governing Customs Bonded Factories	None
Long-term supply	United Industrial Gases Co., Ltd.	November 11, 2020 to October 31, 2030	Purchase nitrogen, subsidize liquid nitrogen and ultra-high purity liquid oxygen; lease equipment	The equipment must not store gas not supplied by United Industrial Gases
Bank credit	Mega International Commercial Bank Co., Ltd.	The signing date of the contract is June 08, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 300 million has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	Far Eastern International Bank Co., Ltd.	The signing date of the contract is June 17, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 300 million has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	E.SUN Commercial Bank, Ltd.	The signing date of the contract is July 1, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 2 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	Taipei Fubon Commercial Bank Co., Ltd.	The signing date of the loan drawdown notice is July 27, 2020. According to the approval conditions, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 910 million has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes

Six. Financial Overview

I. Condensed balance sheet and statement of comprehensive income for the last 5 years

(I) Condensed balance sheet and statement of comprehensive income

1. Condensed balance sheet – Based on IFRS

Unit: NTD thousand

Item	Year	Financial information for the last 5 years (Note)				
		2017	2018	2019	2020	2021
Current asset		4,172,464	4,260,367	4,161,500	3,767,007	5,000,933
Property, Plant and Equipment		1,672,754	1,675,727	1,867,080	7,617,347	9,773,826
Intangible asset		4,078	13,700	10,252	9,096	24,874
Right-of-use assets		-	-	221,221	319,065	244,038
Other assets		62,533	65,961	62,424	59,253	45,504
Total assets		5,911,829	6,015,755	6,322,477	11,771,768	15,089,175
Current liabilities	Before dividend	603,807	860,891	968,878	2,225,250	2,625,096
	After dividend	1,186,113	1,443,197	968,878	2,807,556	(Note 2)
non-current liabilities		1,456	3,845	168,127	2,263,683	3,547,504
Total liabilities	Before dividend	605,263	864,736	1,137,005	4,488,933	6,172,600
	After dividend	1,187,569	1,447,042	1,137,005	5,071,239	(Note 2)
Share capital		2,911,531	2,911,531	2,911,531	2,911,531	2,932,991
Capital surplus		693,712	693,757	696,675	703,493	732,799
Retained earnings	Before dividend	1,701,323	1,545,731	1,577,266	3,667,811	5,250,785
	After dividend	1,119,017	963,425	1,577,266	3,085,505	(Note 2)
Total Equity	Before dividend	5,306,566	5,151,019	5,185,472	7,282,835	8,916,575
	After dividend	4,724,260	4,568,713	5,185,472	6,700,529	(Note 2)

2. Condensed statement of comprehensive income – Based on IFRS

Unit: In thousands of NTD, except for earnings per share, which is estimated in NTD.

Item	Year	Financial information for the last 5 years (Note)				
		2017	2018	2019	2020	2021
Revenue		2,519,211	2,748,420	3,395,724	6,946,349	9,029,178
Gross profit		497,438	787,804	1,147,342	3,110,898	3,568,972
Operating profit/loss		210,891	481,881	718,692	2,556,440	2,707,262
Non-operating income and expense		10,678	26,952	24,680	(1,089)	(3,316)
Profit before tax		221,569	508,833	743,372	2,555,351	2,703,946
Current period net profit		207,557	412,283	613,841	2,090,545	2,165,280
Total comprehensive income in the current period		207,557	412,283	613,841	2,090,545	2,165,280
Earnings per Share		0.71	1.42	2.11	7.18	7.41

(II) Names of financial statement auditors in the last 5 years and audit opinions

1. Names of financial statement auditors in the last 5 years and audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2017	Deloitte & Touche	I-Hsin Kao	Unqualified opinion
2018	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2019	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2020	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
110	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion

2. If there was any reappointment of CPA in the last five years, provide reasons for reappointment from the Company, the former CPA, and the succeeding CPA: The Company had reappointed the two CPAs in 2018 to accommodate its public offering and the internal rotation within Deloitte & Touche.

II. Financial analysis for the last 5 years

1. Financial ratio analysis - IFRS-compliant

Analysis	Year	Financial information for the last 5 years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt-to-assets ratio	10.24%	14.37%	17.98%	38.13%	40.91%
	Long-term capital to property, plant and equipment	317.32%	307.62%	286.74%	125.33%	127.53%
	Current ratio	691.03%	494.88%	429.52%	169.28%	190.50%
Solvency (%)	Quick ratio	678.58%	487.47%	419.18%	163.27%	184.25%
	Interest earned ratio	-	18,846.67	151.02	490.44	217.07

Analysis	Year	Financial information for the last 5 years				
		2017	2018	2019	2020	2021
Operating performance	Accounts receivable turnover (times)	4.37	5.41	5.78	8.76	8.09
	Average collection days	83	68	63	42	45
	Inventory turnover (times)	36.32	45.91	48.22	53.81	60.12
	Accounts payable turnover (times)	20.68	21.14	18.87	23.24	20.40
	Average inventory turnover (days)	10	8	8	7	6
	Property, plant and equipment turnover (times)	1.35	1.64	1.92	1.46	1.04
	Total asset turnover (times)	0.39	0.46	0.55	0.77	0.67
Profitability	Return on assets (%)	3.22%	6.91%	10.01%	23.15%	16.20%
	Return on equity (%)	3.68%	7.88%	11.88%	33.53%	26.73%
	Pre-tax profit to paid-up capital (%)	7.61%	17.48%	25.53%	87.77%	92.19%
	Net profit margin (%)	8.24%	15.00%	18.08%	30.10%	23.98%
	Earnings per share (NTD)	0.71	1.42	2.11	7.18	7.41
Cash flow	Cash flow ratio (%)	116.73%	115.40%	109.27%	151.47%	144.56%
	Cash flow adequacy ratio (%)	111.56%	99.91%	91.79%	70.93%	69.74%
	Cash reinvestment ratio (%)	-1.33%	3.16%	3.47%	18.17%	13.78%
Degree of leverage	Operating leverage	10.19	4.81	3.86	2.22	2.74
	Financial leverage	1.00	1.00	1.01	1.00	1.00

Variations exceeding 20% in the last 2 years:

- (1) Decrease in interest coverage ratio: Mainly due to drawdown of borrowings to fund capital expenditure, which in turn increased the borrowings balance, thereby resulting in an increase in the interest expense of 2021 over the 2020 level.
- (2) Decrease in property, plant, and equipment turnover (times): Mainly due to continuous expansion of product lines in 2021, which caused an increase in property, plant, and equipment of 2021 over the 2020 level.
- (3) Decrease in return on asset; decrease in return on equity: Mainly due to the fact that the increase in post-tax profit of 2021 was smaller than the increase in assets of 2021, and in equity of 2021, respectively.
- (4) Decrease in net profit margin (%): Mainly due to the decrease in gross profit of 2021 over the 2020 level.
- (5) Decrease in cash reinvestment ratio (%): Mainly due to constant expansion of product lines in 2021, which caused the gross amount of fixed assets to increase to an extent greater than the increase in net cash flow from operating activities.
- (6) Increase in operating leverage: Mainly due to the decrease in gross profit of 2021 over the 2020 level, which caused the (net operating revenue - variable operating costs and expenses) to increase to an extent greater than the increase in operating profit.

Note 1: All yearly financial information presented above has been audited.

Note 2: Formulas of financial ratios are defined below:

1. Financial structure

- (1) Debt-to-assets ratio = total liabilities / total assets.
- (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest earned ratio = earnings before interest and income tax / interest expenses for the current period.

3. Operating performance

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average collection days = 365 / accounts receivables turnover.
- (3) Inventory turnover = cost of sales / average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.

- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.

- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [net income + interest expenses × (1 - tax rate)] / average total asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.

5. Cash flows

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).

6. Degree of leverage:

- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).



III. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors prepared the 2021 Business Report, Financial Statements, and earning distribution proposal of the Company. The Financial Statements have been audited by the CPA of Deloitte & Touche, who presented the independent auditors' report. After audit, the Audit Committee believes the aforementioned Business Report, Financial Statements and earnings distribution proposal are prepared in good faith. Therefore, the Audit Committee's Review Report is so generated pursuant to the Securities and Exchange Act and the Company Act.

VisEra Technologies Company Ltd.

Convener of the Meeting of the Audit Committee: Laura Huang

February 23, 2022

IV. Latest financial statements: See pages 92 to 143. Appendix (Standalone Financial Statements for 2021)

V. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the printed date of annual report: None.

Seven. Review of Financial Status, Financial Performance, and Risk Management

I. Financial status:

Comparative analysis of financial status

Unit: NTD thousand

Item	Year	2020	2021	Difference	
				Amount	%
Current asset		3,767,007	5,000,933	1,233,926	32.76
Property, Plant and Equipment		7,617,347	9,773,826	2,156,479	28.31
Right-of-use assets		9319,065	244,038	(75,027)	(23.51)
Intangible asset		9,096	24,874	15,778	173.46
Other assets		59,253	45,504	(13,749)	(23.20)
Total assets		11,771,768	15,089,175	3,317,407	28.18
Current liabilities		2,225,250	2,625,096	399,846	17.97
non-current liabilities		2,263,683	3,547,504	1,283,821	56.71
Total liabilities		4,488,933	6,172,600	1,683,667	37.51
Share capital		2,911,531	2,932,991	21,460	0.74
Capital surplus		703,493	732,799	29,306	4.17
Retained earnings		3,667,811	5,259,785	1,582,974	43.16
Total Equity		7,282,835	8,916,575	1,633,740	22.43

1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)

(1) Increase in current assets: Mainly due to increase in cash and accounts receivable as a result of better operations.

(2) Property, plant, equipment, and intangible asset increased: Mainly due to additional capital expenditures incurred to meet market demand.

(3) Decrease in right-of-use assets: Mainly due to amortization over the lifetime.

(4) Decrease in other assets: Mainly due to amortization of discounted book-tax differences, which resulted in a decrease in deferred tax assets.

(5) Increase in non-current liabilities: Mainly due to increase in long-term borrowings to fund capital expenditure.

(6) Retained earnings increased: mainly as a result of ongoing improvements made to product portfolio, which produced higher gross profit and operating profit.

2. Possible impacts on future financial and business performance: No material impact is expected.

3. Future response measures: Not applicable.

Source: Based on audited financial statements.



II. Financial performance:

(I) Comparative analysis of operating performance

Unit: NTD thousand

Item	Year	2020	2021	Difference	
				Amount	%
Revenue		6,946,349	9,029,178	2,082,829	29.98
Gross profit		3,110,898	3,568,972	458,074	14.72
Operating profit/loss		2,556,440	2,707,262	150,822	5.90
Non-operating income and expense		(1,089)	(3,316)	(2,227)	204.50
Profit before tax		2,555,351	2,703,946	148,595	5.82
Current period net profit		2,090,545	2,165,280	74,735	3.57
Total comprehensive income in the current period		2,090,545	2,165,280	74,735	3.57

1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)

(1) Operating revenues increased: the growth in performance was mainly due to ongoing efforts made to improve product portfolio and develop new customers.

2. Possible impacts on future financial and business performance: No material impact is expected.

3. Future response measures: Not applicable.

(II) Sales forecast and basis:

Sales volume is estimated based on the Company's sales targets, market demands, growth trends, customers' performance, and existing sales orders after taking production capacity into consideration. The Company expects sales to grow at a consistent rate, which will affect financial and business performance in a positive way.

III. Cash flow:

(I) Analysis of cash flow changes for the year:

Unit: NTD thousand

Item	Year	2020	2021	Variation
Operating activities		3,370,563	3,794,727	12.58%
Investing activities		(6,024,344)	(3,976,961)	(33.98%)
Financing activities		1,919,958	877,514	(54.28%)
Net cash outflow		(733,823)	695,280	(194.75%)

Analysis of cash flow changes:

(1) Operating activities: mainly attributed to sales growth, which increased pre-tax profit and cash inflow from operating activities.

(2) Investing activities: Mainly due to higher capital expenditure in 2020 compared with 2021; the lower capital expenditure in 2021 caused a decrease in net cash outflows from investing activities.

(3) Financing activities: Main due to decrease in long-term borrowings and distribution of cash dividends in 2021, which caused a decrease in net cash inflows to financing activities.

Note: Based on IFRS-compliant consolidated financial information.

(II) Response measures and liquidity analysis for cash flow deficit: Not applicable.

(III) Liquidity analysis for the next year:

Opening cash balance Balance	Projected net cash flow from operating activities for the year	Projected net cash flow from investing activities for the year	Projected net cash flow from financing activities for the year	Expected cash surplus (deficit)	Response measures for cash flow deficit	
					Investment plans	Financing plans
3,232,624	4,560,243	(7,149,086)	7,058,656	7,702,437	-	-

1. Analysis of cash flow variation for the next year:

(1) Operating activities: the Company expects market demand to grow consistently in the future, and the forecast represents net cash inflow under normal production plan.

(2) Net cash outflow from investing activities: mainly attributed to additional capital expenditures on new equipment and plant construction that the Company expects to incur for capacity expansion and development of new production procedures.

(3) Net cash outflow from financing activities: Mainly represents cash inflow from issuance of common shares and long-term borrowings.

2. Response measures and liquidity analysis for cash flow deficit: None.

IV. Material capital expenditures in the last year and impacts on financial position and business performance:

Construction of the new Longtan Plant represents a material capital expenditure. The Company expects to finance this project with its own capital or through bank borrowing, and expects no material impact on financial or business performance.

V. Investment policy in the last year, main causes for profits or losses, improvement plan, and investment plan for the coming year:

(I) Investment policy

The Company has formulated its investment policy in line with long-term strategies, which focus primarily on color filters and optical coating. Apart from the above, the Company does not invest in other industries. The Company has also established a set of "Asset Acquisition and Disposal Procedures" in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the authority to serve as guidance over investment practices, and to monitor business and financial status of business investments.

(II) Main causes of profit or loss, improvement plan: Not applicable as the Company has no business investment.

(III) Investment plans for the coming year: None.

VI. Evaluation of risk management issues in the last year up until the printed date of annual report :

(I) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

1. Interest rate changes

Unit: NTD thousand; %

Item	Year	2020	2021
Interest expense		5,221	12,514
Net operating revenues		6,946,349	9,029,178
Interest expense as a percentage of net operating revenues		0.08	0.14

Source: Based on audited financial statements

In 2020 and 2021, the ratio of interest expense to net operating revenue was 0.08% and 0.14%, respectively. The ratio in 2021 is higher than the 2020 level, mainly due to increase in interest expense as a result of increase in medium- and long-term borrowings in 2021. The Company constantly observes and analyzes how a change in market interest rate may affect cash flows on interest-bearing debts. The Company also maintains good relationship with banks and performs timely assessments on possible interest rate risks for all interest-bearing debts, while taking actions to reduce impact of interest rate changes on profitability.

2. Foreign exchange rates changes

Unit: NTD thousand; %

Item	2020	2021
Net foreign exchange gain (loss)	(57,105)	(11,981)
Net operating revenues	6,946,349	9,029,178
Net gains/losses on foreign currency exchange as a percentage of net operating revenues	(0.82)	(0.13)

Source: Based on audited financial statements.

Net gains (losses) on foreign currency exchange accounted for (0.82)% and (0.13)% of the Company's operating revenues in 2020 and 2021, respectively. Since most capital expenditures and manufacturing overheads are paid in non-NTD currencies such as USD and JPY and most revenues are collected in USD, excessive volatility in exchange rate may have adverse impacts on the Company. Depending on changes in market exchange rate, current positions, and capital availability, the Company adopts a combination of natural hedge and foreign exchange contract to eliminate exchange rate risks.

3. Inflation

Inflation has not had significant impact on the Company. Furthermore, the Company pays constant attention to changes in market price, and maintains productive relationship with suppliers and customers to eliminate adverse impacts of inflation on profitability.

(II) Policies on high-risk and highly leveraged investments, lending funds to other parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures:

- The Company has established "Lending Funds to Other Parties Procedures", "Endorsement and Guarantee Procedures", "Procedures for the Acquisition or Disposal of Assets", and "Procedures for Derivative Transactions", to serve as guidance within the Company. The Company had not engaged in any high-risk or highly leveraged investment or transactions such as lending funds to other parties, endorsement, or guarantee as of the publication date of annual report.
- USD to NTD forward is the main form of financial derivative traded by the Company. Use of this instrument is solely for hedging exchange rate volatility arising from foreign currency-denominated assets and liabilities, and strictly complies with "Procedures for the Acquisition or Disposal of Assets" and "Procedures for Derivative Transactions." For the above reasons, trading of derivative posed no significant risk to the Company.

(III) Future research and development plans and projected expenses:

Unit: NTD thousand

Item	R&D project	Expected time of completion/mass production	Estimated cost of research and development
1	0.61μm pixel production technology		
2	High performance large micro-lens production technology (ToF 3D sensing technology)	2022~2023 Year	1,379,463
3	Optical diffraction components		
4	Metasurface		

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company complies with local and foreign regulations for all daily operations. It pays constant attention to political and regulatory developments local and abroad, and gathers relevant information that the management may use to make informed decisions. The Company also consults experts from various fields to keep up-to-date on market changes, and adjusts operational strategies at times deemed appropriate. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year up until the printed date of this annual report.

(V) Business and financial impacts and response measures in the event of technological (such as information and communication security risk) or industrial change:

The Company operates in the semiconductors industry, where products and technologies evolve at such a fast rate that participants are constantly in need to adopt advanced technologies and expand production capacity. Competition among peers is extremely intense. In response, the Company continues to monitor changes in market demand and technology, and strives to capitalize on new market opportunities and enhance long-term competitiveness by exploring new products as well as new customers.

VisEra Technologies is committed to technological innovation. In order to enhance its industrial leadership, maintain the hard-earned advanced technological achievements, protect the R&D achievements, and strengthen competitiveness, the Company launches an incentive mechanism that encourages R&D and innovation in conjunction with its patent application deployment, one of its business objectives. Doing so not only creates a benign circle and a corporate culture characteristic of R&D and innovation, but also lays a solid foundation for corporate sustainability management.

The Company actively promotes intellectual property right (IPR) management plans, has established regulations governing the application, maintenance, and management of IPR that relates to patents and trade secrets, and prevents the leakage of R&D achievements and critical technologies through a stringent confidential information protection system, so as to comprehensively protect the Company's intellectual properties. The Company's patent portfolio covers numerous countries such as the United States, Taiwan, China, and Japan; total number of patents has reached 500 pieces, and is continuously growing. At each year-end, the management team will consider future business planning along with the R&D status of each R&D department within each organization to set appropriate IPR KPIs for the following year, so as to motivate the Company's R&D momentum. The achieving rates of these KPIs in recent years all exceeded 100%. Also, R&D supervisors report R&D status and future R&D plans to the Board of Directors at least annually, so that the directors are well informed of the Company's IPR portfolio.

With regards to cybersecurity risks, the Company has established and implemented a cybersecurity management system and internal and external audit cycles are conducted on a yearly basis to ensure effectiveness and compliance of the management system. In light of the above, cybersecurity does not pose significant risk to the Company's operations.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image

The Company has been dedicated to maintaining corporate image and complying with regulations since it was founded. As of the printed date of annual report, there had been no change in corporate image that would put the Company in crisis.

(VII) Expected benefits, risks, and response measures in relation to mergers and acquisitions: None.**(VIII) Expected benefits, risks, and response measures associated with plant expansions:**

A resolution was passed during the Board of Directors meeting held in January 2020 to construct Longtan Plant for the expansion of production capacity. This project will be funded using the Company's capital and long-term bank borrowings. The project exhibited no concern for delay or lack of financing as of the printed date of annual report.

(IX) Risks and response measures associated with concentrated sales or purchases:**(1) Risks and response measures associated with concentrated purchases**

Main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To address the issue of single supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

(2) Risks and response measures associated with concentrated sales

The Company specializes in foundry service for image sensors. Some image sensor suppliers do have a higher share of the market, which causes the Company's top-10 buyers to account for a relatively high percentage of total revenues. This concentration is an inherent nature of the industry. The Company will continue developing new products as a means to diversify sales concentration risk.

(X) Impacts, risks, and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC), a director and shareholder with more than 10% ownership interest in the Company, began transferring 38 million shares to professional investors and 1.501 million shares to the Emerging Stock Market recommending securities firm and Securities and Futures Investors Protection Center in March 2021 to accommodate the Company's listing application. TSMC remains the Company's largest shareholder after the transfer, and the transfer poses no significant risk or adverse impact on the Company.

To comply with the requirements for public offering, the Company elected 2 additional directors and 1 additional supervisor during the annual meeting held on June 19, 2020. Furthermore, for compliance with regulations on Emerging Stock Market registration, the Company held an extraordinary shareholders' meeting on March 4, 2021 to re-elect all 6 directors (including 3 independent directors) and assemble an Audit Committee and a Compensation Committee. The management remained unchanged after two changes of directors.

(XI) Impacts, risks, and response measures associated with a change of management: None.

(XII) Major litigations, non-contentious cases, or administrative litigations occurred during the year that involved the Company or any director, supervisor, President, person-in-charge, or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the Company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of annual report: None.

(XIII) Other significant risks: None.

VII. Other material issues: None.



Eight. Special Disclosure

I. Affiliated enterprises:

- (I) Consolidated business report of affiliated enterprises: Not applicable.
- (II) Consolidated financial statements of affiliated enterprises: Not applicable.
- (III) Affiliation report



1. Declaration of Affiliation Report

Declaration of Affiliation Report

The Company's 2021 Affiliation Report (for the period January 1 to December 31, 2021) has been prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises." There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.

This declaration is solemnly made by

Company name: VisEra Technologies Company Ltd.

Person-in-charge: Robert Kuan

March 23, 2022



2. Auditor's review of the Affiliation Report


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Correspondence No. Qin-Zhu-1110195 dated February 23, 2022

To: VisEra Technologies Company Ltd.

Subject: To express opinion on the Company's declaration that no material misstatement was found in the 2021 Affiliation Report

Explanation:

1. The Company's 2021 Affiliation Report dated February 23, 2022 (for the period from January 1 to December 31, 2021) was claimed to have been prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with no material discrepancy between information disclosed in the above reports and notes to financial statements for the corresponding period. A copy of the declaration has been presented in the attachment.
2. We, the auditors, have compared the Company's Affiliation Report against footnote disclosures presented in the 2021 financial statements according to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and found no material contradiction to the above claims.

Deloitte & Touche
CPA Shang-Chih Lin
Ming-Yuan Chung

3. Relationships between controlling and controlled entities:

The Company is a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC); information of the controlling entity is presented below:

Unit: shares; %

Name of controlling entity	Means of control	Shares held and pledged by the controlling entity			Directors, supervisors or managers appointed by the controlling entity	
		No. of shares held	Shares Ratio	Shares pledged	Position	Name
TSMC	Parent company that holds controlling interest in the Company	213,619,000	72.83%	-	Chairman Directors Directors	Robert Kuan George Liu Diane Kao



4. Transactions with the above parties:

(1) Trading of inventory:

TRANSACTIONS WITH THE CONTROLLING ENTITY				TERMS WITH THE CONTROLLING ENTITY		ORDINARY TRADE TERMS	
Purchase/ Sale	Amount	As a percentage of total purchase (sale)	Gross margin	Unit price (NTD)	Payment Terms	Unit price (NTD)	Payment Terms
Sales	2,890	0.03%	26.48%	Note 1	30 days after month-end	Note 1	30-90 days after month-end
Purchase	18,558	1.41%	-	Note 2	30 days after month-end	Note 2	30-60 days after month-end

Note 1: Products and services were sold to related parties at general commercial terms and conditions.

Note 2: Products and services were purchased from related parties at general commercial terms and conditions.

Note 3: Represents purchases for R&D purpose; presented as accrued expense.

(2) Trading of property: No material transaction had taken place.

(3) Financing: No financing had taken place.

(4) Leasing:

Transaction type (as lessor or lessee)	Underlying asset		Lease term (Month/Day/Year)	Nature of lease (Note 1)	Basis of rental rate
	Name	Location			
Leasing	Buildings	No. 12, Duxing 1st Road, Hsinchu City	February 1, 2020- January 31, 2021	Operating lease	Determined via bilateral negotiation

Note 1: Specify the nature as capital lease or operating lease.

Note 2: Other encumbrances such as lien over superficies, dian and servitude must be specified.

(5) Other significant transactions: No material transaction had taken place.

5. Guarantees and endorsements: None.

6. Other events of significant financial or business impacts: None.

II. Private placement of securities in the last year up until the printed date of annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the printed date of annual report: Not applicable.

Unit: NTD thousand; %

CAUSE OF DIFFERENCE	ACCOUNTS AND NOTES RECEIVABLE (PAYABLE)		OVERDUE ACCOUNTS RECEIVABLE			REMARKS
	Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Actions Taken	Amount of doubtful debt provisions	
Note 1	87	0.01%	0	-	0	-
Note 2	2,031(Note 3)	0.33%	0	-	0	-

Unit: NTD thousand; %

Collection (payment) terms	Comparison with normal rental rates	Sum of rent in the current period	Amount collected/paid in the current period	Other terms and conditions (Note 2)
Paid monthly	Normal	1,565	Fully collected at the end of the period	None

IV. Other supplementary information: None.

V. Occurrences significant to shareholders' interests or securities price, as defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the last year up until the printed date of annual report: None.



VisEra Technologies Company Ltd.

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



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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
VisEra Technologies Company Ltd.

Opinion

We have audited the accompanying financial statements of VisEra Technologies Company Ltd. (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, 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 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.

Key audit matter of the Company's financial statements for the year ended December 31, 2021 is stated as follows:

Contract Assets and Revenue Recognition

The majority of the Company's revenue is generated from color filter and optical coating, which are manufactured according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time in accordance with the requirements under paragraph 35(b) of IFRS 15. Refer to Notes 4, 5 and 17 to the accompanying financial statements for the details of the accounting policies related to the

contract assets and revenue recognition. The Company recognizes contract assets and revenue at the end of each month based on progress towards completion. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly. Thus, the Company's contract assets and revenue recognition was identified as a key audit matter.

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

1. We obtained an understanding and tested the effectiveness of the design and implementation of key internal controls over contract assets and revenue recognition.
2. We obtained an understanding and evaluated the reasonableness of management's assumption and policy over contract assets and revenue recognition.
3. We evaluated the reasonableness of the underlying data used in calculations for the percentage of completion.
4. We performed a retrospective review of management's standard cost estimates.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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.

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 Shang-Chih Lin and Ming-Yuan Chung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2022

Notice to Readers

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

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

VISERA TECHNOLOGIES COMPANY LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 5, 17 and 25)	\$ 9,029,178	100	\$ 6,946,349	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>5,460,206</u>	<u>60</u>	<u>3,835,451</u>	<u>55</u>
GROSS PROFIT	<u>3,568,972</u>	<u>40</u>	<u>3,110,898</u>	<u>45</u>
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	69,189	1	59,148	1
General and administrative	279,052	3	161,236	2
Research and development	<u>542,020</u>	<u>6</u>	<u>366,794</u>	<u>5</u>
Total operating expenses	<u>890,261</u>	<u>10</u>	<u>587,178</u>	<u>8</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	<u>28,551</u>	<u>-</u>	<u>32,720</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>2,707,262</u>	<u>30</u>	<u>2,556,440</u>	<u>37</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	7,232	-	12,477	-
Other income	1,723	-	566	-
Other gains and losses	12,224	-	48,194	1
Foreign exchange loss, net	(11,981)	-	(57,105)	(1)
Finance costs	<u>(12,514)</u>	<u>-</u>	<u>(5,221)</u>	<u>-</u>
Total non-operating income and expenses	<u>(3,316)</u>	<u>-</u>	<u>(1,089)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,703,946	30	2,555,351	37
INCOME TAX EXPENSE (Note 19)	<u>538,666</u>	<u>6</u>	<u>464,806</u>	<u>7</u>
NET INCOME	<u>2,165,280</u>	<u>24</u>	<u>2,090,545</u>	<u>30</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,165,280</u>	<u>24</u>	<u>\$ 2,090,545</u>	<u>30</u>
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 7.41</u>		<u>\$ 7.18</u>	
Diluted earnings per share	<u>\$ 7.24</u>		<u>\$ 6.77</u>	

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

VISERA TECHNOLOGIES COMPANY LTD.

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

	Capital Stock - Common Stock		Retained Earnings			Total Equity
	(In Thousands)	Amount	Legal Reserve	Unappropriated Earnings	Total	
BALANCE, JANUARY 1, 2020	291,153	\$ 2,911,531	\$ 724,197	\$ 853,069	\$ 1,577,266	\$ 5,185,472
Appropriation of earnings	-	-	-	-	-	-
Legal reserve	-	-	61,384	(61,384)	-	-
Donation from shareholders	-	-	-	-	-	205
Compensation cost of employee share options	-	-	-	-	-	6,613
Net profit and total comprehensive income for the year ended December 31, 2020	-	-	-	2,090,545	2,090,545	2,090,545
BALANCE, DECEMBER 31, 2020	291,153	2,911,531	785,581	2,882,230	3,667,811	7,282,835
Appropriation of earnings	-	-	-	-	-	-
Legal reserve	-	-	209,054	(209,054)	-	-
Cash dividends	-	-	-	(582,306)	(582,306)	(582,306)
Employee share options exercised	2,146	21,460	-	-	-	42,572
Donation from shareholders	-	-	-	-	-	406
Compensation cost of employee share options	-	-	-	-	-	7,788
Net profit and total comprehensive income for the year ended December 31, 2021	-	-	-	2,165,280	2,165,280	2,165,280
BALANCE, DECEMBER 31, 2021	293,299	\$ 2,932,991	\$ 994,635	\$ 4,256,150	\$ 5,250,785	\$ 8,916,575

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

VISERA TECHNOLOGIES COMPANY LTD.
STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,703,946	\$ 2,555,351
Adjustments for:		
Depreciation expense	1,949,486	754,300
Amortization expense	8,971	6,166
Finance costs	12,514	5,221
Interest income	(7,232)	(12,477)
Compensation cost of employee share options	7,788	6,613
Gain on disposal of property, plant and equipment, net	(1,003)	(428)
Impairment loss recognized on property, plant and equipment	-	10,159
Foreign exchange gain, net	(3,796)	(7,316)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	3,182	(945)
Contract assets	(110,872)	(35,711)
Accounts receivable, net	(465,958)	(185,381)
Receivables from related parties, net	70,693	(66,944)
Other receivables	(5,931)	(23,089)
Other receivables from related parties	1,643	1,079
Inventories	(10,757)	(28,347)
Prepayments and other current assets	(19,641)	(4,348)
Contract liabilities	4,171	3,284
Accounts payable	135,788	69,353
Accrued profit sharing bonus to employees	17,647	295,355
Accrued expenses and other current liabilities	89,743	153,984
Cash generated from operations	4,380,382	3,495,879
Income taxes paid	(585,655)	(125,316)
Net cash generated from operating activities	<u>3,794,727</u>	<u>3,370,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(3,957,499)	(6,036,304)
Proceeds from disposal of property, plant and equipment	1,003	3,238
Increase in refundable deposits	(2,000)	(118)
Decrease in refundable deposits	-	148
Payments for intangible assets	(24,749)	(5,010)
Increase in other current assets	-	(2,562)
Interest received	6,284	16,858
Net cash used in investing activities	<u>(3,976,961)</u>	<u>(6,023,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	1,510,000	2,000,000
Guarantee deposits received	176	1,151
Guarantee deposits refunded	(52)	(614)
Repayment of the principal portion of lease liabilities	(75,876)	(75,331)
Cash dividends	(582,306)	-

(Continued)



VISERA TECHNOLOGIES COMPANY LTD.

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

	2021	2020
Employee share options exercised	\$ 42,572	\$ -
Interest paid	(17,406)	(6,047)
Donation from shareholders	<u>406</u>	<u>205</u>
Net cash generated from financing activities	<u>877,514</u>	<u>1,919,364</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	695,280	(733,823)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,537,344</u>	<u>3,271,167</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,232,624</u>	<u>\$ 2,537,344</u>

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

(Concluded)

VISERA TECHNOLOGIES COMPANY LTD.**NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)****1. GENERAL INFORMATION**

VisEra Technologies Company Ltd. (the “Company”), a company limited by shares, was incorporated in Hsinchu City on December 1, 2003. The Company is a dedicated optical foundry mainly engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter.

The Company’s stock has been approved by Taipei Exchange (TPEX) and listed on the Emerging Stock Board (ESB) since April, 2021.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors for issue on February 23, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’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 Cycle	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022

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

New IFRSs	Effective Date Announced by IASB (Note1)
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 Contract	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note1)
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
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023
(Concluded)	

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, as explained in the accounting policies below.

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:

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

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

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

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

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

Inventories

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

Property, Plant and Equipment

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

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

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.

Intangible Assets

a. 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.

b. 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.

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

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

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

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

Financial Instruments

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

Financial assets and financial liabilities are initially 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.

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

1) Financial assets at FVTPL

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

2) Financial assets at amortized cost

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

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

Cash equivalents include time deposits, 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.

b. Impairment of financial assets and contract assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for accounts receivable and contract assets. 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.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default without taking into account any collateral held by the Company:

- 1) Internal or external information shows that the debtor is unlikely to pay its creditors.
- 2) Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c. **Derecognition of financial assets**

The 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.

Equity Instruments

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

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

Financial Liabilities

a. **Subsequent measurement**

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

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

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

b. **Derecognition of financial liabilities**

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

Derivative Financial Instruments

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

Derivative 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. 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.

Revenue Recognition

Revenue from manufacturing color filter and optical coating

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

The manufacturing of color filter and optical coating is according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time. Revenue from manufacturing color filter and optical coating is measured at the fair value of the consideration received or receivable, and is reduced for estimated customer returns, rebates and other similar allowances.

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

In principle, the averaged payment terms granted to customers are 30 days to 90 days. Due to the short term nature of the receivables from color filter and optical coating manufacturing revenue with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Leases

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

a. The Company as lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

b. The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. 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. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

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, a change in future lease payments resulting from a change in an index or a rate used, or a change in the assessment of an option to purchase an underlying asset to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. Lease liabilities are presented on a separate line in the balance sheets.

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

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.

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 profit or loss on a systematic basis over the periods in which the Company recognizes 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 deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. 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.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered service entitling them to the contributions.

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issuing employee share options is the date on which the number of shares that the employees can purchase is confirmed.

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

Taxation

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

Current tax

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

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the 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.

Current and deferred taxes

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimations, and assumptions 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 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.

Critical Accounting Judgements

a. Revenue recognition

For every contract, the Company determines its performance obligations are satisfied over time based on the conditions in the contract and applicable regulations described in Note 4.

Key Sources of Estimation Uncertainty

a. Estimation of sales returns and allowances

Sales returns and other allowance is estimated and recorded based on historical experience and in consideration of different contractual terms. The amount is deducted from revenue in the same period the related revenue is recorded. The Company periodically reviews the reasonableness of the estimates.

b. Estimated impairment of trade receivables and contract assets

The provision for impairment of trade notes and accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past experience, current market conditions as well as forward looking information at the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Company determines the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Deposits in banks	\$ 3,232,614	\$ 2,537,334
Petty cash	<u>10</u>	<u>10</u>
	<u>\$ 3,232,624</u>	<u>\$ 2,537,344</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2021	2020
Bank balance	0.001%-0.41%	0.001%-0.35%

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

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

	December 31	
	2021	2020
<u>Financial assets</u>		
Mandatorily measured at FVTPL		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	\$ 6,003	\$ 9,128
<u>Financial liabilities</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ 86	\$ 29

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

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2021</u>		
Sell US\$/Buy NT\$	January 2022 to March 2022	US\$ 56,500/NT\$ 1,569,543
<u>December 31, 2020</u>		
Sell US\$/Buy NT\$	January 2021 to March 2021	US\$ 39,000/NT\$ 1,104,781



8. ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
<u>At amortized cost</u>		
Accounts receivable from unrelated parties	\$ 1,196,664	\$ 731,308
Less: Allowance for impairment loss	<u>(232)</u>	<u>(834)</u>
	1,196,432	730,474
Accounts receivable from related parties	<u>117,823</u>	<u>188,516</u>
	<u>\$ 1,314,255</u>	<u>\$ 918,990</u>

In principle, the average payment terms granted to customers are 30 days to 90 days from the end of the month when the invoice is issued. No interest is charged on accounts receivables. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with reference to factors of historical loss ratios and customers' current financial conditions and business outlook (such as economic outlook of the industries in which the customers operate and future changes in purchasing requirements during a certain period, etc.).

The Company writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts 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.

Aging analysis of accounts receivable, net

	December 31	
	2021	2020
Not past due	\$ 1,231,957	\$ 918,425
1-60 days	<u>82,298</u>	<u>565</u>
Total	<u>\$ 1,314,255</u>	<u>\$ 918,990</u>

The above aging analysis was based on the past due dates.

Aging analysis of accounts receivable that is past due but not impaired

	December 31	
	2021	2020
1-60 days	<u>\$ 82,298</u>	<u>\$ 565</u>

The above aging analysis was based on the past due dates.

Movements of the loss allowance

	For the Year Ended December 31	
	2021	2020
Balance on January 1	\$ 834	\$ -
Net remeasurement of loss allowance	<u>(602)</u>	<u>834</u>
Balance on December 31	<u>\$ 232</u>	<u>\$ 834</u>

For the years ended December 31, 2021 and 2020, the changes in loss allowance were mainly due to the variations in the accounts receivable book value of different risk levels.

9. INVENTORIES

	December 31	
	2021	2020
Raw materials	<u>\$ 96,207</u>	<u>\$ 85,450</u>

Write-down of inventories to net realizable value and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue. The amounts are illustrated below:

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	<u>\$ 5,460,206</u>	<u>\$ 3,835,451</u>
Inventory write-downs (reversed)	<u>\$ (2,639)</u>	<u>\$ 1,760</u>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Assets used by the Company	\$ 9,769,122	\$ 7,591,961
Assets leased under operating leases	<u>4,704</u>	<u>25,386</u>
	<u>\$ 9,773,826</u>	<u>\$ 7,617,347</u>

a. Assets used by the Company

	Buildings	Machinery and Equipment	Office Equipment	Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 2,804,497	\$ 10,951,336	\$ 154,935	\$ 1,767	\$ 87,442	\$ 2,543,101	\$ 16,543,078
Additions	479,557	1,532,010	26,157	-	31,576	1,958,903	4,028,203
Disposals	(17,741)	(415)	-	(1,005)	-	-	(19,161)
Reclassification	<u>325,143</u>	<u>1,876,414</u>	<u>11,681</u>	<u>-</u>	<u>346</u>	<u>(2,155,264)</u>	<u>58,320</u>
Balance at December 31, 2021	<u>\$ 3,591,456</u>	<u>\$ 14,359,345</u>	<u>\$ 192,773</u>	<u>\$ 762</u>	<u>\$ 119,364</u>	<u>\$ 2,346,740</u>	<u>\$ 20,610,440</u>

(Continued)



	Buildings	Machinery and Equipment	Office Equipment	Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 2,010,320	\$ 6,779,959	\$ 129,476	\$ 1,767	\$ 29,595	\$ -	\$ 8,951,117
Depreciation	204,159	1,620,091	19,864	-	26,594	-	1,870,708
Disposals	(17,741)	(415)	-	(1,005)	-	-	(19,161)
Reclassification	38,654	-	-	-	-	-	38,654
Balance at December 31, 2021	<u>\$ 2,235,392</u>	<u>\$ 8,399,635</u>	<u>\$ 149,340</u>	<u>\$ 762</u>	<u>\$ 56,189</u>	<u>\$ -</u>	<u>\$ 10,841,318</u>
Carrying amount at December 31, 2021	<u>\$ 1,356,064</u>	<u>\$ 5,959,710</u>	<u>\$ 43,433</u>	<u>\$ -</u>	<u>\$ 63,175</u>	<u>\$ 2,346,740</u>	<u>\$ 9,769,122</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 2,385,201	\$ 7,194,974	\$ 131,268	\$ 1,767	\$ 22,181	\$ 381,978	\$ 10,117,369
Additions	376,193	3,510,656	14,468	-	64,784	2,472,957	6,439,058
Disposals	-	(51,139)	(101)	-	(156)	-	(51,396)
Reclassification	43,103	296,845	9,300	-	633	(311,834)	38,047
Balance at December 31, 2020	<u>\$ 2,804,497</u>	<u>\$ 10,951,336</u>	<u>\$ 154,935</u>	<u>\$ 1,767</u>	<u>\$ 87,442</u>	<u>\$ 2,543,101</u>	<u>\$ 16,543,078</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ 1,889,122	\$ 6,265,978	\$ 119,015	\$ 1,767	\$ 19,537	\$ -	\$ 8,295,419
Depreciation	98,824	552,151	10,562	-	10,214	-	671,751
Disposals	-	(48,329)	(101)	-	(156)	-	(48,586)
Impairment loss	-	10,159	-	-	-	-	10,159
Reclassification	22,374	-	-	-	-	-	22,374
Balance at December 31, 2020	<u>\$ 2,010,320</u>	<u>\$ 6,779,959</u>	<u>\$ 129,476</u>	<u>\$ 1,767</u>	<u>\$ 29,595</u>	<u>\$ -</u>	<u>\$ 8,951,117</u>
Carrying amount at December 31, 2020	<u>\$ 794,177</u>	<u>\$ 4,171,377</u>	<u>\$ 25,459</u>	<u>\$ -</u>	<u>\$ 57,847</u>	<u>\$ 2,543,101</u>	<u>\$ 7,591,961</u>

(Concluded)

No impairment assessment was performed for the year ended December 31, 2021 as there was no indication of impairment.

For the year ended December 31, 2020, the Company recognized an impairment loss of \$10,159 thousand for certain machinery and equipment that were assessed to have no future use, and the recoverable amount of certain machinery and equipment was nil. Such impairment loss was recognized in other operating income and expenses.

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

Buildings	
Main buildings	10- 20 years
Mechanical and electrical power equipment	2- 5 years
Machinery and equipment	2- 5 years
Transportation equipment	5 years
Office equipment	2- 5 years
Other equipment	2- 3 years

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2021	\$ 73,784
Reclassification	<u>(58,320)</u>
Balance on December 31, 2021	<u>\$ 15,464</u>

(Continued)

Buildings

Accumulated depreciation

Balance at January 1, 2021	\$ 48,398
Depreciation	1,016
Reclassification	<u>(38,654)</u>

Balance on December 31, 2021 \$ 10,760

Carrying amount at December 31, 2021 \$ 4,704

Cost

Balance at January 1, 2020	\$ 111,831
Reclassification	<u>(38,047)</u>

Balance on December 31, 2020 \$ 73,784

Accumulated depreciation

Balance at January 1, 2020	\$ 66,701
Depreciation	4,071
Reclassification	<u>(22,374)</u>

Balance on December 31, 2020 \$ 48,398

Carrying amount at December 31, 2020 \$ 25,386
(Concluded)

Operating leases relate to leases of buildings with lease terms between 1 and 5 years with an option to extend for another 18 months. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under the above operating leases is as follows:

	December 31	
	2021	2020
Year 1	\$ 16,992	\$ 18,557
Year 2	<u>-</u>	<u>16,992</u>
	<u>\$ 16,992</u>	<u>\$ 35,549</u>

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Company follows its general risk management strategy.

No impairment assessment was performed for the years ended December 31, 2021 and 2020 as there was no indication of impairment.

Depreciation expense is provided on a straight-line basis over the following useful lives:

Buildings	20 years
-----------	----------



11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 183,251	\$ 196,293
Buildings	59,017	122,772
Transportation equipment	<u>1,770</u>	<u>-</u>
	<u>\$ 244,038</u>	<u>\$ 319,065</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 2,735</u>	<u>\$ 176,322</u>
Depreciation charge for right-of-use assets		
Land	\$ 13,042	\$ 12,487
Buildings	64,366	65,639
Transportation equipment	<u>354</u>	<u>352</u>
	<u>\$ 77,762</u>	<u>\$ 78,478</u>

Other than the abovementioned additions and depreciation expense recognized, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	\$ 71,982	\$ 75,325
Non-current	<u>177,417</u>	<u>247,215</u>
	<u>\$ 249,399</u>	<u>\$ 322,540</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.36%-2.14%	1.36%-2.14%
Buildings	1.03%-1.11%	1.11%-1.50%
Transportation equipment	1.08%	-

c. Material terms of right-of-use assets

The Company leases land and buildings mainly for the use of plants and offices with lease terms of 2 to 30 years. The Company has options to renew at the end of the lease terms. The lease contracts for land located in the ROC specify that lease payments will be adjusted every 2 years on the basis of changes in announced land value prices. The Company does not have purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 1,124	\$ 393
Expenses relating to low-value asset leases	\$ 3	\$ 3
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 14,100	\$ 14,100
Total cash outflow for leases	\$ 95,903	\$ 94,224

12. INTANGIBLE ASSETS

	For the Year Ended December 31	
	2021	2020
Computer software	\$ 24,874	\$ 9,096
Technology license fees	-	-
Technical expertise	-	-
	\$ 24,874	\$ 9,096

	Technology License Fee	Technical Expertise	Computer Software	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 151,210	\$ 368,140
Additions	-	-	24,749	24,749
Balance at December 31, 2021	\$ 114,930	\$ 102,000	\$ 175,959	\$ 392,889
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 142,114	\$ 359,044
Additions	-	-	8,971	8,971
Balance at December 31, 2021	\$ 114,930	\$ 102,000	\$ 151,085	\$ 368,015
Carrying amount at December 31, 2021	\$ -	\$ -	\$ 24,874	\$ 24,874

(Continued)

	Technology License Fee	Technical Expertise	Computer Software	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 114,930	\$ 102,000	\$ 146,200	\$ 363,130
Additions	<u>-</u>	<u>-</u>	<u>5,010</u>	<u>5,010</u>
Balance at December 31, 2020	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 151,210</u>	<u>\$ 368,140</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 114,930	\$ 102,000	\$ 135,948	\$ 352,878
Additions	<u>-</u>	<u>-</u>	<u>6,166</u>	<u>6,166</u>
Balance at December 31, 2020	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 142,114</u>	<u>\$ 359,044</u>
Carrying amount at December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,096</u>	<u>\$ 9,096</u> (Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	5 years
Technology license fees	5 years
Technical expertise	3 years

13. LONG-TERM BORROWINGS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Unsecured borrowings</u>		
Bank loans	\$ 3,510,000	\$ 2,000,000
Less: Discounts on government grants	(34,203)	(32,389)
Less: Current portion	<u>(166,666)</u>	<u>-</u>
	<u>\$ 3,309,131</u>	<u>\$ 1,967,611</u>

In March 2020, the Company obtained a letter of approval from the Ministry of Economic Affairs (MOEA) under the "Action Plan for Accelerated Investment by Domestic Corporations", which stipulates that the Company should complete its investment within three years from the date of approval.

The Company entered into credit agreements with banks under the "Action Plan for Accelerated Investment by Domestic Corporations", and the interest rate for the first \$2 billion of the allocation was reduced by 0.5% of the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. after the mark up, and 0.3% thereafter.

As of December 31, 2021, the Company acquired preferential interest rate loan subsidized by the government of \$3,510,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. Such loans are due by September 2026, in five year from the first date of drawdown. Repayment will be made in monthly installments for the first two years and the principal will be repaid in equal monthly installments starting from the third year. Using the prevailing market interest rate at an equivalent loan rate of 0.9%, the fair value of the loan was estimated at \$3,460,518 thousand on initial recognition. The difference of \$49,482 thousand between the proceeds and the fair value of the loan was the benefit derived from the preferential interest rate loan and had been recognized as deferred revenue. The revenue was offset against interest expense on a monthly basis over the loan period. The amount offset against interest expense was \$13,386 thousand and \$1,894 thousand for the years ended December 31, 2021 and 2020, respectively.

Under bank loan agreements, the Company has to meet certain financial covenants and criteria. As of December 31, 2021, such financial covenants were not breached.

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2021	2020
<u>Current</u>		
Accrued expenses		
Payables for salaries or bonuses	\$ 235,273	\$ 251,713
Insurance payables	48,515	39,418
Utilities payables	29,341	31,785
Others	<u>262,103</u>	<u>138,594</u>
	<u>575,232</u>	<u>461,510</u>
Other current liabilities		
Refund liabilities	37,913	61,819
Others	<u>4,897</u>	<u>3,945</u>
	<u>41,810</u>	<u>65,764</u>
	<u>\$ 618,042</u>	<u>\$ 527,274</u>

15. RETIREMENT BENEFIT 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.

16. EQUITY

a. Capital stock

	December 31	
	2021	2020
Authorized stock (in thousands)	<u>400,000</u>	<u>400,000</u>
Authorized capital	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid stock (in thousands)	<u>293,299</u>	<u>291,153</u>
Issued capital	<u>\$ 2,932,991</u>	<u>\$ 2,911,531</u>

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

The change in the Company's capital stock is mainly due to the exercise of employee share options.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Issuance of ordinary shares	\$ 701,925	\$ 680,813
Donations	12,893	12,893
May only be used to offset a deficit		
Donation from shareholders	762	356
Employee share options exercised	6,781	-
May not be used for any purpose		
Compensation cost of employee share options	10,438	9,431
	<u>\$ 732,799</u>	<u>\$ 703,493</u>

Note 1: 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.

c. Retained earnings and dividend policy

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

For the policy on the profit sharing bonus for employees and compensation for directors, refer to Note 18(g).

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

An appropriation of earnings to a 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.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 22, 2021, and June 19, 2020, respectively, were as follows:

	Appropriation of Earnings		Cash Dividends Per Share	
	For the Year Ended December 31		(NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 209,054	\$ 61,384		
Cash dividends	582,306	-	\$ 2.0	\$ -

The appropriations of earnings for 2021 proposed by the Company's board of directors on February 23, 2022, were as follows:

	The Appropriation of Earnings	Cash Dividends Per Share (NT\$)
Legal reserve	\$ 216,528	
Cash dividends	586,712	\$ 2.0

The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 24, 2022.

17. OPERATING REVENUE

a. Contract information

For revenue generated from manufacturing of color filter and optical coating according to customized specifications agreed in the contractual agreement, because the customers has obtained control over the products during the service, the Company's revenue from service contracts is recognized over time.

b. Disaggregation of revenue from contracts with customers

Production	For the Year Ended December 31	
	2021	2020
Image Sensor	\$ 4,947,328	\$ 4,226,717
Micro-Optical Elements	3,936,619	2,602,900
Others	<u>145,231</u>	<u>116,732</u>
	<u>\$ 9,029,178</u>	<u>\$ 6,946,349</u>

Region	For the Year Ended December 31	
	2021	2020
Asia	\$ 7,695,926	\$ 5,531,112
Taiwan	1,252,207	1,359,257
Europe	55,070	40,490
United States	<u>25,975</u>	<u>15,490</u>
	<u>\$ 9,029,178</u>	<u>\$ 6,946,349</u>

c. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Contract assets	<u>\$ 248,248</u>	<u>\$ 137,376</u>	<u>\$ 101,665</u>
Contract liabilities	<u>\$ 9,994</u>	<u>\$ 5,823</u>	<u>\$ 2,539</u>

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

The Company recognized revenue from the beginning balance of contract liability, which amounted to \$4,688 thousand and \$1,472 thousand for the years ended December 31, 2021 and 2020, respectively.

d. Refund liabilities

Estimated sales returns and other allowances are made and adjusted based on historical experience and the consideration of varying contractual terms, which amounted to \$(17,642) thousand and \$20,855 thousand for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the aforementioned refund liabilities amounted to \$37,913 thousand and \$61,819 thousand, respectively, which were classified under accrued expenses and other current liabilities.

18. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2021	2020
Rental income - related party	\$ 28,564	\$ 46,522
Impairment loss on property, plant and equipment	-	(10,159)
Others	<u>(13)</u>	<u>(3,643)</u>
	<u>\$ 28,551</u>	<u>\$ 32,720</u>

b. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	<u>\$ 7,232</u>	<u>\$ 12,477</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Gain (loss) on financial instruments at FVTPL	\$ 13,454	\$ 49,199
Others	<u>(1,230)</u>	<u>(1,005)</u>
	<u>\$ 12,224</u>	<u>\$ 48,194</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 1,852,255	\$ 729,861
Operating expenses	96,215	20,368
Other operating income and expenses	<u>1,016</u>	<u>4,071</u>
	<u>\$ 1,949,486</u>	<u>\$ 754,300</u>
An analysis of amortization by function		
Operating costs	\$ 5,026	\$ 3,347
General and administrative expenses	<u>3,945</u>	<u>2,819</u>
	<u>\$ 8,971</u>	<u>\$ 6,166</u>

e. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest expense		
Lease liabilities	\$ 4,800	\$ 4,397
Bank loans	13,608	1,389
Others	<u>23</u>	<u>29</u>
	18,431	5,815
Less: Amounts included in the cost of qualifying assets	<u>(5,917)</u>	<u>(594)</u>
	<u>\$ 12,514</u>	<u>\$ 5,221</u>

Information about capitalized interest is as follows:

	2021	2020
Capitalized interest amount	\$ 5,917	\$ 594
Capitalization rate	0.57%-0.58%	0.54%-0.67%

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (Note 15)		
Defined contribution plan	\$ 55,392	\$ 43,181
Share-based payments		
Equity-settled	7,788	6,613
Other employee benefits	<u>1,988,896</u>	<u>1,782,448</u>
Total employee benefits expense	<u>\$ 2,052,076</u>	<u>\$ 1,832,242</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,488,997	\$ 1,424,011
Operating expenses	<u>563,079</u>	<u>408,231</u>
	<u>\$ 2,052,076</u>	<u>\$ 1,832,242</u>



g. Compensation of employees and remuneration of directors and supervisors

The Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The Company accrues a profit sharing bonus for employees and remuneration of directors based on a percentage of net profit before income tax (before a profit sharing bonus for employees and remuneration of directors). The compensation of employees and the remuneration of directors and supervisors are as follows:

	For the Year Ended December 31	
	2021	2020
Compensation of employees	\$ 433,056	\$ 418,109
Remuneration of directors and supervisors	\$ 2,700	\$ -

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2021 and 2020 that were resolved by the board of directors on February 23, 2022 and March 12, 2021, respectively are \$433,056 thousand and \$418,109, with the amount of \$2,674 and nil of remuneration of directors and supervisors.

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors and supervisors the aforementioned resolutions paid and the expenses recognized for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2021	2020
Foreign exchange gains	\$ 64,086	\$ 49,702
Foreign exchange losses	(76,067)	(106,807)
	\$ (11,981)	\$ (57,105)

19. INCOME TAX

a. Income tax expense consisted of the following:

	For the Year Ended December 31	
	2021	2020
Current income tax		
In respect of the current year	\$ 514,879	\$ 504,756
Income tax adjustments on prior years	(2,123)	(46,264)
Deferred tax		
In respect of the current year	25,910	6,314
Income tax expense recognized in profit or loss	\$ 538,666	\$ 464,806

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

	For the Year Ended December 31	
	2021	2020
Profit before tax	\$ 2,703,946	\$ 2,555,351
Income tax expense calculated at the statutory rate	\$ 540,789	\$ 511,070
Tax effect of adjusting items:		
Income tax expense adjustments on prior years	(2,123)	(46,264)
Income tax expense recognized in profit or loss	\$ 538,666	\$ 464,806

b. Current tax assets and liabilities

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

	For the Year Ended December 31	
	2021	2020
Current tax liabilities		
Income tax payable	\$ 365,775	\$ 438,674

c. Deferred tax assets

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Refund liabilities	\$ 12,364	\$ (4,781)	\$ 7,583
Property, plant and equipment temporary differences	21,449	(10,633)	10,816
Others	<u>2,950</u>	<u>(335)</u>	<u>2,615</u>
	<u>\$ 36,763</u>	<u>\$ (15,749)</u>	<u>\$ 21,014</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Revenue	\$ 9,536	\$ 10,841	\$ 20,377
Others	<u>1,863</u>	<u>(680)</u>	<u>1,183</u>
	<u>\$ 11,399</u>	<u>\$ 10,161</u>	<u>\$ 21,560</u>



For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Refund liabilities	\$ 8,713	\$ 3,651	\$ 12,364
Property, plant and equipment temporary differences	31,759	(10,310)	21,449
Others	<u>1,994</u>	<u>956</u>	<u>2,950</u>
	<u>\$ 42,466</u>	<u>\$ (5,703)</u>	<u>\$ 36,763</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Revenue	\$ 9,157	\$ 379	\$ 9,536
Others	<u>1,631</u>	<u>232</u>	<u>1,863</u>
	<u>\$ 10,788</u>	<u>\$ 611</u>	<u>\$ 11,399</u>

d. Income tax examination

The tax authorities have examined income tax returns of the Company through 2019. All differences in investment tax credits assessed by the tax authorities have been adjusted accordingly.

20. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings per share	<u>\$ 7.41</u>	<u>\$ 7.18</u>
Diluted earnings per share	<u>\$ 7.24</u>	<u>\$ 6.77</u>

Earnings per share is computed as follows:

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income	\$ 2,165,280	292,028	<u>\$ 7.41</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>6,968</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 2,165,280</u>	<u>298,996</u>	<u>\$ 7.24</u>

(Continued)

	Amounts (Numerator)	Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2020</u>			
Basic EPS			
Net income	\$ 2,090,545	291,153	\$ <u>7.18</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>17,526</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 2,090,545</u>	<u>308,679</u>	<u>\$ 6.77</u> (Concluded)

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

21. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees were granted 460 options in April 2020, 5,424 options in July 2019 and 72 options in December 2019. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to NT\$20. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<u>For the Year Ended December 31</u>			
	<u>2021</u>		<u>2020</u>	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	5,780	\$ 20.00	5,392	\$ 20.00
Options granted	-	-	460	20.00
Options exercised	(2,146)	19.84	-	-
Options forfeited	<u>(168)</u>	-	<u>(72)</u>	-
Balance at December 31	<u>3,466</u>		<u>5,780</u>	
Options exercisable, end of the year	<u>518</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>\$ -</u>		<u>\$ 8.02</u>	

The weighted-average share prices on the exercise date of the share options from July 1, 2021 to December 31, 2021 was \$474.58.

Information on outstanding options was as follows:

	December 31	
	2021	2020
Range of exercise price (\$)	\$ 18	\$ 20
Weighted-average remaining contractual life (in years)	3.58	4.56

Options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	April 2020	December 2019	July 2019
Grant-date share price	\$ 24.79	\$ 17.42	\$ 17.42
Exercise price	\$ 20	\$ 20	\$ 20
Expected volatility	27.18%-28.74%	28.30%-28.48%	28.30%-28.48%
Expected life (in years)	4-5	4-5	4-5
Expected dividend yield	-	-	-
Risk-free interest rate	0.40%-0.42%	0.58%-0.61%	0.58%-0.61%

Compensation costs recognized were \$7,788 thousand and \$6,613 thousand for the years ended December 31, 2021 and 2020, respectively.

22. CASH FLOW INFORMATION

a. Non-cash transactions

	Years Ended December 31	
	2021	2020
Additions of property, plant and equipment	\$ 4,028,203	\$ 6,439,058
Less: Amounts included in the cost of qualifying assets	(5,917)	(594)
Changes in payables for purchases of equipment	<u>(64,787)</u>	<u>(402,160)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 3,957,499</u>	<u>\$ 6,036,304</u>

b. Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2021	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2021
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 5,069	\$ 124	\$ -	\$ -	\$ -	\$ 5,193
Lease liabilities	322,540	(80,676)	-	101	7,434	249,399
Long-term borrowings	<u>1,967,611</u>	<u>1,510,000</u>	<u>-</u>	<u>-</u>	<u>(1,814)</u>	<u>3,475,797</u>
Total	<u>\$ 2,295,220</u>	<u>\$ 1,429,448</u>	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ 5,620</u>	<u>\$ 3,730,389</u>

	Balance as of January 1, 2020	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2020
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 4,532	\$ 537	\$ -	\$ -	\$ -	\$ 5,069
Lease liabilities	221,549	(79,727)	-	-	180,718	322,540
Long-term borrowings	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>(32,389)</u>	<u>1,967,611</u>
Total	<u>\$ 226,081</u>	<u>\$ 1,920,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,329</u>	<u>\$ 2,295,220</u>

Note: Other changes include financial cost of lease liabilities, right-of-use assets obtained and long-term bank loan interest subsidy recognized as deferred revenue.

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it 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 equity of the Company (comprising issued capital, reserves and retained earnings).

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 6,003	\$ -	\$ 6,003
Financial liabilities at FVTPL				
Derivatives financial liabilities	\$ -	\$ 86	\$ -	\$ 86

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 9,128	\$ -	\$ 9,128
Financial liabilities at FVTPL				
Derivatives financial liabilities	\$ -	\$ 29	\$ -	\$ 29

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the years ended December 31, 2021 and 2020.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Derivative instruments - forward exchange contracts are discounted using the cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Held for trading	\$ 6,003	\$ 9,128
Amortized cost (1)	4,586,697	3,488,916
<u>Financial liabilities</u>		
FVTPL		
Held for trading	86	29
Amortized cost (2)	4,782,641	2,946,438

- 1) Including financial assets at amortized cost, which comprise cash and cash equivalents, account receivable (including related parties), other receivables (including related parties) and other non-current assets.
- 2) Including accounts payable, payables to contractors and equipment suppliers, accrued expenses and other current liabilities, long-term borrowings (including current portion of long-term borrowings) and guarantee deposits.

d. Financial risk management objectives and policies

The Company monitors and manages the financial risks associated with its operations, which include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of derivative financial instruments and significant financial rules and plans are regulated by the Company's board of directors and reviewed by the Company's internal control system. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

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.

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

A portion of the Company's cash inflows and outflows are denominated in foreign currencies and therefore have a natural hedging effect. The Company manages exchange rate risk for hedging purposes, not for profit-making.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the U.S. dollar and Japanese yen.

The sensitivity analysis of foreign currency exchange rate risk is based on the unfavorable impact of foreign currency monetary items, including cash, accounts receivable, other receivables, accounts payable and other payables, as of the end of the reporting period. If the unfavorable change in foreign currencies reaches 5%, the Company's net income will decrease by \$76,479 thousand and \$54,640 thousand in 2021 and 2020, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 2,405,031	\$ 1,327,232
Cash flow interest rate risk		
Financial assets	847,894	1,230,404
Financial liabilities	3,475,797	1,967,611

The Company's fixed-rate financial assets are not included in the analysis of interest rate risk with fair value because they are measured at amortized cost.

The Company's floating rate financial assets and financial liabilities are not included in the analysis of interest rate risk with cash flow because the amounts are not significant.

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 Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Business-related credit risk

The Company's accounts receivable are from its five largest customers. The majority of the Company's outstanding accounts receivable are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on accounts receivable, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. This risk is heightened during periods when economic conditions worsen.

As of December 31, 2021 and 2020, the Company's five largest customers accounted for 83 % and 92% of accounts receivable respectively.

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.

a) Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Company can be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity dates of the Company's other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 680,836	\$ 203,129	\$ 382,129	\$ 5,193
Lease liabilities	6,777	13,554	55,510	200,627
Long-term borrowings	<u>1,433</u>	<u>2,807</u>	<u>179,431</u>	<u>3,371,012</u>
	<u>\$ 689,046</u>	<u>\$ 219,490</u>	<u>\$ 617,070</u>	<u>\$ 3,576,832</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 440,965	\$ 143,896	\$ 388,897	\$ 5,069
Lease liabilities	6,676	13,352	60,083	274,258
Long-term borrowings	<u>667</u>	<u>1,333</u>	<u>6,000</u>	<u>2,018,333</u>
	<u>\$ 448,308</u>	<u>\$ 158,581</u>	<u>\$ 454,980</u>	<u>\$ 2,297,660</u>

Additional information about the maturity analysis for financial liabilities:

December 31, 2021

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Non-interest bearing	\$ 1,271,287	\$ -	\$ -	\$ -	\$ -
Lease liabilities	<u>\$ 138,166</u>	<u>\$ 76,556</u>	<u>\$ 48,934</u>	<u>\$ 12,812</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 3,554,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Non-interest bearing	\$ 978,827	\$ -	\$ -	\$ -	\$ -
Long-term borrowings	\$ 200,756	\$ 76,556	\$ 61,683	\$ 12,812	\$ 2,562
Lease liabilities	\$ 2,026,333	\$ -	\$ -	\$ -	\$ -

The following table details the liquidity analysis of the Company's derivative financial instruments. For derivative instruments with gross settlement, the analysis is based on undiscounted contractual net cash inflows and outflows.

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 653,775	\$ 915,768	\$ -	\$ -	\$ -
Outflows	(650,339)	(913,242)	-	-	-
	\$ 3,436	\$ 2,526	\$ -	\$ -	\$ -

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 484,835	\$ 619,946	\$ -	\$ -	\$ -
Outflows	(477,649)	(618,134)	-	-	-
	\$ 7,186	\$ 1,812	\$ -	\$ -	\$ -

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company, which held 72.83% and 86.94% of the ordinary shares of the Company on December 31, 2021 and 2020, respectively.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category
TSMC	The Company's parent company
Xintec Inc. (Xintec)	Other related party
Global Unichip Corp. (GUC)	Other related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Xintec	\$ 750,808	\$ 898,937
Others	<u>4,466</u>	<u>13,653</u>
	<u>\$ 755,274</u>	<u>\$ 912,590</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>For manufacturing</u>		
TSMC	<u>\$ 3,527</u>	<u>\$ 1,152</u>
<u>For researching and developing</u>		
TSMC	<u>\$ 15,031</u>	<u>\$ 19,467</u>

d. Rental income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
GUC	\$ 26,999	\$ 26,514
TSMC	<u>1,565</u>	<u>20,008</u>
	<u>\$ 28,564</u>	<u>\$ 46,522</u>

e. Manufacturing expense

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Xintec	<u>\$ 14,100</u>	<u>\$ 14,100</u>

f. Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Xintec	\$ 1,012	\$ 583
Others	<u>23</u>	<u>29</u>
	<u>\$ 1,035</u>	<u>\$ 612</u>

g. Contract assets

Related Party Category/Name	December 31	
	2021	2020
Xintec	\$ 2,222	\$ 1,964

h. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Xintec	\$ 117,488	\$ 187,488
Others	335	1,028
	<u>\$ 117,823</u>	<u>\$ 188,516</u>

i. Other Receivables

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
TSMC	\$ -	\$ 1,643

j. Expenses payable and other current liabilities

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
TSMC	\$ 4,046	\$ 1,539
Others	65	-
	<u>\$ 4,111</u>	<u>\$ 1,539</u>

k. Lease arrangements

Acquisition of Right-of-Use Assets, Property, Plant and Equipment and Investment Property

The Company leases plant and offices from related parties. The lease terms are determined by agreement between the parties, and rentals are paid monthly in accordance with the lease agreements, and the related rental expenses are recorded as right-of-use assets and manufacturing costs.

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Xintec	\$ -	\$ 128,110

Line Item	Related Party Category/Name	2021	2020
Lease liabilities	Xintec	\$ 59,099	\$ 122,888

	Related Party Category/Name	For the Year Ended December 31 2021	2020
<u>Interest expense</u>			
	Xintec	\$ 1,012	\$ 583
<u>Lease expense</u>			
	Xintec	\$ 14,100	\$ 14,100

l. Deposit guarantee

	Related Party Category/Name	For the Year Ended December 31 2021	2020
	GUC	\$ 2,832	\$ 2,832
	Others	6	6
		\$ 2,838	\$ 2,838

For the sales transactions between the Company and its related parties, the transaction prices and collection terms are not materially different from those of non-related parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company rented/leased property, plant and equipment to/from related parties. The lease terms are determined in accordance with mutual agreements. The rentals were paid monthly; the related rentals were classified under other income and manufacturing expenses.

For the years ended December 31, 2021 and 2020, no impairment loss was recognized for contract assets from related parties.

m. Remuneration of key management personnel

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

	For the Year Ended December 31 2021	2020
Short-term employee benefits	\$ 94,632	\$ 85,293
Post-employment benefits	680	664
	\$ 95,312	\$ 85,957

The compensation of directors and other key management personnel was determined in accordance with the value of the individual's participation in and contribution to the operations of the Company and is determined by reference to the usual industry standards.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

As of December 31, 2021 and 2020, the Company provided certificate of deposits amounted to \$20,311 thousand and \$20,311 thousand, respectively, which were recorded in other non-current assets as collateral mainly for land lease agreements and tariff guarantees.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2021 and 2020 were as follows:

- a. Unrecognized commitments

	December 31	
	2021	2020
Acquisition of property, plant and equipment	<u>\$ 2,184,568</u>	<u>\$ 3,267,400</u>

- b. The Company entered into long-term energy purchase agreements with supplier. The relative fulfillment period, quantity and price are specified in the agreement.

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

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

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>		
Monetary items		
USD	\$ 58,883	27.674
JPY	155,921	0.2414
EUR	293	31.460
<u>Financial liabilities</u>		
Monetary items		
USD	3,604	27.674
JPY	155,657	0.2414
EUR	302	31.460



December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>		
Monetary items		
USD	\$ 46,121	28.097
JPY	370,427	0.2729
EUR	3,253	34.587
<u>Financial liabilities</u>		
Monetary items		
USD	7,062	28.097
JPY	387,463	0.2729
EUR	3,286	34.587

Note: Please refer to Note 18 for foreign exchange gain and loss for the years ended December 31, 2021 and 2020. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

29. OPERATING SEGMENT INFORMATION

a. Operating segments, segment revenue and operating results

VisEra's chief operating decision maker periodically reviews operating results, focusing on operating income generated by color filter segment. Operating results are used for resource allocation and performance assessment. As a result, the Company has only one operating segment, the color filter segment. The color filter segment engages mainly in the researching, developing, designing, manufacturing and selling, packaging and testing of color filter products.

The basis for the measurement of income from operations is the same as those for the preparation of financial statements. Please refer to the statements of comprehensive income for the related segment revenue and operating results.

b. Geographical information of operating revenue is as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Asia	\$ 7,695,926	\$ 5,531,112
Taiwan	1,252,207	1,359,257
Europe	55,070	40,490
United States	<u>25,975</u>	<u>15,490</u>
	<u>\$ 9,029,178</u>	<u>\$ 6,946,349</u>

The Company's revenue by geography is computed based on the recipient's region and its non-current assets are all located in Taiwan. Hence, it is not required to disclose information about non-current assets.

c. Revenue from major products and services

	For the Year Ended December 31	
	2021	2020
Image Sensor	\$ 4,947,328	\$ 4,226,717
Micro-Optical Elements	3,936,619	2,602,900
Others	<u>145,231</u>	<u>116,732</u>
	<u>\$ 9,029,178</u>	<u>\$ 6,946,349</u>

d. Information about major customers

Major customers representing at least 10% of net revenue:

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Customer A	\$ 3,187,407	35	\$ 3,050,156	44
Customer C	2,508,073	28	25,392	0.4
Xintec	750,808	8	898,937	13
Customer B	506,179	6	1,511,497	22

30. ADDITIONAL DISCLOSURES

a. Significant transactions

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

b. Information on investees. (None)

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



d. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 3 attached.

TABLE 1

VISERA TECHNOLOGIES COMPANY LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Ending Balance	% to Total	
VisEra	Xintec	Other related parties	Sales	\$ 750,808	8	60 days after monthly closing	Note 25	\$ 117,488	9	-

TABLE 2

VISERA TECHNOLOGIES COMPANY LTD.

**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, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
VisEra	Xintec	Other related parties	\$ 117,488	4.92	\$ -	-	\$ 56,503	\$ -

TABLE 3

VISERA TECHNOLOGIES COMPANY LTD.

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
TSMC	213,619,000	72.83%



VisEra Technologies Company Ltd.

Chairman

Robert Kuan



VisEra Technologies Company Ltd.

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