



VisEra Technologies Company Ltd.



📄 Stock No.: 6789

2022 Annual Report

For information on the Annual Report, please visit the MOPS at:
<http://mops.twse.com.tw>
Website of VisEra Technologies: <https://www.viseratech.com/tw>

Printed on March 25, 2023

• **Spokesperson:**

Name: Kevin Tsai
Position: Vice President
TEL: (03)6668788
E-mail: kevin_tsai@viseratech.com

• **Acting Spokesperson:**

Name: Lilian Yeh
Position: Department Manager
TEL: (03)6668788
E-mail: Lilian_Yeh@viseratech.com

• **Address and contact number of the headquarter, branches and factory sites:**

Name		Address	TEL
Head Office		No. 12, Duxing 1st Road, Hsinchu Science Park, Hsinchu City	(03)666-8788
Plants	Hsinchu Plant	No. 12, Duxing 1st Road, Hsinchu Science Park, Hsinchu City	(03)666-8788
	Zhongli Plant	3F and 6F, No. 188, Zhongyuan Road, Yongfu Village, Zhongli District, Taoyuan City	(03)666-8788
	Longtan Plant	No. 89, Longyuan 1st Rd., Longtan Dist., Taoyuan City	(03)666-8788
Branch		None	

• **Name, address, website, and contact number of stock transfer agency:**

Name : Agency Department, CTBC Bank
Address: 5F, No. 83, Section 1 Chongqing South Road, Zhongzheng District, Taipei City
TEL: (02)66365566
Website: <https://www.ctbcbank.com>

• **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
Name of accounting firm: Deloitte & Touche
Address: 6F, No. 2, Zhanye 1st Road, East District, Hsinchu City
TEL: (03)5780899
Website: <http://www.deloitte.com.tw>

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

• **Company's Website: <http://www.viseratech.com>**



Table of Contents of Annual Report

One. Report to Shareholders 01

Two. Company Profile

I. Date of Incorporation	03
II. Corporate History	03

Three. Corporate Governance Report

I. Organization and main departments	05
II. Background information of directors, supervisors, the President, vice presidents, assistant vice presidents, and heads of various departments and branches	07
III. Compensation paid to directors, supervisors, the President, and vice presidents in 2022	15
IV. Corporate governance	21
V. Disclosure of CPA fee	48
VI. Change of CPA: None.	48
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.	48
VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest:	49
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.	49
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	49

Four. Capital Overview

I. Capital and shares	50
II. Disclosure relating to corporate bonds.	55
III. Preferred shares	55
IV. Global depository receipts	56
V. Employee warrants	56
VI. Issuance of new restricted employee shares	57
VII. New shares issued for merger or acquisition.	57
VIII. Progress on planned use of capital	57

Five. Operation Overview

I. Business Content	58
II. Market and Production-Marketing Overview	65
III. The number of employees employed	70
IV. Disbursements for environmental protection	70
V. Labor relations	71
VI. Information and communication security management	72
VII. Important contracts	74

Six. Financial Overview

I. Condensed balance sheet and statement of comprehensive income for the last 5 years	75
II. Financial analysis for the last 5 years	77
III. Audit Committee's Review Report	78
IV. Latest financial statements	78
V. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the printed date of annual report.	78

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

I. Financial status	79
II. Financial performance	80
III. Cash flows	80
IV. Material capital expenditures in the last year and impacts on financial position and business performance	81
V. Investment policy in the last year, main causes for profits or losses, improvement plan, and investment plan for the coming year	81
VI. Evaluation of risk management issues in the last year up until the printed date of annual report	82
VII. Other material issues.	85

Eight. Special Disclosure

I. Affiliated enterprises	87
II. Private placement of securities in the last year up until the printed date of annual report: None.	89
III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the printed date of annual report .	89
IV. Other supplementary information	90
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.	90

One. Report to Shareholders

Ladies and gentlemen:

In 2022, the global political and economic environment was unstable. After experiencing wars and geopolitical shocks, inflationary challenges and the impact of China’s supply chain restrictions, the industry faced the threats of de-globalization and high interest rates. According to IMF data, global economic growth slowed to 3.4% in 2022. Although the semiconductor industry worldwide is still growing positively, and Taiwan’s semiconductor production value even exceeds NT\$4 trillion, the Company’s operation is facing more severe challenges than ever under the influence of destocking and the continuing wafer wars.

Looking back to 2022, VisEra has achieved operational milestones through the efforts of all our employees, including continuous investment in research and development to expand the technology and applications of optical sensors; developing different end-use markets and increasing sales of automotive sensors by more than 50% annually; cooperation with diversified customers to expand the scope of operations and reduce the impact of market fluctuations; and the completion of the new factory in Longtan will increase the future growth momentum of operations. With the success in becoming a listed company and the increase of the company’s working capital, VisEra has been able to develop and expand its business with a more stable operating structure, and looks forward to the next stage of growth with the gradual recovery of the semiconductor industry and the introduction of new applications and functions in optical semiconductors.

Financial Performance

VisEra’s revenue for 2022 was NT\$9.077 billion, which was stable as compared to the previous year’s revenues. Gross profit margin was 37%, a 3% decrease from the previous year. This was mainly due to the increase in depreciation expenses resulting from the expansion of production capacity at the Hsinchu plant. Operating expenses were NT\$1.313 billion, a 47.5% increase from the previous year. The increase was mainly due to the initial start-up costs for the establishment of the Longtan plant, as well as increased R&D expenses to develop key technologies and consolidate our leading position. Net income after tax was NT\$1.766 billion, an 18% decrease from the previous year’s net income after tax, and earnings per share was NT\$5.80.

Technology Development

In terms of the progress of optical semiconductor technology, VisEra has successfully developed image sensors with 0.56um pixel size and they’re ready for mass production; now VisEra is developing image sensors with 0.4um pixel size. The Company is also developing corresponding sensor technologies such as low-light environment and HDR performance to provide products with both stability and image quality for automotive applications and other high-potential markets. We are actively developing Metasurface processes for applications such as ToF/3D sensors, cell phone image sensors, AR eye tracking sensors, and AR micro display systems, so that we can enhance the optical performance and reduce the weight and thickness of our products to assist our customers in developing cost-effective products. In addition, we focus on the development of NIR and SWIR band sensing technologies, which have the advantages of better optical penetration and telemetry, as well as higher safety for the human eye, and are suitable for cell phone off-screen sensing solutions, wearable devices such as AR, and automotive time-of-flight distance measurement (ToF)/LiDAR. VisEra’s related research and development capabilities have been recognized with the “Best Conference Paper Award” at the 2022 IEEE-NEMS Symposium.

Environmental, Social, and Corporate Governance (ESG)

Our commitment to the pursuit of sustainable development and active implementation of sustainability has never changed. Through activities such as talent development and retention, green production, AI safety, a sustainable supply chain, and social participation, we have implemented sustainable management in various aspects including organization, product, manufacturing, and the supply chain. As a semi-conductor manufacturer, VisEra’s “Green Production” focuses on low carbon, energy saving, waste reduction, water conservation, air pollution prevention, and environmental accounting measures. It plans to increase the use of green electricity to 20% of total electricity consumption as a short-term goal. The AI Smart Manufacturing combines big data to enhance the automated production process and develops more than 20 AI manufacturing applications annually, which effectively improves the process efficiency and increases production capacity. The Company was awarded the Silver Award of the 4th National Enterprise Environmental Protection Award by the Environmental Protection Administration of the Executive Yuan in 2022. The Company will continue to promote ESG in the future.

Future Outlook

The global economic and political uncertainties will remain in 2023 and semiconductor manufacturing will evolve through global supply chain restructuring, but it is expected that inventory adjustment in the semiconductor industry will be gradually stabilized quarter by quarter. VisEra’s focus is to build on its strengths in optical semiconductor technology, to expand and strengthen more customer partnerships, and to remain agile for more opportunities to overcome global changes. As we look ahead, micro optical sensors and micro optical displays will be driven by 5G, AIoT, and efficient computing, and the development and capacity for innovative applications such as cell phones, automobiles, and AR devices will continue to increase in the coming years. VisEra expects to bring more abundant, more realistic, and safer technology through technology to the world, achieve the medium and long-term operational growth target, and to create and share the Company’s value with its shareholders.

We wish you
Good health and good luck.

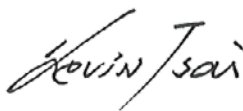
Chairman: Robert Kuan



Managers: Robert Kuan



Accounting Supervisor: Kevin Tsai



Two. Company Profile

I. Date of Incorporation:

December 1, 2003

II. Coporate History:

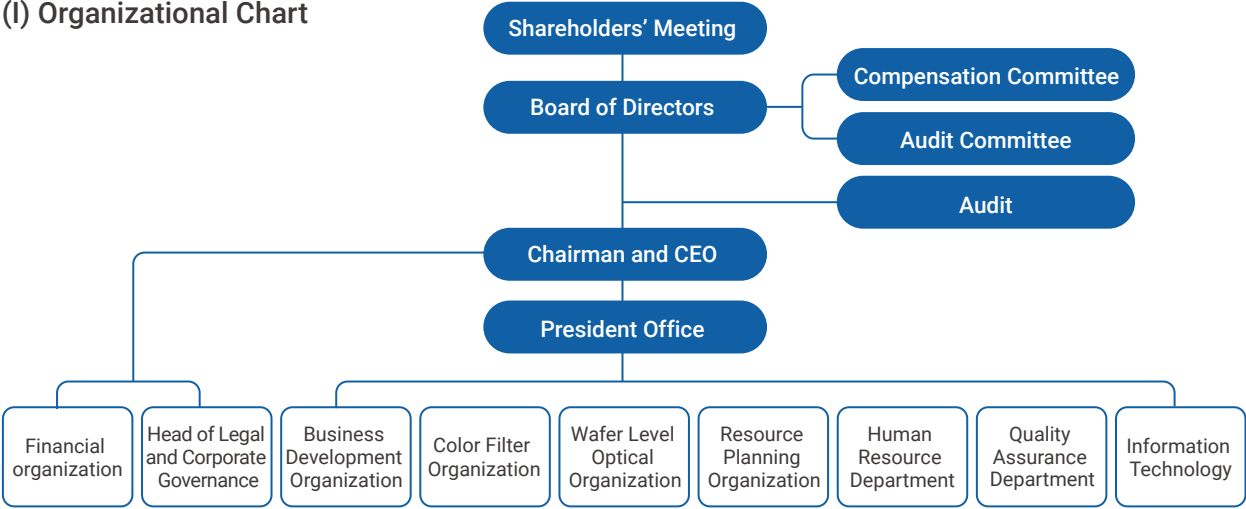
Year	Milestones
2003	VisEra Technologies Company Ltd. was founded, providing color filter services Paid-in capital NT\$204,000 thousand
2005	Approved by the Science Park Bureau to invest in the establishment of a wafer-level color filter manufacturing plant in the Hsinchu Science Park Purchased color 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 NT\$496,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NT\$700,000 thousand
2006	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 NT\$766,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NT\$1,466,000 thousand
2007	Issuance of common stock worth NT\$1,260,000 thousand to increase cash capital. Employee profit sharing to increase capital by NT\$98,097 thousand. After the capital increase, the paid-up capital amounted to NT\$2,824,097 thousand
2008	Employee profit sharing to increase capital by NT\$29,083 thousand. After the capital increase, the paid-up capital amounted to NT\$2,853,180 thousand The Company owned plant in Hsinchu was officially put into operation
2009	Mass production of 8” backside illumination (BSI) color filters and micro-lenses Employee profit sharing to increase capital by NT\$5,797 thousand. After the capital increase, the paid-up capital amounted to NT\$2,858,977 thousand
2010	Mass production of 12” color filters and micro-lenses
2011	Employee profit sharing to increase capital by NT\$17,327 thousand. After the capital increase, the paid-up capital amounted to NT\$2,876,304 thousand

Year	Milestones
2012	Mass production of first RGBC sensor of 12” color filter film and micro-lenses Employee profit sharing to increase capital by NT\$35,227 thousand. After the capital increase, the paid-up capital amounted to NT\$2,911,531 thousand
2015	Investment and development of on-chip multi-film technology
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 NT\$21,240 thousand resulting from exercise of employee stock options. After the capital increase, the paid-up capital amounted to NT\$2,932,771 thousand.
2022	Mass production of 12” 0.61μm color filters and 100 million pixel image sensors. Mass production of micro-OLED displays. The Company owned plant in Longtan was officially put into operation. The Company was listed on the Taiwan Stock Exchange. Issuance of new shares in the amount of NT\$210,200 thousand resulting from the initial public offering. After the capital increase, the paid-up capital amounted to NT\$3,144,761 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.Develops 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.

Name of department	Responsibilities
 Color Filter Organization	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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

February 28, 2023; shares; %

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		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	%	Shares	%	Shares	%			Position	Name	Relation	
Chairman	R.O.C.	TSMC (Note 2)	-	-	-	-	253,120,000	86.94	213,619,000	67.68	-	-	-	-	-	-	-	-	-	-
		Representative: Robert Kuan	Male 51-60 years old	March 4, 2021	3 years	May 16, 2021	-	-	214,500	0.07	-	-	-	-	Master of Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	The Company CEO and President	-	-	-	Note 3
Director	R.O.C.	TSMC	-	-	-	-	253,120,000	86.94	213,619,000	67.68	-	-	-	-	-	-	-	-	-	-
		Representative: George Liu	Male 61-70 years old	March 4, 2021	3 years	December 3, 2015	-	-	-	-	-	-	-	-	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	-	-	-	-
Director	R.O.C.	TSMC	-	-	-	-	253,120,000	86.94	213,619,000	67.68	-	-	-	-	-	-	-	-	-	-
		Representative: Diane Kao	Female 51-60 years old	March 4, 2021	3 years	June 19, 2020	-	-	-	-	-	-	-	-	MBA, University of California, Berkeley; TSMC-Senior Head of Department	TSMC-Senior Head of Department	-	-	-	-
Independent Director	R.O.C.	Laura Huang	Female 61-70 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	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	Note 4	-	-	-	-
Independent Director	R.O.C.	Emma Chang	Female 51-60 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	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	R.O.C.	Peng-Heng Chang	Male 71-80 years old	March 4, 2021	3 years	March 4, 2021	-	-	-	-	-	-	-	-	Ph.D. in Materials Science & Engineering, Purdue University Motech Industries Inc. - Chairman TSMC-Vice President WSMC - Vice President	Note 5	-	-	-	-

Note 1:Month/Day/Year.

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

Note 3: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. Since the former president retired on August 31, 2022, the Chairman of the Board of Directors has also served concurrently as the CEO to be 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. 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 add one more independent director in 2023.

Note 4:Sino Horizon Holdings Limited - Independent Director; Parade Technologies, Ltd. - Independent Director.

Note 5:MediaTek Inc. - Independent Director; Ruiyang Optoelectronics Co., Ltd. - Representative of Corporate Director; Chi-Kuang Solar Energy Corp. - Chairman; Ruiiri Optoelectronics Co., Ltd. - Representative of Corporate Director; Big Sun Energy Technology Inc. - Representative of Corporate Director;Love and Joy Co., Ltd. - Representative of Corporate Director; Ruihui Optoelectronics Co., Ltd. - Representative of Corporate Director.

Major shareholders of corporate shareholders

June 22, 2022

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)	2.89
	Citibank (Taiwan) in its capacity as Master Custodian for Investment Account of Norges Bank	1.41
	New Labor Pension Fund	1.22
	JP Morgan Chase Bank in its Capacity as Master Custodian for PGIA Progress International Equity Index	1.21
	JP Morgan Chase Bank Taipei Branch in its capacity as Master Custodian for Investment Account of Vanguard FTSE Emerging Markets ETF	1.06
	Standard Chartered Bank in its Capacity as Master Custodian for iShares Emerging Markets ETF	0.83
	CTBC BankYuanta/P-shares in custody for Taiwan Top 50 ETF Account	0.81
	JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	0.80

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




Name of corporate entity	Corporate entity's major shareholders	Shares Ratio (%)
None		

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

Independence		
There is no violation on independence among the directors of the Company under the Securities and Exchange Act.		
Criteria ▶	Professional qualifications and experience	
Name ▼	Number of positions as independent director in other public companies	
 TSMC Representative: Robert Kuan	<u>Main career (academic) achievements</u> <ul style="list-style-type: none">• Master of Materials Science and Engineering, National Tsing Hua University• TSMC-Plant Manager• SSMC -VP of Operations <u>Incumbent</u> <ul style="list-style-type: none">• The Company's Chairman and CEO (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	0
 TSMC Representative: George Liu	<u>Main career (academic) achievements</u> <ul style="list-style-type: none">• Master of Electrical Engineering, Arizona State University• Vanguard International Semiconductor Corporation - Vice President• Intel Corporation - Director <u>Incumbent</u> <ul style="list-style-type: none">• TSMC-Senior Head of Department (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	0
 TSMC Representative: Diane Kao	<u>Main career (academic) achievements</u> <ul style="list-style-type: none">• MBA, University of California, Berkeley <u>Incumbent</u> <ul style="list-style-type: none">• TSMC-Senior Head of Department (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	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".

Criteria ▶	Professional qualifications and experience	Number of positions as independent director in other public companies
Name ▼		
 Laura Huang	<u>Main career (academic) achievements</u> <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 	2
	<u>Incumbent</u> <ul style="list-style-type: none"> Serving as the Company's chairman of the Audit Committee, with accounting and professional financial background. - 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). Sino Horizon Holdings Limited - Independent Director Parade Technologies, Ltd. - Independent Director (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	
 Emma Chang	<u>Main career (academic) achievements</u> <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
	<u>Main career (academic) achievements</u> <ul style="list-style-type: none"> Ph.D. in Materials Science & Engineering, Purdue University Motech Industries Inc. - Chairman TSMC-Vice President WSMC - Vice President 	
 Peng-Heng Chang	<u>Incumbent</u> <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 Rui Optoelectronics - Representative of Corporate Director Big Sun Energy Technology Inc. - Representative of Corporate Director Love and Joy Co., Ltd. - Representative of Corporate Director Ruihui Optoelectronics Co., Ltd. - Representative of Corporate Director (No occurrence of any of the circumstances stated in Article 30 of the Company Act)	1

(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. Regarding the dispersion of the age range, 3 directors are aged between 51 - 60 years old, 3 directors are aged 61-70 years old, and 1 director is aged 71 - 80 years old. The Board of Directors has an even dispersion of gender and age.

II. Professional knowledge and skills:

Diversification item ▶	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	Environmental Sustainability and Social Engagement
Name of director ▼													
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. The independence of the independent directors is reviewed annually by the Corporate Governance Officer.

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

February 28, 2023; Unit: shares

Position	Nationality	Name	Gender	Date elected (appointed)	No. of shares held		Shareholding of spouse and underage children		Shares held by 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
					Shares	%	Shares	%	Shares	%			Position	Name	Relation	
Chairman, CEO, and President	R.O.C.	Robert Kuan	Male	May 16, 2021	214,500	0.07	-	-	-	-	Master of Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	-	-	-	-	-
Vice President	R.O.C.	Kevin Tsai	Male	July 10, 2006	7,000	0.00	592,500	0.19	-	-	Bachelor of Accounting, Soochow University WIN Semiconductors - CFO TSMC-Department Manager TI-Acer Inc. - Department Manager	-	-	-	-	-
Vice President	R.O.C.	H.J. Tsai	Male	November 12, 2010	342,060	0.11	-	-	-	-	Master of Materials Science, National Tsing Hua University Zhongwei Semi- - Department Manager TSMC-Manager	-	-	-	-	-
Vice President	R.O.C.	K.P. Lin	Male	March 6, 2020	33,136	0.01	-	-	-	-	Bachelor of Chemical Engineering, National Tsing Hua University TSMC - Chief Engineer	-	-	-	-	-
Vice President	R.O.C.	W.R. Huang	Male	March 6, 2020	5,600	0.00	-	-	-	-	Bachelor of Industrial Engineering, National Tsing Hua University HOYA Microelectronics Taiwan CO., Ltd. - Vice President TSMC - Deputy Head of Department	-	-	-	-	-
Vice President	R.O.C.	J.C. Hsieh	Male	February 23, 2022	35,381	0.01	-	-	-	-	Master of Chemical Engineering, National Cheng Kung University TSMC-Project Manager	-	-	-	-	-
Vice President	R.O.C.	Ben Fun	Male	July 1, 2011	-	-	-	-	-	-	PhD in Industrial Engineering and Engineering Management, National Tsing Hua University GlobalFoundries - Deputy Head of Department TSMC-Department Manager	-	-	-	-	-
Assistant Vice President	R.O.C.	C.C. Chen	Male	June 1, 2011	46,500	0.02	391	0.00	-	-	Master of Materials Science, National Taiwan University FUPO Electronics Corporation - Senior Manager TSMC - Deputy Manager	-	-	-	-	-
Head of Corporate Governance	R.O.C.	Chia-hui Lin	Female	August 11, 2021	-	-	-	-	-	-	Master of Laws, Boston University FIH Co., Ltd. - Senior Manager	-	-	-	-	-

Note:The President of the Company, Mr. S.C. Hsin, retired on August 31, 2022.

III. Compensation paid to directors, supervisors, the President, and vice presidents in 2022

(I) Compensation to directors

Unit: NT\$ thousand; %

Position	Name	Directors' compensation								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	
		Compensation (A)		Severance payment and pension (B)		Director remuneration (C)		Fees for services rendered (D)		Sum of A, B, C, and D as a percentage of net income		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	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																							
Director	TSMC																							
	Representative: George Liu																							
Director	TSMC	3,600	3,600	-	-	3,240	3,240	-	-	6,840	6,840													
	Representative: Diane Kao									0.39%	0.39%													
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)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
			The Company	All companies included in the financial report H	The Company	All companies included in the financial report I
Below NT\$1,000,000			-	-	-	-
NT\$1,000,000 (inclusive) - NT\$2,000,000 (non-inclusive)	TSMC Representative: Robert Kuan, George Liu, Diane Kao		TSMC Representative: Robert Kuan, George Liu, Diane Kao		TSMC Representative: George Liu, Diane Kao	
	Laura Huang, Emma Chang, Peng-Heng Chang		Laura Huang, Emma Chang, Peng-Heng Chang		Laura Huang, Emma Chang, Peng-Heng Chang	
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)			-	-	TSMC Representative: Robert Kuan	TSMC Representative: 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	

(II) Supervisors' compensation: None.

(III) Compensation to the President and vice presidents

December 31, 2022; Unit: NT\$ 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, CEO, and President Robert Kuan (Note2)													
President S.C. Hsin (Note 3)													
Vice President Kevin Tsai													
Vice President H.J. Tsai	26,774	26,774	811	811	12,443	12,443	42,626	-	42,626	-	82,654	82,654	None
Vice President K.P. Lin											4.68%	4.68%	
Vice President W.R. Huang													
Vice President J.C. Hsieh (Note4)													
Vice President Ben Fun (Note5)													

Note 1: Represents pension contributions made in accordance with laws.
Note 2: The Chairman and CEO of the Company has served concurrently as the President of the Company since September 1, 2022.
Note 3: The President of the Company, Mr. S.C. Hsin, retired on August 31, 2022.
Note 4: On February 23, 2022, upon the approval of the Board of Directors, Mr. J.C. Hsieh was promoted to the Vice President effective on March 1, 2022.
Note 5: On May 11, 2022, upon the approval of the Board of Directors, Ben Fun was promoted to the Vice President.

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)	K.P. Lin, S.C. Hsin, J.C. Hsieh, Ben Fun, W.R. Huang	K.P. Lin, S.C. Hsin, J.C. Hsieh, Ben Fun, W.R. Huang
NT\$10,000,000 (inclusive) - NT\$15,000,000 (non-inclusive)	Kevin Tsai, H.J. Tsai	Kevin Tsai, H.J. Tsai
NT\$15,000,000 (inclusive) - NT\$30,000,000 (non-inclusive)	Robert Kuan	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 8 persons	A total of 8 persons



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

December 31, 2022; Unit: NT\$ thousand; %

Position	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
CEO and President	Robert Kuan				
President	S.C. Hsin				
Vice President	Kevin Tsai				
Vice President	H.J. Tsai				
Vice President	K.P. Lin				
Vice President	W.R. Huang	-	48,671	48,671	2.76%
Vice President	J.C. Hsieh				
Vice President	Ben Fun				
Assistant Vice President	C.C. Chen				
Head of Corporate Governance	Chia-hui Lin				

(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 ▼	2021		2022	
	Total compensation as a percentage of net income		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
 Director	0.26%	0.26%	0.39%	0.39%
 President and vice presidents	4.00%	4.00%	4.68%	4.68%

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

For 2022 and up to the publication date of the Annual Report, five regular Board meetings and one interim Board meeting were held. The attendance of directors was as follows:

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%	None
Directors	TSMC					
	Representative: George Liu	6	6	0	100%	None
Directors	TSMC					
	Representative: Diane Kao	6	6	0	100%	None
Independent Director	Laura Huang	6	6	0	100%	None
Independent Director	Emma Chang	6	6	0	100%	None
Independent Director	Peng-Heng Chang	6	6	0	100%	None

● 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
February 23, 2022	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Managers' bonus plan Policy on managers performance evaluation and remuneration for 2021; salary adjustment and fixed amount of compensation for 2022 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
May 11, 2022	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> Employee compensation in cash for managers of 2021 Proposal of manager's stock options for the initial listing cash capital increase 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
August 10, 2022	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> The Chairman of the Board concurrently serves as the President 	Involving the personal interest of a manager concurrently serving as a director	Other directors present approved the motion as it was proposed
February 22, 2023	TSMC Representative: Robert Kuan	<ul style="list-style-type: none"> 2022 Bonus Plan for Managers Policy on managers performance evaluation and remuneration for 2022; salary adjustment and fixed amount of compensation for 2023 	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

Evaluation frequency


Annually

Evaluation period


January 1 through December 31, 2022

Evaluation scope

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

Evaluation method

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

Evaluation contents

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

- (1) The extent of participation in the Company’s operations
- (2) Improvement in the Board’s decision-making quality
- (3) Composition and structure of the Board of Directors
- (4) Election of directors and their continuous education
- (5) Internal control

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

- (1) Grasp the Company’s goals and tasks
- (2) Understanding of a director’s duties
- (3) The extent of participation in the Company’s operations
- (4) Internal relationship management and communication
- (5) Directors’ profession and continuous education
- (6) Internal control

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

- (1) The extent of participation in the Company’s operations
- (2) Understanding of the functional committee’s duties
- (3) Improvement in the functional committee’s decision-making quality
- (4) Composition of the functional committee and election of committee members
- (5) 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 2022, the self-evaluation by each director was conducted in January 2023 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 4.78 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 4.86 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 Audit Committee was established to strengthen corporate governance and the functions of the Board of Directors, and is composed of three independent directors. Its main functions include the selection (and dismissal), independence, and performance of certified public accountants, the fair presentation of financial reports, management of existing or potential risks of the Company, supervision of the effective implementation of internal control systems of the Company, and compliance with relevant laws and regulations.

The Audit Committee meets on a quarterly basis. The Committee may invite management, internal auditors, the Company’s CPAs, or other persons to attend the meetings and provide pertinent information under the scope of its powers. The Audit Committee is responsible for reviewing the following major matters:

- 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.
- 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 financial statements that are subject to the signatures or seals of the Chairman, manager, and chief accounting officer, and semi-annual financial statements that are subject to review or audit by the CPA.
- Proposal of the 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 6 meetings (A) in 2022 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	6	0	100	Convener
Independent Director	Emma Chang	6	0	100	
Independent Director	Peng-Heng Chang	6	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) Conditions described in Article 14-5 of the Securities and Exchange Act:

Board of Directors meeting date and session	Motion	Resolution of the Audit Committee	The Company's response to Audit Committee members' opinion
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
April 12, 2022 6th meeting of the 1st session	<ul style="list-style-type: none"> Review of the cash capital increase through an issue of new shares to be sold in the public offering prior to initial listing. 	Approved by all committee members as proposed	Approved by all directors present as proposed
May 11, 2022 7th meeting of the 1st session	<ul style="list-style-type: none"> Review the financial statements for the first quarter of 2022. 	Approved by all committee members as proposed	Approved by all directors present as proposed
August 10, 2022 8th meeting of the 1st session	<ul style="list-style-type: none"> Review the financial statements for the second quarter of 2022. 	Approved by all committee members as proposed	Approved by all directors present as proposed
November 9, 2022 9th meeting of the 1st session	<ul style="list-style-type: none"> Review the fee for CPAs providing attestation service. Review the financial statements for the third quarter of 2022. Review the audit plan for 2023. Review the capital budget expenditure. Review the lease for Zhongli plant and office premises. 	Approved by all committee members as proposed	Approved by all directors present as proposed
February 22, 2023 10th meeting of the 1st session	<ul style="list-style-type: none"> Audit the business report, financial statements, earnings distribution proposal for 2022. Audit the effectiveness of the internal control system and its implementation, as well as the internal control statement, for 2022. Review the revision of the internal Control System and the Implementation Rules for Internal Auditing. Review the capital budget expenditure. 	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.

The communications between the independent directors and the Internal Auditors or the Independent Auditors in 2022 are listed in the table below:

Meeting Dates	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
February 23, 2022 5th Regular Meeting	<ul style="list-style-type: none"> Internal Auditor's report (Closed Door Session) Report on self-testing results for the year 2021 (Closed Door Session) 2021 Statement of Internal Control System (Closed Door Session) Revised the 2022 internal audit plan 	<ul style="list-style-type: none"> The audit results of 2021 annual financial statements(Closed Door Session) Report of regulatory developments (Closed Door Session)
May 11, 2022 6th Regular Meeting	<ul style="list-style-type: none"> Internal Auditor's report (Closed Door Session) 	<ul style="list-style-type: none"> The review results of 2022 first quarter financial statements(Closed Door Session) Report of regulatory developments (Closed Door Session)
August 10, 2022 7th Regular Meeting	<ul style="list-style-type: none"> Internal Auditor's report (Closed Door Session) 	<ul style="list-style-type: none"> The review results of 2022 second quarter financial statements(Closed Door Session) Report of regulatory developments (Closed Door Session)
November 09, 2022 8th Regular Meeting	<ul style="list-style-type: none"> Internal Auditor's report (Closed Door Session) 2023 internal audit plan (Closed Door Session) 	<ul style="list-style-type: none"> The review results of 2022 third quarter financial statements(Closed Door Session) Audit Quality Indicators(AQI) and CPA evaluation questionnaire(Closed Door Session) Report of regulatory developments (Closed Door Session)

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

Assessment	Actual governance		Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
	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"?	✓		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.
II. Shareholding structure and shareholders' interests			
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	✓		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.
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		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.
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		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.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	✓		The Company has established the "Procedures for the Prevention of Insider Trading", prohibiting Company insiders from trading securities using information not disclosed to the market. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. In addition, the Company has provided the directors with information on the prohibition of insider trading and the related Q&A materials from the competent authority every year, and issued a notification letter on the closed period before announcing the quarterly or annual financial statements to remind the directors and relevant employees to avoid violating the regulations related to insider trading. At the same time, the Company also conducts an annual insider trading prevention course for all employees in its annual compliance promotion program. The course covers behaviors prohibited under the Procedures for the Prevention of Insider Trading, important regulations, definition of material information, and handling of violations to remind all employees to comply with the Procedures for the Prevention of Insider Trading.
III. Composition and responsibilities of the Board of Directors			
(I) Has the board devised and implemented policies to ensure diversity of its members?	✓		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. The information on the diversity of the Board of Directors is also disclosed on the Company's website.
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		✓	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.
(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?	✓		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 2022 in January 2023 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 2022, and for re-nomination of directors in future Board elections.
(IV) Are external auditors' independence assessed on a regular basis?	✓		The Company's first Audit Committee held its ninth meeting on November 9, 2022, and adopted the Audit Quality Indicator (AQI) submitted by the CPAs as the basis for the appointment of the CPAs regarding the independence, competency (including performance), and appointment of the CPA and the review of the 2023 compensation proposal. The AQI was compiled based on the AQI framework and disclosure template issued by the FSC on August 19, 2021. The Company requires its CPAs to provide a "Statement of Independence" annually, and at the same time, the accounting department of the Company evaluates the CPAs' financial interests, business relationships, and employment relationships through the "Assessment Form of Independent Auditor's Independence and Suitability" to compile the results of the evaluation of the CPAs' independence and assess the adequacy of the CPAs to serve as the Company's CPAs, reference to note1. The most recent assessment was approved by the Audit Committee on November 9, 2022 and submitted to the Board of Directors for approval on the same date.

Assessment	Actual governance		Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	
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)?	✓		No significant deviation
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)?	✓		No significant deviation
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	✓		No significant deviation
VII. Information disclosure			
(I) Has the Company established a website to disclose financial, business, and corporate governance-related information?	✓		No significant deviation
(II) 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)?	✓		No significant deviation
(III) 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?	✓		No significant deviation
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)?	✓		No significant deviation
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.			

Note 1: CPAs’ independence evaluation criteria

Items for Evaluation	Evaluation Result	Compliance with Independence
The members of the audit service team, their family members, other practicing accountants and their family members, the accounting firm, and related enterprises have no direct or significantly indirect financial interest relationship with the Company.	Yes	Yes
The accounting firm or members of the audit service team have no close business relationship with the Company or any related enterprises.	Yes	Yes
The audit service team have not served as the Company's Directors/ Supervisors, or hold positions with direct and significant influence on the audit case in the past two years.	Yes	Yes
The members of the audit service team do not have any familial relationship with the Company's Directors/ Supervisors with significant influence on the audit case.	Yes	Yes

(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, 2023

Criteria ▶		Professional qualifications and experience	Independence	Number of public companies for which the committee member concurrently serves in their remuneration committees.
Title ▼	Name ▼			
Independent Director	Laura Huang	Please see page 11 of the Annual Report for the disclosure of professional qualifications of directors and independence information of independent directors.		2
Independent Director	Emma Chang			-
Independent Director	Peng-Heng Chang			1

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 2022 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	
Committee member	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	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the causes therefor
	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? (TWSE/TPEX Listed Companies should fill in their implementation status, not the compliance or explanation)	✓		<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, and the Board of Directors shall consider the future business strategies and make recommendations on how to implement these strategies.</p> <p>In May 2022, the Committee reported to the Board of Directors on the results of the Company’s ESG operations for the previous year, the work plan for 2022, and the identification of potential significant ESG issues; the results of 2022 and the work plan for 2023 have also been agreed upon by the Committee, and plans are being prepared and implemented.</p>
II.Has the Company conducted 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? (TWSE/TPEX Listed Companies should fill in their implementation status, not the compliance or explanation)	✓		<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. The Company has established a “Risk Management Steering Committee”, chaired by the President, and the top executive of the resource planning organization is the Executive Secretary. The Committee is responsible for formulating corporate strategy for sustainable management and planning blueprints. It performs risk and risk situation identification, assesses risk levels, formulates preventive and contingency measures, and achieves compliance management through specific actions and training drills by means of the Business Continuity Management System.</p> <p>The Company’s scope of risk management includes “intellectual property rights”, “information technology security”, “talent recruitment”, “technology development and competitive advantage”, and “climate change”.</p> <p>In order to implement the risk management mechanism, the Company holds regular risk management team meetings. Each unit will review, at least once a quarter, the ongoing risks of its operation, including the evolution of risks and new risks or emerging risks that occur in response to overall external fluctuations, and review the management policies and specific actions accordingly. The Committee will review the risk management status and estimate the risk trend for the next quarter, and report the risk management operation to the Board of Directors once a year.</p> <p>In 2022, 21 risk items were identified and 87 risk scenarios were derived from the risk items to respond to them. The frequency of risk events and the severity of their impact on the Company’s operations were evaluated using the Risk Map, and the priority and risk level of the risks were defined to adopt corresponding risk management strategies.</p> <p>The 2022 operation of risk management was reported to the Board of Directors in the third quarter of 2022.</p>
III .Environmental issues			
(I)Has the Company developed an appropriate environmental management system, given its distinctive characteristics?	✓		<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>
(II)Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		<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.

Promoted Items	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes therefor
	Yes	No	
(III)Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	✓		No significant deviation
(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?	✓		No significant deviation

Promoted Items			Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes therefor												
	Yes	No	Summary description														
			<p>3. Waste management: The Company implements green manufacturing and follows its principle of “minimizing waste generation and maximizing resource recycling” in waste management. We prioritize the implementation of “material recycling” and “energy recycling” instead of incineration and landfilling to maximize the use of resources. In 2021, the Company started to search for waste treatment suppliers other than incineration/landfilling to treat waste in ways other than incineration. Also, we cooperated with the Foundation Of Taiwan Industry Service. In December of the same year, the Company cooperated with recycling companies to accomplish the process of replacing traditional heavy polluting fuels such as coal and natural gas by diverting and improving the purity of waste materials that originally had no reuse value. The recycling rate (including energy recovery) will reach over 90% by 2022. In 2022, the waste recovery volume reached 2,182 tons/year, with a landfill rate of 0.23%, and the landfill rate has been less than 1% for 16 consecutive years since the plant was built.</p> <p>(1) Reduction at the source: Suppliers are being requested to supply chemical machinery of low consumption, which helps reduce waste at the source.</p> <p>(2) Circular economy: The Company is constantly in search of new waste recycling technology to increase the volume of waste recycled and reused.</p> <p>(3) Audit and counseling: The Company performs audit and joint evaluation/counseling according to Waste Management Service Provider Evaluation Standards for High-tech Industry.</p> <p>● Total waste volume and outsourced waste volume per wafer for the last two years:</p> <table><tr><th>Year</th><th>Outsourced general waste (tons)</th><th>Outsourced hazardous waste (tons)</th><th>Total volume of outsourced business waste</th></tr><tr><td>2022</td><td>930</td><td>1,418</td><td>2,348</td></tr><tr><td>2021</td><td>781</td><td>1,273</td><td>2,054</td></tr></table> <p>Note: Including our Hsinchu and Zhongli plants.</p>		Year	Outsourced general waste (tons)	Outsourced hazardous waste (tons)	Total volume of outsourced business waste	2022	930	1,418	2,348	2021	781	1,273	2,054	
Year	Outsourced general waste (tons)	Outsourced hazardous waste (tons)	Total volume of outsourced business waste														
2022	930	1,418	2,348														
2021	781	1,273	2,054														
IV .Enforcement of public interest																	
(I)Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?			✓	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. The Company audited key suppliers in 2022 using RBA criteria to conduct on-site visits to request and assist them in improving their RBA systems.		No significant deviation											
(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?			✓	<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> <p>1.Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance.</p> <p>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.</p> <p>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 2022, the Company cancelled planned activities such as employee tours and the company-wide year-end party, which were replaced with benefit fund subsidies and department-wide year-end parties. The Company held a family day in the second half of the year when the pandemic began to ease, and we invited our employees and their families to gather for the event.</p> <p>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 2022; onsite services provided by physicians and professional psychological consultants were still available.</p> <p>5.Group Meals: The Company has a canteen and coffee bar which provides various meals such as buffet, fast food, and wheat dishes. Lunch, dinner, and supper are all subsidized by the Company. The Company has adjusted the meal prices in response to the inflation of prices, and has introduced a floating meal price tag so that we can offer a wide selection of meals. The Company continues to offer exotic cuisine meals, which mainly comprise native cuisine of those foreign-national migrant workers, in order to comfort their homesickness.</p> <p>6.Bonus system: The Company pays bonuses depending on performance results.</p> <p>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> <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											

Promoted Items	Execution progress		Deviations from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the causes therefor
	Yes	No	
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>Summary description</p> <p>1. Fully featured work environment: *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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>No significant deviation</p>
(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?	✓		<p>The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. The Company holds quarterly labor-management meetings to explain the Company's operations to labor representatives and to participate in discussions on labor conditions and benefits; it also holds quarterly employee communication meetings in order to provide direct two-way interaction and communication with employees; the Company regularly announces important information and updates on upcoming events through its intranet site (My VisEra) and quarterly e-newsletters; it has set up a channel for whistleblowing for employees to report to their departments and top management depending on the nature of their complaints; and it also has an employee comment section where employees can respond to work and environmental issues and give suggestions to the Company. 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> <p>No significant deviation</p>
(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?	✓		<p>Not applicable as VisEra does not produce the final products.</p> <p>Not applicable.</p>
(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?	✓		<p>Plant affairs, quality management, and sales teams continue to work with suppliers on resolving various issues:</p> <p>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.</p> <p>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.</p> <p>3. Management of conflict minerals: With regards to the management of conflict minerals, VisEra Technologies requires suppliers to prohibit against using "minerals sourced from conflict regions," and to sign commitment to non-conflict minerals as per request of VisEra.</p> <p>No significant deviation</p>
IV .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?		✓	<p>The Company first published a Chinese version of the sustainability report in year 2022 of the Republic of China (data year 2021), following the international GRI standards. The report selected core annual sustainability issues and information disclosure for disclosure. The first sustainability report has not yet been verified by a third-party verification agency and is expected to be conducted in the following year.</p> <p>The implementation will be gradually rolled out.</p>
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: Further information on Company's sustainability operations, please refer to the sustainability section on our corporate website.			
VIII .Describe the criteria undertaken by any institution to certify the Company's CSR report: Not applicable.			





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

Assessment	Actual governance		Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No		
Summary description				
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?	✓		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
(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”?	✓		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
(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?	✓		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
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?	✓		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
(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)?	✓		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 2022, the course completion rate was 100% (with a total of 1,450 persons). Legal compliance trainings will still be provided in 2023.	No significant deviation
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	✓		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
(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?	✓		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
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	✓		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
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?	✓		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. 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
(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?	✓			No significant deviation
(III) Has the Company provided proper whistleblower protection?	✓			No significant deviation
IV. Enhanced information disclosure				
(I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	✓		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
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.			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	Organizer	Course title	Hours
 Chairman	Robert Kuan	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		October 25, 2022		How to Supervise the Company to Manage Corporate Risk and Crisis Management	3
 Directors	George Liu	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		July 19, 2022		[Advanced ESG Course] Towards Net-Zero Carbon Management & Response	3
		September 6, 2022		The True Value Created by Circular and Low Carbon Innovation - Understanding Circular Economy and Governance	3
		October 25, 2022		How to Supervise the Company to Manage Corporate Risk and Crisis Management	3
 Directors	Diane Kao	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		July 19, 2022		[Advanced ESG Course] Towards Net-Zero Carbon Management & Response	3
		September 6, 2022		The True Value Created by Circular and Low Carbon Innovation - Understanding Circular Economy and Governance	3
		October 25, 2022		How to Supervise the Company to Manage Corporate Risk and Crisis Management	3
 Independent Director	Laura Huang	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		June 15, 2022	Securities and Futures Institute	Discussion on Remuneration of Employees and Directors - From the Amendments to Article 14 of the Securities and Exchange Act	3
		August 23, 2022	Taiwan Corporate Governance Association	Analysis and Decision-making of Corporate Financial Information	3
		October 25, 2022	Taiwan Corporate Governance Association	How to Supervise the Company to Manage Corporate Risk and Crisis Management	3


Position	Name	Date of continuing education	Organizer	Course title	Hours
 Independent Director	Emma Chang	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		June 15, 2022	Securities and Futures Institute	Discussion on Remuneration of Employees and Directors - From the Amendments to Article 14 of the Securities and Exchange Act	3
		August 23, 2022	Taiwan Corporate Governance Association	Analysis and Decision-making of Corporate Financial Information	3
		October 25, 2022		How to Supervise the Company to Manage Corporate Risk and Crisis Management	3
 Independent Director	Peng-Heng Chang	May 24, 2022	Taiwan Corporate Governance Association	From CSR to ESG - Corporate Sustainability Transformation	3
		July 29, 2022		The Latest Development and Trend in Amending International and Domestic Taxes (1)	3
		October 25, 2022		The Latest Development and Trend in Amending International and Domestic Taxes (2)	3

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	Organizer	Course title	Hours
 Head of Corporate Governance	Chia-hui Lin	April 29, 2022	Taiwan Corporate Governance Association	Advocate Behind Corporate Governance: Operations of Corporate Governance Officers	3
		May 24, 2022		From CSR to ESG - Corporate Sustainability Transformation	3
		May 27, 2022		The Future of China-US Convergence - Board of Directors' Response	3
		June 21, 2022	Taiwan Institute of Directors	How to Avoid Internal Problems_Analysis of Corporate Internal Investigations	3
		September 28, 2022	Taiwan Corporate Governance Association	Latest Corporate Governance Policy and Corporate Governance Assessment Practice Analysis	3

(X) Execution of internal control system

1. Statement of Internal Control System:

<div><div></div><div><div>采鈺科技股份有限公司 VisEra Technologies Company Ltd.</div><div>30078 新竹市科學園區篤行一路12號 Tel 886-3-6668788 Fax 886-3-6667115</div><div>No. 12, Dusing Rd. I, Hsinchu Science Park, Hsinchu, Taiwan 30078, R.O.C.</div></div></div> <div><div>VisEra Technologies Company Ltd.</div><div>Statement of Internal Control System</div></div> <div><div>February 22, 2023</div></div>	<p>The following statement regarding the Company’s internal control system has been made based on its 2022 self-assessment:</p> <p>I. 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.</p> <p>II. 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.</p> <p>III. 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.</p> <p>IV. The Company has adopted the above mentioned criteria to validate the effectiveness of its internal control system design and execution.</p> <p>V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective at December 31, 2022. 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.</p> <p>VI. 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.</p> <p>VII. This Statement was passed unanimously without objection by all 6 Directors present at the Board meeting dated February 22, 2023.</p> <div><div>VisEra Technologies Company Ltd.</div><div><div>Chairman: Robert Kuan</div><div>President: Robert Kuan</div></div></div>
---	---

(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 2022 dated March 23, 2022.

Major resolutions	Execution progress
To conduct the issuance of common stock for cash prior to the initial listing according to the regulations governing listing, we hereby propose that shareholders agree to forfeit the preemptive right for the new shares in percentage respectively to their original shareholding for the distribution of public offerings.	The Company received Letter Tai-Zheng-Shang-Yi-1111801673 from the TWSE, effective on April 28, 2022.

2. Major resolutions of the annual general meeting dated May 24, 2022.

Major resolutions	Execution progress
Adoption of the 2021 business report and financial statements.	Completed according to shareholders’ meeting resolution
Adoption of the 2021 earnings distribution.	Set the ex-dividend date to be at July 22, 2022; all dividends were paid out on August 11, 2022, as had resolved by the shareholders’ meeting. (a cash dividend of NT\$1.86460225 was paid to each share.)
Approved the amendments to the Company's “Articles of Incorporation”	Registration approved by the Hsinchu Science Park Bureau on June 10, 2022
Approved amendments to “Procedures for the Acquisition or Disposal of Assets”	Announced on the Company's website; matters were carried out in accordance with the amended procedures.

3. Major Board of Directors resolutions made in 2022 and up until the printed date of this annual report

Date(Month/Day/Year)	Major resolutions are summarized as follows:
Regular Board of Directors meeting dated February 23, 2021	<div>1. Approved the business report, financial statements, earnings distribution proposal for 2021.</div> <div>2. Approved amendments to the Articles of Incorporation and the “Procedures for the Acquisition or Disposal of Assets” of the Company.</div> <div>3. Convened the 2022 annual general meeting.</div> <div>4. Changed the convention venue of the first Extraordinary Shareholders' Meeting in 2022.</div> <div>5. Set a record date for issuance of common shares for employee stock options.</div> <div>6. Approved capital budget for acquisition of equipment.</div> <div>7. Approved the acquisition of the right-of-use assets for land.</div> <div>8. Approved the performance evaluation results of the Board of Directors of 2021 and directors' remuneration for 2021.</div> <div>9. Approved allocation of employee remuneration for 2021.</div> <div>10. Approved the overall remuneration proposal for 2022.</div> <div>11. Approved the promotion of Mr. J.C. Hsieh to Vice President.</div> <div>12. Approved the performance of managers for 2021 and the salary raise of, and fixed amount of compensation paid to, them for 2022.</div> <div>13. Approved the managers' bonus proposal of the Company.</div> <div>14. Approved the proposal that suggests not to formulate operating procedures for “supervision and monitoring of subsidiaries”.</div> <div>15. Approved the items for supervision and monitoring of subsidiaries that will be added to the audit plan for 2022.</div> <div>16. Approved the “Internal Control System Statement” for 2021.</div>

Date(Month/Day/Year)	Major resolutions are summarized as follows:
Extraordinary Board of Directors meeting dated April 12, 2022	Approved to carry out a cash capital increase through an issue of new shares to be sold in the public offering prior to initial listing.
Regular Board of Directors meeting dated May 11, 2022	1. Approved the financial statements for the first quarter of 2022 2. Approved the promotion of Mr. Ben Fun to Vice President. 3. Approved the 2021 employee compensation in cash for managers 4. Approved manager's stock options for the initial listing cash capital increase
Regular Board of Directors meeting dated August 10, 2022	1. Approved the amendments to the "Ethical Corporate Management Best Practice Principles" 2. Approved the pension payment for Mr. S.C. Hsin, the President 3. Approved the Chairman of the Board to concurrently serve as the President of the Company 4. Approved the financial statements for the second quarter of 2022
Regular Board of Directors meeting dated November 9, 2022	1. Approved the audit plan for 2023. 2. Approved the financial statements for the third quarter of 2022 3. Approved the business plan for 2023. 4. Approved routine capital budget for the first half of 2023. 5. Approved the quota on short-term bank borrowings and derivatives. 6. Approved the fee paid to CPAs for their attestation services in 2023. 7. Approved to renew the lease of the Zhongli plant 8. Approved amendments to the "Regulations Governing Board Meetings" 9. Approved amendments to the "Procedures for Handling Material Inside Information" 10. Approved the managers' performance evaluation items for 2023
Regular Board of Directors meeting dated February 22, 2023	1. Approved the "Internal Control System Statement" for 2022. 2. Approved to amend the "Internal Control System" and the "Implementation Rules for Internal Auditing". 3. Approved the business report, financial statements, and earnings distribution for 2022 4. Approved to elect one more independent director and to nominate independent director candidates 5. Convened the 2023 annual general meeting. 6. Approved capital budget for acquisition of equipment. 7. Approved to renew the leases of plants and plant facilities 8. Approved amendments to the "Procedures for Application for Suspension and Resumption of Trading" 9. Approved the 2022 performance evaluation results of the Board of Directors and directors' remuneration 10. Approved the proposal of employee remuneration for 2022 11. Approved the overall remuneration proposal for 2023. 12. Approve the managers' 2022 bonus plan, performance evaluation results, and the 2023 salary adjustment and fixed compensation

(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) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of this Annual Report, of the Company's Chairman, President, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer: The President of the Company, Mr. S.C. Hsin, retired on August 31, 2022. Mr. Robert Kuan, the Chairman of the Board of Directors, has served concurrently as the President since September 1, 2022.

V. Disclosure of CPA fees

(I) Fee information:

Unit: NT\$ thousand

Accounting firm	Deloitte Taiwan
Name of CPA	Shang-Chih Lin Ming-Yuan Chung
Audit period	January 1 through December 31, 2022
Audit fee	2,236
Non-audit fee	1,102
Total	3,338
Remarks	Non-audit fees are the fees paid for the special audit of the Company's internal control systems.

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

(III) Any reduction in audit fees by more than 10% compared to the previous year:The payment of audit fees has decreased by NT\$291 thousand (approximately 11%) compared to the previous year. This is mainly due to a partial payment of audit fees (NT\$582 thousand) made in March of 2023. If this audit fee is included, the total amount of audit fees has increased compared to the previous year.

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

Unit: shares

Position	Name	2022		In 2023 up to March 25, 2023	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/Major shareholder	TSMC	-	-	-	-
	Representative: Robert Kuan	9,900	-	50,000	-
Director/Major shareholder	TSMC	-	-	-	-
	Representative: George Liu	-	-	-	-
Director/Major shareholder	TSMC	-	-	-	-
	Representative: Diane Kao	-	-	-	-
Independent Director	Laura Huang	-	-	-	-
Independent Director	Emma Chang	-	-	-	-
Independent Director	Peng-Heng Chang	-	-	-	-
President(Note)	S.C. Hsin	7,900	-	-	-
Vice President	Kevin Tsai	7,000	-	-	-
Vice President	H.J. Tsai	7,000	-	-	-
Vice President	K.P. Lin	6,400	-	-	-
Vice President	W.R. Huang	5,600	-	22,000	-
Vice President	J.C. Hsieh	2,400	-	-	-
Vice President	Ben Fun	(50,000)	-	-	-
Assistant Vice President	C.C. Chen	46,400	-	-	-
Head of Corporate Governance	Chia-hui Lin	-	-	-	-

Note: The President of the Company, Mr. S.C. Hsin, retired on August 31, 2022. His shareholding is no longer required to disclose.

(II) 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; NT\$

Month/Year	Is-sued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Oth-ers
De-cember 2003	10	81,600,000	816,000,000	20,400,000	204,000,000	Initial investment	Technology share 102,000 thousand	Note 1
De-cember 2005	10	81,600,000	816,000,000	70,000,000	700,000,000	Cash issue: 49,600 thousand shares	None	Note 2
July 2006	10	81,600,000	816,000,000	81,600,000	816,000,000	Cash issue: 11,600 thousand shares	None	Note 3
No-vember 2006	10	300,000,000	3,000,000,000	146,600,000	1,466,000,000	Increased authorized capital: 218,400 thousand shares Cash issue: 65,000 thousand 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 thousand shares	None	Note 5
July 2007	10	300,000,000	3,000,000,000	282,409,715	2,824,097,150	Capitalization of employee profit sharing: 9,810 thousand shares	None	Note 6
August 2008	10	300,000,000	3,000,000,000	285,317,988	2,853,179,880	Capitalization of employee profit sharing: 2,908 thousand shares	None	Note 7
July 2009	10	300,000,000	3,000,000,000	285,897,696	2,858,976,960	Capitalization of employee profit sharing: 580 thousand shares	None	Note 8
July 2011	10	300,000,000	3,000,000,000	287,630,386	2,876,303,860	Capitalization of employee profit sharing: 1,733 thousand shares	None	Note 9
August 2012	10	300,000,000	3,000,000,000	291,153,119	2,911,531,190	Capitalization of employee profit sharing: 3,523 thousand shares	None	Note 10

Month/ Year	Is- sued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Oth- ers
June 2020	10	400,000,000	4,000,000,000	291,153,119	2,911,531,190	Increased authorized capital: 100,000 thousand shares	None	Note 11
Sep- tember 2021	20	400,000,000	4,000,000,000	293,071,119	2,930,711,190	Issuance of 1,918 thousand new shares for the exercise of employee stock options	None	Note 12
No- vember 2021	20			293,125,119	2,931,251,190	Issuance of 54 thousand new shares for the exercise of employee stock options	None	Note 13
		400,000,000	4,000,000,000			2,932,771,190 Issuance of 152 thousand new shares for the exercise of employee stock options		
	18			293,277,119	2,932,771,190			
March 2022	18	400,000,000	4,000,000,000	293,356,119	2,933,561,190	Issuance of 79 thousand new shares for the exercise of employee stock options	None	Note 14
May 2022	18	400,000,000	4,000,000,000	293,456,119	2,934,561,190	Issuance of 100 thousand new shares for the exercise of employee stock options	None	Note 15
July 2022	10	400,000,000	4,000,000,000	314,476,119	3,144,761,190	Cash issue: 21,020 thousand shares	None	Note 16
August 2022	18			314,658,119	3,146,581,190	Issuance of 182 thousand new shares for the exercise of employee stock options	None	Note 17
		400,000,000	4,000,000,000			Issuance of 558 thousand new shares for the exercise of employee stock options		
	16.1			315,216,119	3,152,161,190			
No- vember 2022	16.1	400,000,000	4,000,000,000	315,512,119	3,155,121,190	Issuance of 296 thousand new shares for the exercise of employee stock options	None	Note 18

Month/ Year	Is- sued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Oth- ers
March 2023	16.1	400,000,000	4,000,000,000	315,546,119	3,155,461,190	Issuance of 34 thousand new shares for the exercise of employee stock options	None	Note 19

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. Chu-Shang-1090017893.
Note 12: Approved under Letter No. Chu-Shang-1100025817.
Note 13: Approved under Letter No. Chu-Shang-1100034901.
Note 14: Approved under Letter No. Chu-Shang-1110009257.
Note 15: Approved under Letter No. Chu-Shang-1110016677.
Note 16: Approved under Letter No. Chu-Shang-1110023296.
Note 17: Approved under Letter No. Chu-Shang-1110027297.
Note 18: Approved under Letter No. Chu-Shang-1110037999.
Note 19: Approved under Letter No. Chu-Shang-1120007352.

2. Share category

March 25, 2023; Unit: shares




Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	315,777,119	84,222,881	400,000,000	Listed shares

Note:As of March 25, 2023, the Company’s total shares outstanding were 315,777,119 shares, among which 231,000 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:

March 25, 2023; Unit: persons; shares; %

Shareholder structure ▶ Quantity ▼	Government institutions	Financial institution	Other juridical persons	Individual	Foreign institutions or foreigners	Total
 Number of people	-	4	125	19,353	108	19,590
 No. of shares held	-	1,984,000	219,780,167	60,809,821	33,203,131	315,777,119
 Shares Ratio	-	0.63%	69.60%	19.26%	10.51%	100.00%

(III) Diversity of ownership:

March 25, 2023; Unit: persons; shares; %

Shareholding range	Number of shareholders	No. of shares held	Shares Ratio
1 to 999	6,901	1,258,539	0.40%
1,000 to 5,000	10,838	19,051,378	6.03%
5,001 to 10,000	907	6,944,925	2.20%
10,001 to 15,000	284	3,647,995	1.16%
15,001 to 20,000	198	3,605,544	1.14%
20,001 to 30,000	146	3,635,299	1.15%
30,001 to 40,000	78	2,792,950	0.88%
40,001 to 50,000	48	2,224,800	0.70%
50,001 to 100,000	97	6,729,195	2.13%
100,001 to 200,000	42	6,175,864	1.96%
200,001 to 400,000	25	7,039,411	2.23%
400,001 to 600,000	13	6,807,758	2.16%
600,001 to 800,000	4	2,711,450	0.86%
800,001 to 1,000,000	0	0	0.00%
1,000,001 and above	9	243,152,011	77.00%
Total	19,590	315,777,119	100.00%



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

March 25, 2023; Unit: persons; shares; %

Name of major shareholder ▼	Shares ►	No. of shares held	Shares Ratio
Taiwan Semiconductor Manufacturing Co., Ltd.		213,619,000	67.65%
GIC Private Limited		11,670,000	3.70%
The Banking Department of Standard Chartered in its capacity as the custodian for the investment account with the Small-amount World Fund.		10,872,906	3.44%
Chun-Chi Lin		1,411,548	0.45%
Jin-Pen Lin		1,319,000	0.42%
Advanced Star Comprehensive International Stock Index, Daitong Custody		1,139,000	0.36%
HSBC Bank (Taiwan) Limited as Trustee for Matthews Asia Funds - Asia Dividend Fund Ex-Japan		1,067,557	0.34%
Dai-Tong-Custodian Vanguard Emerging Markets Stock Index Fund - Feeder		1,052,000	0.33%
Fubon Life Insurance Co., Ltd.		1,001,000	0.32%
Tai-Ping Wu		786,000	0.25%

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

Unit: thousand shares; NT\$

Item ▼	Year ►	2021	2022	In 2023 up to March 25, 2023
 Market price per share (Note 1)	Highest	Unlisted	341.50	262.50
	Lowest	Unlisted	164.00	191.00
	Average	Unlisted	253.16	235.65
 Net worth per share	Before dividend	30.40	53.53	(Note 6)
	After dividend	28.40	51.53(Note 5)	(Note 6)
 Earnings per Share	Weighted average outstanding shares (in thousands) (Before adjustment)	292,028	304,510	(Note 6)
	EPS (before adjustment)	7.41	5.80	(Note 6)
	EPS (after adjustment)	7.41	5.80	(Note 6)
 Dividend per share	Cash dividends	2.0	2.0(Note 5)	(Note 6)
	Stock dividends	-	0	(Note 6)
		-	0	(Note 6)
	Cumulative unpaid dividends	0	0	(Note 6)
 Analysis of investment returns	Price earnings ratios (Note 2)	Unlisted	43.65	(Note 6)
	Price-to-dividends ratio (Note 3)	Unlisted	126.58(Note 6)	(Note 6)
	Cash dividend yield (Note 4)	Unlisted	0.79%(Note 6)	(Note 6)

Note 1: Referred to TWSE website
Note 2: Price-to-Earnings Ratio = Average Share Price of the Year / Earnings per Share
Note 3: Price-to-Dividend Ratio = Average Share Price of the Year / Cash Dividend per Share
Note 4: Cash Dividend Yield Rate = Cash Dividend per Share / Average Share Price of the Year
Note 5: Pending the resolution by the shareholders' meeting to be held on May 24, 2023.
Note 6: The current year has not ended; no relevant information is available.

(VI) Dividend policy and execution:

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

The Company shall not pay dividends or bonuses to shareholders when there are no 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. In case there are no earnings for distribution, or the earnings are far less than the actual earnings previously distributed by the Company, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the competent authorities. When the reserves are to be distributed in cash, the distribution may be approved by the Board of Directors in accordance with Article 241 of the Company Act and reported to the shareholders’ meeting, instead of being submitted to the shareholders’ meeting for acceptance.

2. Dividends proposed (approved) for the current year
The Company had NT\$5,042,124 thousand of earnings available for distribution in 2022; after proposing cash dividends at NT\$2.0 per share, the Company was left with unappropriated earnings of NT\$4,411,032 thousand at the end of the period. This appropriation proposal was passed during the Board of Directors meeting held on February 22, 2023, and will be raised for acknowledgment during the annual shareholders’ meeting to be held on May 24, 2023.

(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
On February 22, 2023, the Board of Directors resolved to distribute an employee compensation in the amount of NT\$353,159 thousand and a directors’ remuneration in the amount of NT\$3,240 thousand for 2022, all paid in cash. That was the same amount as estimated on the financial statements for 2022.

(2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: None.
4. 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)
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. 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.

(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

March 25, 2023

Type of employee stock option	2019 First Employee Stock Option	2019 Second Employee Stock Option	2019 Third Employee Stock Option
Filing effective date and total units	July 22, 2020; total 5,956 units		
Issuance date	July 1, 2019	December 1, 2019	April 1, 2020
Duration	6 years	6 years	6 years
No. of units issued	5,424 units (1,000 shares/unit)	72 units (1,000 shares/unit)	460 units (1,000 shares/unit)
No. of units left	0 unit		
Subscribable shares as a percentage of total out-standing shares	1.72%	0.02%	0.15%
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		
Period and percentage (%) of exercise restriction	After two years: 50%, after three years: 75%, and after four years: 100%		
No. of shares acquired through exercise	3,384,000 shares	46,000 shares	174,000 shares
Amount of shares sub-scribed through exercise	NT\$62,893,300	NT\$809,000	NT\$2,987,600
Forfeited shares	356,000 shares	0 shares	98,000 shares
Number of unexercised shares	1,684,000 shares	26,000 shares	188,000 shares
Subscription price per unexercised share	NT\$16.1		
Number of unexercised shares as a percentage of total outstanding shares (%)	0.53%	0.01%	0.06%
Effect on shareholders' interests	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 0.53% of outstanding shares, there should be no material dilutive effect.	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.	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 0.06% of outstanding shares, there should be no material dilutive effect.

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

March 25, 2023; Unit: thousand shares; NT\$ thousand

	Position	Name	Exer- cisable shares	Exercisable shares as a percentage of total out- standing shares	Exercised				Not exercised			
					Exer- cise quanti- ty	Exer- cise price (NT\$)	Exercise amount	Exercise quantity as a percentage of total outstanding shares	Exer- cise quanti- ty	Exer- cise price (NT\$) (Note 1)	Exercise amount	Exercise quantity as a percent- age of total outstanding shares
Managers	CEO and President	Robert Kuan	1,148 units	0.36%	432	16.1 、 18 、20	7,766	0.14%	716	16.1	11,528	0.23%
	President (Note2)	S.C. Hsin										
	Vice President	Kevin Tsai										
	Vice President	H.J. Tsai										
	Vice President	K.P. Lin										
	Vice President	W.R. Huang										
	Vice President	J.C. Hsieh										
	Vice President	Ben Fun										
	Assistant Vice President	C.C. Chen										
	Head of Corporate Governance	Chia-hui Lin										
Employee	Senior Head of Department	Tsun-Hui Chiang	728 units	0.23%	546	16.1 、 20	10,210	0.17%	182	16.1	2,930	0.06%
	Senior Head of Department	Chien-Pang Lin										
	Senior Head of Department	Han-Lin Wu										
	Senior Head of Department	Kai-Wen Chen										
	Head of Department	Ching-Chung Chen										
	Head of Department	Kuo-Hsing Teng										
	Head of Department	Shih-Liang Ku										
	Head of Department	Chia-Chi Chou										
	Deputy Head of Department	Hsin-Sung Lin										
	Department Manager	San-Yuan Chung										

Note 1: The exercise price (NT\$/Share) as at the publication date of this annual report.
Note 2: The President of the Company, Mr. S.C. Hsin, retired on August 31, 2022.

VI. Issuance of new restricted employee shares: None.

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

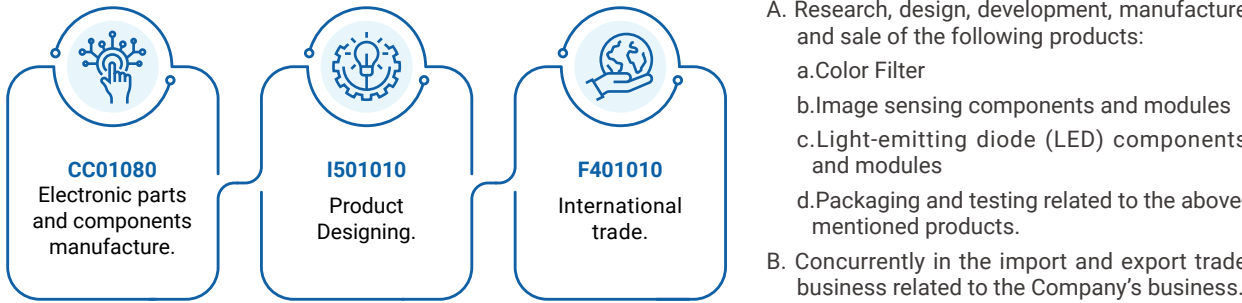
VIII. Progress on planned use of capital: None.

Five. Operation Overview

I. Business Content

(I) Business Scope

1. The main business contents of the Company



2. Weight of each business

Unit: NT\$ thousand; %

Item ▼	Year ►	2021		2022	
		Revenue	Percentage	Revenue	Percentage
Micro-optical components		3,936,619	43.60	4,600,796	50.69
Image Sensor		4,947,328	54.79	4,320,594	47.60
Others		145,231	1.61	155,758	1.71
Total		9,029,178	100.00	9,077,148	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 Meta-lens technology	Optical image sensors; mainly used in mobile phones, automotive, surveillance, medical, ARVR, and other 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 Meta-lens technology	Under-display optical finger print sensor, 3D sensor, light sensor, optical biometric component.
Others	Other services Micro display	Low temperature color filter and micro-lens, 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)	0.56μm pixel micro-lens PDAF	Image sensors with advanced pixels and fast focus	Smartphones
Color filter (CF) and micro-lens (ML)	Meta-lens structure Nano light pillars	Image sensors with advanced pixels	Smartphones
Wafer level optical components	Nano anti-reflective coating structure	Automotive sensor module	Automotive sensors
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 CIS (CMOS Image Sensor) industry showed growth in 2021. Revenue reached a record high of US\$21.3 billion, representing an annual growth rate of 2.8%. The key factor driving the rebound in smartphone, notebook, and tablet sales during the year was the reopening of Western economies after the serious lockdown associated with Covid-19. In 2022, the sales volume of smartphones declined to -11% YoY as compared to 2021, the lowest since 2013, resulting in slow growth in mobile phone lenses. Together with the weak global economy, this has impacted the sales of the CIS optical industry’s biggest export products, resulting in a market decline for the first time in 13 years. Yole Intelligence estimates that the CMOS image sensor (CIS) industry will experience a revenue decline of -0.7% YoY in 2022, which is relatively small, with a market value of US\$21.2 billion.

This inventory adjustment wave is expected to last until the first half of 2023. However, with the inventory gradually being cleared, the new sales cycle of cell phones restarting, and the accelerated growth of new applications such as automobiles, we are still optimistic about the long-term demand for CIS.

According to IC Insights’ forecast, the global CMOS image sensor market will recover moderately in 2023 and then increase YoY to reach a new high of US\$21.7 billion in 2024. It is expected to grow to US\$26.9 billion by 2026.

a. Smartphones market

Under the unfavorable macro environment, the annual shipment volume of smartphones declined by nearly 11% in 2022. However, due to the reduction in the adoption of mid- and low-pixel cameras in deep sensing and macro lens applications, the trend towards multi-cameras slowed down, resulting in an estimated 15% YoY decline in global smartphone image sensor shipments, and an approximately 6% YoY decline in revenue.

Nonetheless, we have observed that the image sensor product portfolio has shifted to higher resolution and larger optical resolutions, which is still beneficial to the industry. For example, the iPhone 14 Pro and Pro Max have upgraded the rear main camera from 12MP to a new 48MP image sensor, a larger ultra-wide sensor, and a front image sensor with an autofocus function. In the Android segment, Samsung and Xiaomi phones are equipped with a 50MP image sensor and 100MP image sensor. They are not only widely used in medium- and low-end smartphones with rear-facing main cameras, but also in high-end models with front-facing or ultra-wide angle cameras. This upgrade will drive the related optical industry chain to the trend of large size and small pixels, which will not only drive the technology upgrade but also facilitate the production of more 12” wafers.

b. Automotive sensors market

According to Sigmaintell’s statistics and forecasts, global vehicle shipments would reach 80.3 million units in 2022, down 0.8% YoY. The effect on the automotive chip shortage worldwide is expected to continue until 2023 and will begin to ease in the first half of the year. We expect the market scale will return to the level before the pandemic by 2025.

Even though the overall environment is unfavorable, the shipment volume of automotive front CIS will be approximately 186 million units worldwide in 2022, an increase of 28% YoY. The total shipment volume of automotive CIS 5 megapixels was approximately 21.5 million pieces in 2022, up by 46.3% YoY.

As the intelligence level in automotive applications has improved, from the traditional rear-view and surround-view cameras to ADAS-aware cameras, the number of cameras in a single car has increased from 1 to 14. Self-driving requires more accurate sensing positioning. The sensors are gradually progressing from VGA to the 8-megapixels required for L3 level and above, thus the market opportunity is enormous in the future. Tokyo Shoko Research also predicts that

the automotive sensors will become the second largest market after cell phone applications in the future; and IC Insights also expects the share of the automotive sensors market to increase to 15% by 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’s statistics, the shipment volume and output value of video surveillance sensors in 2020 was 420 million units and US\$870 million, respectively; the shipment volume for security CIS worldwide in 2022 was approximately 520 million pieces, down 13.9% YoY; however, the shipment volume of CIS 8 megapixels has increased by 44% YoY. With the future expansion of the surveillance industry, it is expected that the shipment volume and total output value will reach 800 million pieces and US\$2.01 billion respectively in 2025, and the compound annual growth rate is expected to reach 13.75% and 18.23%.

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 (<0.7μm) 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.

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 evolvement, 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 the recently developed metasurface technology, the Company will be able to play an important role in key wafer-level optical components and sensors with our world-class wafer-level micro-optical process technology for image sensors, transmitter micro-devices, and miniaturized components required for ARVR.

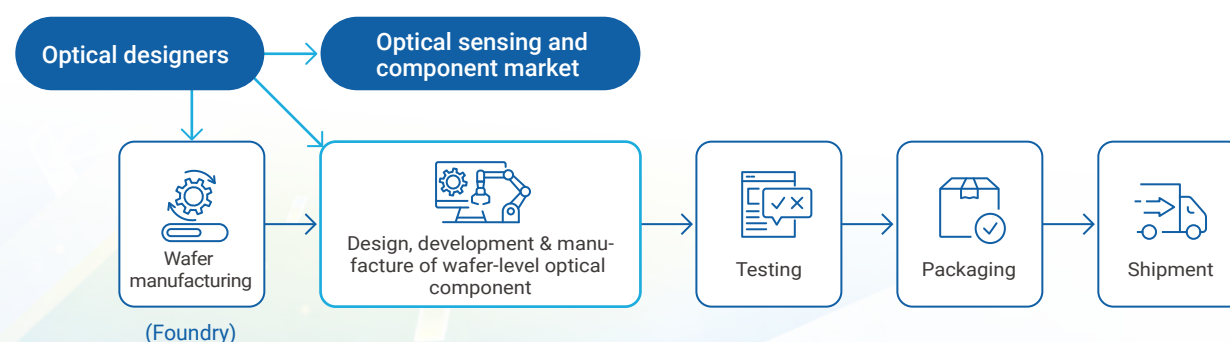
(4) Competition in the optical sensor foundry industry

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-

VisEra's comprehensive optical foundry service



end image sensors that have a 10 million plus resolution with a pixel size smaller than 0.7μm. 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 0.56μm. In 2020, the Company had mass produced products having a pixel size of 0.7μm; in the third quarter of 2021, it pioneered the mass production of color filters with 0.61μm 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 0.7μm pixel was launched in the middle of 2020; the production process for 0.61μm pixel was launched in the second quarter of 2021; and the production process for 0.56μm 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 wafer-level 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 metasurface technology 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 ►	2021		2022		March 25, 2023	
		Number of people	%	Number of people	%	Number of people	%
Ph.D		18	9	26	12	25	11
Master's		173	85	176	82	185	84
Bachelor's		11	5	10	5	9	4
Senior high school and below		1	1	1	1	1	1
Total		203	100	213	100	220	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: NT\$ thousand; %

Item ▼	Year ►	2018	2019	2020	2021	2022
R&D expense		239,746	346,489	366,794	542,020	671,886
Net operating revenues		2,748,420	3,395,724	6,946,349	9,029,178	9,077,148
Ratio to net operating revenues		8.72	10.20	5.28	6.00	7.40

Source: Based on audited financial statements.

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

Year	Technologies or products successfully developed
2018	Mass production of ultra-thin in-display optical finger print sensors (OFF) 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	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	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	Pioneered the launch of the 12-inch 0.61μm image sensors with a specially optical-structured color filter
2022	Mass production of optical biosensors Mass production of low-temperature color filters and micro-lenses for micro-display products

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

(1) 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

Integrated on-chip multi-film technology meets the requirements of micro-optical components for the cell phone market. We are already working with specific customers to develop ambient light sensors and next generation ToF sensors. The ARVR image and sensing components to be used in the future must be miniaturized, which is in line with the benefits brought by VisEra's integrated technology. Meta-lens technology has attracted many customers to develop projects with us and is expected to make significant revenue contributions as the market momentum heats up. The Company began to build a second production line for 12-inch wafer color filters, on-chip multi-film, high-end image sensors, and products related to metasurface technology in 2020 in response to strong market demand. The production line is expected to start in 2023.

(2) 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:
- A. Expand and consolidate the existing customer base and market, and increase market share.
 - B. Continue to develop new products, conduct R&D and innovate niche market technologies, and diversify market risks.
 - C. Conduct R&D to use existing machines for new processes, to reduce the investment pressure for high-end production capacity.
 - D. Develop customized processes together with customers, to secure the production capacity required by customers in the future.
 - E. Sign cooperation and production capacity guarantee contracts with customers, to ensure the production capacity required by customers in the future.
 - F. 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: NT\$ thousand; %

Item ▼	Year ►	2021		2022	
		Sales	%	Sales	%
Domestic		1,252,207	13.87	1,106,615	12.19
Export	Asia	7,695,926	85.23	7,877,133	86.78
	America	25,975	0.29	42,209	0.47
	Europe	55,070	0.61	51,191	0.56
	Subtotal	7,776,971	86.13	7,970,533	87.81
Total		9,029,178	100.00	9,077,148	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 2021. 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. Although facing headwinds in the mobile phone market and CIS inventory adjustments in 2022, overall shipments slightly declined. However, the shipment of high-end image sensors increased to 64 million pixels, and mainstream market sensors continued to rise to 8 million pixels, indicating that the overall market is still moving towards higher pixel densities. In 2022, it is estimated that the Company will still maintain a leading position in the fabless foundry market in terms of high-resolution and small-pixel (<0.7μm) technology. In the future, we will continue to cooperate with the top customers in the market, and continue to expand our presence in the mobile phone and automotive markets.

Integrated on-chip multi-film market

The Company's integrated on-chip multi-film technology is mainly 3D optical sensing components. 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 IC Insights, the global CMOS image sensor market is expected to moderately recover in 2023, and then increase significantly by 2024 to reach a new high of \$21.7 billion. It is expected to further grow to \$26.9 billion by 2026. The greatest demand for image sensors comes from the multi-camera requirements of smartphones, and image sensors are moving towards large-area sensors composed of high-resolution and small pixel sizes, driving the demand for 12-inch wafer manufacturing. The penetration of ADAS also drives the rapid increase in demand for automotive imaging and sensing. The production lines for key high-end color filter and micro lens technology cannot be replicated or developed successfully in a short period of time. The Company has become the preferred partner for international major customers with our leading 12-inch wafer-level micro-optical process technology, sub-micron-level micro lens and high-end color filter production lines. The main market for integrated on-chip multi-film technology is biometric sensors. Biometric sensors are an essential component of 5G smartphones, and they are currently in a stage of rapid growth. 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.

(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:

- Paid with own capital derived from stable operational growth.
- To be listed on the TWSE to diversify the funding channels.
- 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: NT\$ thousand

Item	Supplier name	2021			2022		
		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	434,104	33.06	None	402,721	32.18	None
2	Company B	136,114	10.36	None	235,919	18.85	None
3	Company C	98,745	7.52	None	214,674	17.15	None
	Others	644,196	49.06		398,150	31.82	
	Net purchases	1,313,159	100.00		1,251,464	100.00	

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

Unit: NT\$ thousand

Item	Name	2021			2022		
		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	2,508,073	27.78	None	3,621,402	39.90	None
2	Customer B	3,187,407	35.30	None	2,590,800	28.54	None
	Others	3,333,698	36.92	-	2,864,946	31.56	-
	Total	9,029,178	100.00	-	9,077,148	100.00	-

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

Unit: 8-inch equivalent wafers in thousand pieces; NT\$ thousand

Production volume ► Main merchandise (or by segment) ▼	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Image Sensor	1,662	1,390	2,953,010	1,907	1,154	3,018,855
Micro-optical components	599	297	2,400,418	498	228	2,654,502
Other (Note)	-	-	106,778	-	-	76,551
Total	2,261	1,687	5,460,206	2,405	1,382	5,749,908

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

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

Unit: 8-inch equivalent wafers in thousand pieces; NT\$ thousand

Production volume ► Main merchandise (or by segment) ▼	2021				2022			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Image Sensor	116	334,819	1,274	4,612,509	71	212,246	1,083	4,108,348
Micro-optical components	138	883,975	159	3,052,644	108	854,135	120	3,746,661
Other (Note)	-	33,413	-	111,818	-	40,234	-	115,524
Total	254	1,252,207	1,433	7,776,971	179	1,106,615	1,203	7,970,533

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

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	2021	2022	March 25, 2023
Number of employees	Direct labor	556	572
	Indirect labor	824	873
	Total	1,380	1,445
Average age (year)	35.1	35.6	35.3
Average years of service (years)	5.2	5.5	5.5
Education level ratio (%)	Ph.D	2	2
	Master's	42	42
	Bachelor's	43	43
	Senior high school	13	13
	Senior high school and below	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.

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

- A. Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance.
- B. 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.
- C. 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.
- D. 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.
- E. 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.
- F. Bonus system: The Company pays bonuses depending on performance results.
- G. 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:

- A. 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.
- B. 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.
- C. IDP individual training roadmap planning: Differentiated courses are planned according to ranks to improve the working skills and expertise of individuals.
- D. 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.

- E. 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.
- F. 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.

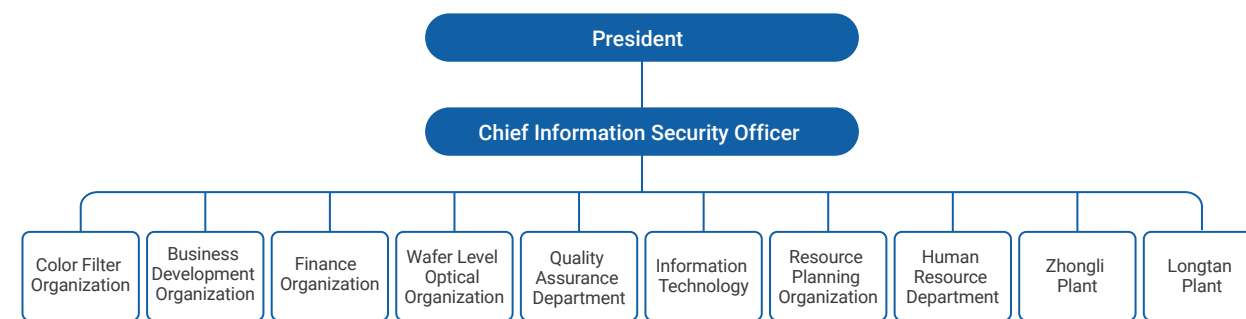
(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles 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.
- In accordance with Enterprise Risk Management (ERM) regulations, we establish a script of possible information security incidents and corresponding contingency, prevention, and exercise plans.
- Perform regular penetration tests and vulnerability scans to fix relevant vulnerabilities to reduce security risks.
- The Company regularly holds information security trainings and promotion, as well as social engineering drills to improve 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, 2024	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, 2023	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 8, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NT\$2.04 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	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, NT\$1.75 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	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, NT\$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, NT\$2.84 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

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: NT\$ thousand

		Year ►	Financial information for the last 5 years (Note 1)				
Item ▼			2018	2019	2020	2021	2022
Current asset			4,260,367	4,161,500	3,767,007	5,000,933	13,277,764
Property, Plant and Equipment			1,675,727	1,867,080	7,617,347	9,773,826	11,919,577
Intangible asset			13,700	10,252	9,096	24,874	49,922
Right-of-use assets			-	221,221	319,065	244,038	312,406
Other assets			65,961	62,424	59,253	45,504	40,452
Total assets			6,015,755	6,322,477	11,771,768	15,089,175	25,600,121
Current liabilities	Before dividend		860,891	968,878	2,225,250	2,625,096	3,636,504
	After dividend		1,443,197	968,878	2,807,556	3,211,808	(Note 2)
Non-current liabilities			3,845	168,127	2,263,683	3,547,504	5,073,455
Total liabilities	Before dividend		864,736	1,137,005	4,488,933	6,172,600	8,709,959
	After dividend		1,447,042	1,137,005	5,071,239	6,759,312	(Note 2)
Share capital			2,911,531	2,911,531	2,911,531	2,932,991	3,155,341
Capital surplus			693,757	696,675	703,493	732,799	7,304,953
Retained earnings	Before dividend		1,545,731	1,577,266	3,667,811	5,250,785	6,429,868
	After dividend		963,425	1,577,266	3,085,505	4,664,073	(Note 2)
Total Equity	Before dividend		5,151,019	5,185,472	7,282,835	8,916,575	16,890,162
	After dividend		4,568,713	5,185,472	6,700,529	8,329,863	(Note 2)

Note 1: All yearly financial information presented above has been audited.
Note 2: To be finalized upon passing of the resolution at the shareholders' meeting.

2. Condensed statement of comprehensive income - Based on IFRS

Unit: NT\$ thousand, except for earnings per share, which is estimated in NT\$

		Year ►	Financial information for the last 5 years (Note)				
Item ▼			2018	2019	2020	2021	2022
Revenue			2,748,420	3,395,724	6,946,349	9,029,178	9,077,148
Gross profit			787,804	1,147,342	3,110,898	3,568,972	3,327,240
Operating profit/loss			481,881	718,692	2,556,440	2,707,262	2,068,659
Non-operating income and expense			26,952	24,680	(1,089)	(3,316)	31,790
Profit before tax			508,833	743,372	2,555,351	2,703,946	2,100,449
Current period net profit			412,283	613,841	2,090,545	2,165,280	1,765,795
Total comprehensive income in the current period			412,283	613,841	2,090,545	2,165,280	1,765,795
Earnings per Share			1.42	2.11	7.18	7.41	5.80

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

(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
2018	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2019	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2020	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2021	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2022	Deloitte Taiwan	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion

2. If there was a change/replacement of the certified public accountant within the most recent five years, explanation for the change made by the company, the predecessor and successor certified public accountants over the causes for such change/replacement shall be set forth: None.

II. Financial analysis for the last 5 years

1. Financial ratio analysis - IFRS-compliant

		Year▶	Financial information for the last 5 years				
Analysis ▼			2018	2019	2020	2021	2022
Financial structure (%)	Debt-to-assets ratio		14.37%	17.98%	38.13%	40.91%	34.02%
	Long-term capital to property, plant and equipment		307.62%	286.74%	125.33%	127.53%	184.27%
Solvency (%)	Current ratio		494.88%	429.52%	169.28%	190.50%	365.12%
	Quick ratio		487.47%	419.18%	163.27%	184.25%	360.84%
	Interest earned ratio		18,846.67	151.02	490.44	217.07	171.01
Operating performance	Accounts receivable turnover (times)		5.41	5.78	8.76	8.09	8.73
	Average collection days		68	63	42	45	42
	Inventory turnover (times)		45.91	48.22	53.81	60.12	63.38
	Accounts payable turnover (times)		21.14	18.87	23.24	20.40	18.03
	Average inventory turnover (days)		8	8	7	6	6
	Property, plant and equipment turnover (times)		1.64	1.92	1.46	1.04	0.84
	Total asset turnover (times)		0.46	0.55	0.77	0.67	0.45
Profitability	Return on assets (%)		6.91%	10.01%	23.15%	16.20%	8.73%
	Return on equity (%)		7.88%	11.88%	33.53%	26.73%	13.68%
	Pre-tax profit to paid-up capital (%)		17.48%	25.53%	87.77%	92.19%	66.57%
	Net profit margin (%)		15.00%	18.08%	30.10%	23.98%	19.45%
	Earnings per share (NT\$)		1.42	2.11	7.18	7.41	5.80
Cash flows	Cash flow ratio (%)		115.40%	109.27%	151.47%	144.56%	117.94%
	Cash flow adequacy ratio (%)		99.91%	91.79%	70.93%	69.74%	76.11%
	Cash reinvestment ratio (%)		3.16%	3.47%	18.17%	13.78%	10.56%
Degree of leverage	Operating leverage		4.81	3.86	2.22	2.74	3.66
	Financial leverage		1.00	1.01	1.00	1.00	1.01

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 x (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 2022 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 22, 2023

IV. Latest financial statements: See pages 91 to 141. Appendix (Standalone Financial Statements for 2021 and 2022)

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: NT\$ thousand

Item ▼	Year ►	2021	2022	Difference	
				Amount	%
Current asset		5,000,933	13,277,764	8,276,831	165.51%
Property, Plant and Equipment		9,773,826	11,919,577	2,145,751	21.95%
Right-of-use assets		244,038	312,406	68,368	28.02%
Intangible asset		24,874	49,922	25,048	100.70%
Other assets		45,504	40,452	(5,052)	(11.10%)
Total assets		15,089,175	25,600,121	10,510,946	69.66%
Current liabilities		2,625,096	3,636,504	1,011,408	38.53%
Non-current liabilities		3,547,504	5,073,455	1,525,951	43.01%
Total liabilities		6,172,600	8,709,959	2,537,359	41.11%
Share capital		2,932,991	3,155,341	222,350	7.58%
Capital surplus		732,799	7,304,953	6,572,154	896.86%
Retained earnings		5,250,785	6,429,868	1,179,083	22.46%
Total Equity		8,916,575	16,890,162	7,973,587	89.42%
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 the capital increase before initial public offering and the acquisition of long-term borrowings.					
(2) Property, plant, equipment, and intangible asset increased: Mainly due to additional capital expenditures incurred to meet market demand.					
(3) Increase in right-of-use assets: Mainly due to the new lease for factory and office premises.					
(4) Increase in non-current liabilities: Mainly due to the long-term borrowings to fund capital expenditure.					
(5) Increase in capital surplus: Mainly due to the increase in cash capital before the Company was listed in 2022.					
(6) Increase in retained earnings: Mainly due to ongoing improvements made to the product portfolio, resulting in higher 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: NT\$ thousand

Item ▼	Year ►	2021	2022	Difference	
				Amount	%
Revenue		9,029,178	9,077,148	47,970	0.53%
Gross profit		3,568,972	3,327,240	(241,732)	(6.77%)
Operating profit/loss		2,707,262	2,068,659	(638,603)	(23.59%)
Non-operating income and expense		(3,316)	31,790	35,106	(1,058.69%)
Profit before tax		2,703,946	2,100,449	(603,497)	(22.32%)
Current period net profit		2,165,280	1,765,795	(399,485)	(18.45%)
Total comprehensive income in the current period		2,165,280	1,765,795	(399,485)	(18.45%)
1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NT\$10 million)					
(1) Decrease in operating profit: Mainly due to the increase in the number of employees and employment expenses.					
(2) Increase in non-operating income and expenses: Mainly attributable to interest income and foreign currency exchange gain.					
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 flows:

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

Unit: NT\$ thousand

Item	2021	2022	Variation
Operating activities	3,794,727	4,288,864	13.02%
Investing activities	(3,976,961)	(4,135,615)	3.99%
Financing activities	877,514	8,563,579	875.89%
Net cash inflow (outflow)	695,280	8,716,828	1,153.71%
Analysis of cash flow changes:			
(1) Operating activities: Mainly due to the increase in sales, resulting in an increase in cash inflow generated from operating activities.			
(2) Investing activities: Mainly due to capital expenditures incurred, which increased net cash outflows from investing activities.			
(3) Financing activities: Mainly due to long-term borrowings undertaken in 2022, causing an increase in net cash inflows from 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	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
11,949,452	4,793,404	(3,820,205)	386,616	13,309,267	-	-
1. Analysis of cash flow variation for the next year: (1) Operating activities: Net cash inflows generated from normal production plans, after considering market demand. (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 inflows generated from financing activities: Mainly due to the cash inflow from long-term borrowing. 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: NT\$ thousand; %

Item	2021	2022
Interest expense	12,514	12,355
Net operating revenues	9,029,178	9,077,148
Interest expense as a percentage of net operating revenues	0.14	0.14

Source: Based on audited financial statements

Interest expense as a percentage of net operating income for the years ended December 31, 2022 and 2021 were both 0.14%. 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: NT\$ thousand; %

Item	2021	2022
Net foreign exchange gain (loss)	(11,981)	160,659
Net operating revenues	9,029,178	9,077,148
Net gains/losses on foreign currency exchange as a percentage of net operating revenues	(0.13)	1.77

Source: Based on audited financial statements.

Net gains (losses) on foreign currency exchange accounted for (0.13)% and 1.77% of the Company's operating revenues in 2021 and 2022, 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:

- 1. The Company has established “Procedures for Lending Funds to Others,” “Procedures for Endorsement and Guarantee,” “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.
- 2. 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: NT\$ thousand

Item	R&D project	Expected time of completion/mass production	Estimated cost of research and development
1	0.56μm pixel production technology	2023~Year	1,711,374
2	200 million pixels		
3	Metasurface		
4	Waveguide		

(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 a dedicated information security team to set up and implement a cybersecurity management system along with relevant policies and documents to regulate cybersecurity practices. In addition, cybersecurity risk assessments and internal and external audit cycles are conducted on a yearly basis to ensure effectiveness and compliance with the management system. In light of the above, cybersecurity does not pose a 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 and 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
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.
 - (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) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: None.

(XI) Effect upon and risk to the company associated with any changes in governance personnel or top management, and mitigation measures being or to be taken: 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:

As is the case with many companies in the semiconductor industry, TSMC has received from time to time communications from third parties asserting that its technologies, its manufacturing processes, or the design of the semiconductors made by TSMC or the use of those semiconductors by its customers may infringe upon their patents or other intellectual property rights. These assertions have at times resulted in litigation by or against TSMC and settlement payments by TSMC. Irrespective of the validity of these claims, TSMC could incur significant costs in the defense thereof or could suffer adverse effects on its operations. TSMC is also subject to antitrust compliance requirements and scrutiny by governmental regulators in multiple jurisdictions. Any adverse results of such proceeding or other similar proceedings that may arise in those jurisdictions could harm TSMC's business and distract its management, and thereby have a material adverse effect on its results of operations or prospects, and subject TSMC to potential significant legal liability.

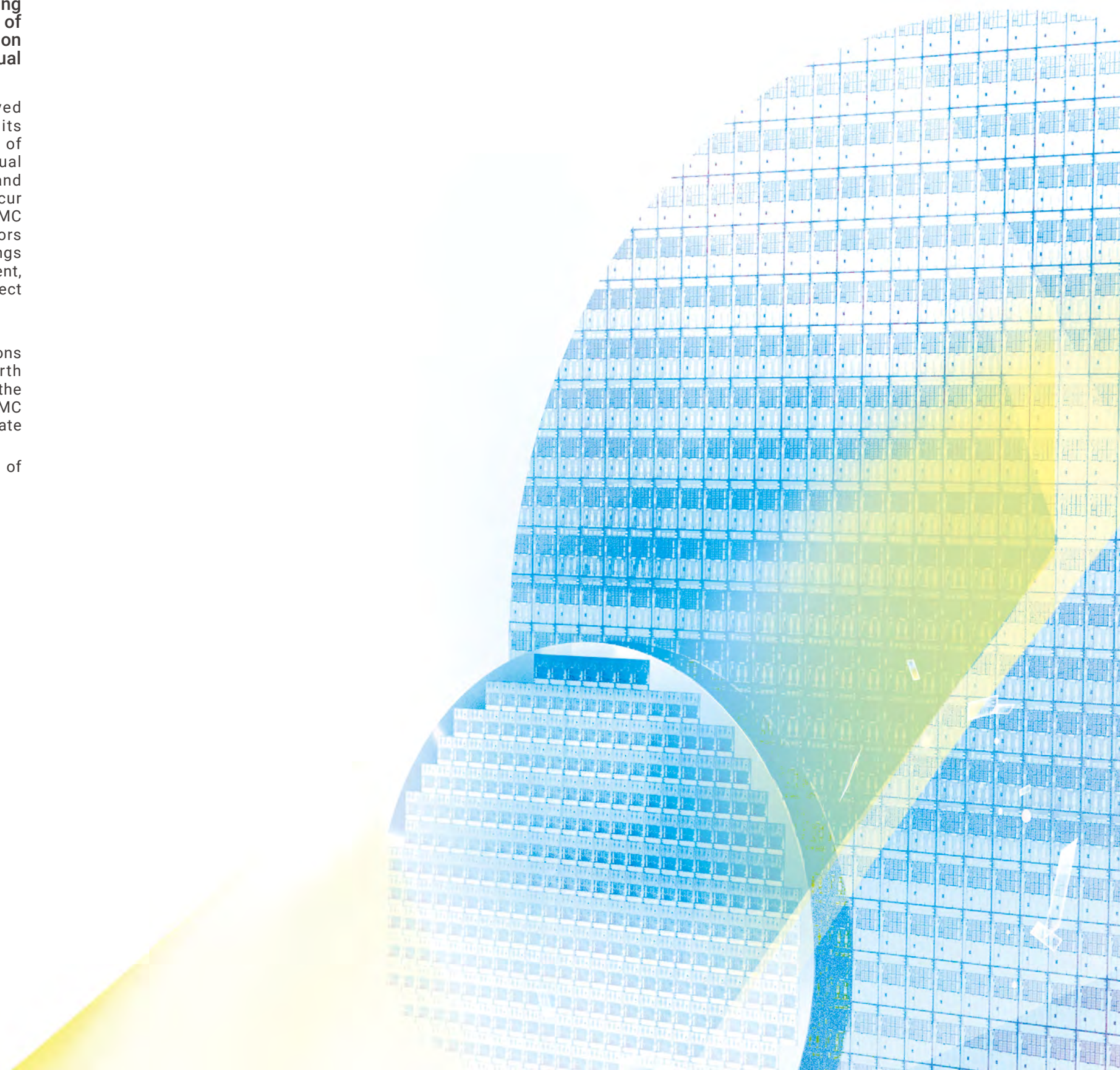
The significant legal events that TSMC is currently involved in are as follows:

In September of 2022, Daedalus Prime LLC ("Daedalus") filed patent infringement investigations and lawsuits against Taiwan Semiconductor Manufacturing Company (TSMC), TSMC North America, and other companies in the United States International Trade Commission (ITC) and the United States Eastern District Court. The ITC initiated an investigation in October of 2022. TSMC cannot predict the outcome of the litigation or investigation and is unable to reliably estimate any contingent liabilities.

TSMC has not been involved in any other significant legal cases, where TSMC is the subject of the case, other than those mentioned above as of the printing date of the annual report.

(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 2022 Affiliation Report (for the period January 1 to December 31, 2022) 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

February 22, 2023

2. Auditor's review of the Affiliation Report

Deloitte

勤業眾信

最專業信託會計師事務所
300091 新竹市東區科學園區第一路
2 號 6 樓

Deloitte & Touche
UK Allied Association Industries
No. 2, Zhuray 1st Rd., Hsinchu Science Park
East Dist., Hsinchu 300091, Taiwan

Tel :+886 (3) 578-0899
Fax:+886 (3) 405-5999
www.deloitte.com.tw

Correspondence No. Qin-Zhu-1110195 dated February 12, 2023

To:VisEra Technologies Company Ltd.

Subject:To express opinion on the Company's declaration that no material misstatement was found in the 2022 Affiliation Report

Explanation:

1.The Company's 2022 Affiliation Report dated February 22, 2023 (for the period from January 1 to December 31, 2022) 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 2022 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 Taiwan

CPA Shang-Chih Lin

CPA 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	67.70%	-	Chairman Director Director	Robert Kuan George Liu Diane Kao

4. Transactions with the above parties:

(1) Trading of inventory:

Unit: NT\$ thousand; %

TRANSACTIONS WITH THE CONTROLLING ENTITY				TERMS WITH THE CONTROLLING ENTITY		ORDINARY TRADE TERMS		CAUSE OF DIFFERENCE	ACCOUNTS AND NOTES RECEIVABLE (PAYABLE)		OVERDUE ACCOUNTS RECEIVABLE			REMARKS
Purchase/Sale	Amount	As a percentage of total purchase (sale)	Gross margin	Unit price (NT\$)	Payment Terms	Unit price (NT\$)	Payment Terms		Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Actions Taken	Amount of doubtful debt provisions	
Sales	\$ 906	0.01%	27.93%	Note 1	30 days after month-end	Note 1	30-90 days after month-end	Note 1	\$213	0.03%	\$0	-	\$0	-
Purchase	10,891	0.87%	-	Note 2	30 days after month-end	Note 2	30-60 days after month-end	Note 2	850 (Note 3)	0.13%	0	-	0	-

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:

Unit: NT\$ thousand; %

Transaction type (as lessor or lessee)	Underlying asset		Lease term (Month/Day/Year)	Nature of lease (Note 1)	Basis of rental rate	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
	Name	Location								
Leasing	Buildings	(Longtan Science Park) No. 89, Longyuan 1st Rd., Longtan Dist., Taoyuan City	August 1, 2022 to December 31, 2022	Operating lease	Determined via bilateral negotiation	Paid monthly	Normal	\$20,269	Paid in full	None

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.

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.



勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

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, 2022 and 2021, 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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's financial statements for the year ended December 31, 2022 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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, 2022, 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 22, 2023

Notice to Readers

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

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

VISERA TECHNOLOGIES COMPANY LTD.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 11,949,452	47	\$ 3,232,624	21
Financial assets at fair value through profit or loss - current (Note 7)	13,257	-	6,003	-
Contract assets - current (Notes 5, 17 and 25)	314,099	1	248,248	2
Accounts receivable, net (Notes 5 and 8)	651,302	3	1,196,432	8
Accounts receivable from related parties (Notes 5, 8 and 25)	112,820	1	117,823	1
Other receivables	76,884	-	35,639	-
Other receivables from related parties (Note 25)	4,257	-	-	-
Inventories (Note 9)	85,228	-	96,207	1
Prepayments and other current assets	70,465	-	67,957	-
Total current assets	13,277,764	52	5,000,933	33
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 5 and 10)	11,919,577	47	9,773,826	65
Right-of-use assets (Note 11)	312,406	1	244,038	2
Intangible assets (Note 12)	49,922	-	24,874	-
Deferred tax assets (Note 19)	17,956	-	21,014	-
Other non-current assets (Note 26)	22,496	-	24,490	-
Total non-current assets	12,322,357	48	10,088,242	67
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 2,079	-	-	-
Contract liabilities - current (Note 17)	9,085	-	-	-
Accounts payable	302,237	1	335,527	2
Lease liabilities - current (Notes 11 and 22)	82,141	-	71,982	1
Accrued profit sharing bonus to employees and remuneration of directors (Note 18)	356,399	1	435,756	3
Payables to equipment suppliers	871,967	3	621,268	4
Current tax liabilities (Note 19)	149,755	1	365,775	2
Long-term liabilities-current portion (Notes 13 and 22)	1,213,889	5	166,666	1
Accrued expenses and other current liabilities (Notes 14, 17 and 25)	648,952	3	618,042	4
Total current liabilities	3,636,504	14	2,625,096	17
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 22)	4,760,047	19	3,309,131	22
Deferred tax liabilities (Note 19)	32,253	-	21,560	-
Lease liabilities - non-current (Notes 11 and 22)	236,499	1	177,417	1
Deferred revenue - non-current (Note 13)	39,397	-	34,203	1
Guarantee deposits (Note 25)	5,259	-	5,193	-
Total non-current liabilities	5,073,455	20	3,547,504	24
Total liabilities	8,709,959	34	6,172,600	41
EQUITY (Note 16)				
Capital stock	3,155,341	12	2,932,991	19
Capital surplus	7,304,953	29	732,799	5
Retained earnings	1,211,163	5	994,635	7
Appropriated as legal reserve	5,218,705	20	4,256,150	28
Unappropriated earnings	6,429,868	25	5,250,785	35
Total equity	16,890,162	66	8,916,575	59
TOTAL	\$ 25,600,121	100	\$ 15,089,175	100

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

VISERA TECHNOLOGIES COMPANY LTD.

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 5, 17 and 25)	\$ 9,077,148	100	\$ 9,029,178	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>5,749,908</u>	<u>63</u>	<u>5,460,206</u>	<u>60</u>
GROSS PROFIT	<u>3,327,240</u>	<u>37</u>	<u>3,568,972</u>	<u>40</u>
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	70,400	1	69,189	1
General and administrative	570,551	6	279,052	3
Research and development	<u>671,886</u>	<u>8</u>	<u>542,020</u>	<u>6</u>
Total operating expenses	<u>1,312,837</u>	<u>15</u>	<u>890,261</u>	<u>10</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	<u>54,256</u>	<u>1</u>	<u>28,551</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>2,068,659</u>	<u>23</u>	<u>2,707,262</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	54,919	-	7,232	-
Other income	238	-	1,723	-
Other gains and losses	(171,671)	(2)	12,224	-
Foreign exchange gain and loss, net	160,659	2	(11,981)	-
Finance costs	<u>(12,355)</u>	<u>-</u>	<u>(12,514)</u>	<u>-</u>
Total non-operating income and expenses	<u>31,790</u>	<u>-</u>	<u>(3,316)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,100,449	23	2,703,946	30
INCOME TAX EXPENSE (Note 19)	<u>334,654</u>	<u>4</u>	<u>538,666</u>	<u>6</u>
NET INCOME	<u>1,765,795</u>	<u>19</u>	<u>2,165,280</u>	<u>24</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,765,795</u>	<u>19</u>	<u>\$ 2,165,280</u>	<u>24</u>
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 5.80</u>		<u>\$ 7.41</u>	
Diluted earnings per share	<u>\$ 5.71</u>		<u>\$ 7.24</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
	Stock (In Thousands)	Amount	Legal Reserve	Unappropriated Earnings	Total
BALANCE, JANUARY 1, 2021	291,153	\$ 2,911,531	\$ 785,581	\$ 2,882,230	\$ 7,282,835
Appropriation of earnings	-	-	-	(209,054)	-
Legal reserve	-	-	209,054	(582,306)	(582,306)
Cash dividends	-	-	-	-	-
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
BALANCE, DECEMBER 31, 2021	293,299	2,932,991	994,635	4,256,150	8,916,575
Appropriation of earnings	-	-	-	(216,528)	-
Legal reserve	-	-	216,528	(586,712)	(586,712)
Cash dividends	-	-	-	-	-
Employee share options exercised	1,215	12,150	-	-	20,206
Issuance of ordinary shares for cash	21,020	210,200	-	-	6,738,634
Donation from shareholders	-	-	-	-	62
Compensation cost of employee share options	-	-	-	-	35,602
Net profit and total comprehensive income for the year ended December 31, 2022	-	-	-	1,765,795	1,765,795
BALANCE, DECEMBER 31, 2022	315,534	3,155,341	1,211,163	5,218,705	16,890,162

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)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,100,449	\$ 2,703,946
Adjustments for:		
Depreciation expense	2,324,002	1,949,486
Amortization expense	10,061	8,971
Finance costs	12,355	12,514
Interest income	(54,919)	(7,232)
Compensation cost of employee share options	35,602	7,788
Gain on disposal of property, plant and equipment, net	-	(1,003)
Foreign exchange loss (gain), net	9,472	(3,796)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(5,261)	3,182
Contract assets	(65,851)	(110,872)
Accounts receivable, net	545,130	(465,958)
Receivables from related parties, net	5,003	70,693
Other receivables	(10,049)	(5,931)
Other receivables from related parties	(4,257)	1,643
Inventories	10,979	(10,757)
Prepayments and other current assets	(2,508)	(19,641)
Contract liabilities	(909)	4,171
Accounts payable	(33,290)	135,788
Accrued profit sharing bonus to employees	(79,357)	17,647
Accrued expenses and other current liabilities	29,135	89,743
Cash generated from operations	4,825,787	4,380,382
Income taxes paid	(536,923)	(585,655)
Net cash generated from operating activities	4,288,864	3,794,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(4,126,223)	(3,957,499)
Proceeds from disposal of property, plant and equipment	-	1,003
Increase in refundable deposits	-	(2,000)
Decrease in refundable deposits	1,994	-
Payments for intangible assets	(35,109)	(24,749)
Interest received	23,723	6,284
Net cash used in investing activities	(4,135,615)	(3,976,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	2,670,000	1,510,000
Repayments of long-term borrowings	(166,667)	-
Guarantee deposits received	-	176
Guarantee deposits refunded	-	(52)
Repayment of the principal portion of lease liabilities	(78,030)	(75,876)
Cash dividends	(586,712)	(582,306)
Proceeds from issuing shares	6,738,634	-

(Continued)

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

	2022	2021
Employee share options exercised	\$ 20,206	\$ 42,572
Interest paid	(33,914)	(17,406)
Donation from shareholders	62	406
Net cash generated from financing activities	8,563,579	877,514
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,716,828	695,280
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,232,624	2,537,344
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,949,452	\$ 3,232,624

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, 2022 AND 2021 (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 filters.

The Company’s stock has been approved by Taipei Exchange (TPEX) and listed on the Emerging Stock Board (ESB) since April, 2021. The initial listing application of the Company’s shares was approved in the meeting of the Securities Listing Review Committee of the Taiwan Stock Exchange (TWSE) on March 8, 2022, and approved for issuance by the Board of Directors of the TWSE on March 22, 2022. The Company’s stock has been listed on the Taiwan Stock Exchange (TWSE) since June 30, 2022.

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 on February 22, 2023.

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

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

The initial application of the 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 2023

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

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

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were issued, 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:

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

- 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.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. 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 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 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 on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The 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

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	
	2022	2021
Deposits in banks	\$ 11,949,442	\$ 3,232,614
Petty cash	<u>10</u>	<u>10</u>
	<u>\$ 11,949,452</u>	<u>\$ 3,232,624</u>

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

	December 31	
	2022	2021
Bank balance	0.001%-4.35%	0.001%-0.41%

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	
	2022	2021
<u>Financial assets</u>		
Mandatorily measured at FVTPL		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>\$ 13,257</u>	<u>\$ 6,003</u>
<u>Financial liabilities</u>		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 2,079</u>	<u>\$ 86</u>

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, 2022</u>		
Sell US\$/Buy NT\$	January 2023 to March 2023	US\$38,500/NT\$1,190,900
<u>December 31, 2021</u>		
Sell US\$/Buy NT\$	January 2022 to March 2022	US\$56,500/NT\$1,569,543

8. ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
<u>At amortized cost</u>		
Accounts receivable from unrelated parties	\$ 651,579	\$ 1,196,664
Less: Allowance for impairment loss	<u>(277)</u>	<u>(232)</u>
	651,302	1,196,432
Accounts receivable from related parties	<u>112,820</u>	<u>117,823</u>
	<u>\$ 764,122</u>	<u>\$ 1,314,255</u>

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	
	2022	2021
Not past due	\$ 731,473	\$ 1,231,957
1-180 days	<u>32,649</u>	<u>82,298</u>
Total	<u>\$ 764,122</u>	<u>\$ 1,314,255</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	
	2022	2021
1-180 days	<u>\$ 32,649</u>	<u>\$ 82,298</u>

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

Movements of the loss allowance

	For the Year Ended December 31	
	2022	2021
Balance on January 1	\$ 232	\$ 834
Provision (Reversal)	<u>45</u>	<u>(602)</u>
Balance on December 31	<u>\$ 277</u>	<u>\$ 232</u>

For the years ended December 31, 2022 and 2021, 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	
	2022	2021
Raw materials	<u>\$ 85,228</u>	<u>\$ 96,207</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 as follows:

	For the Year Ended December 31	
	2022	2021
Cost of inventories sold	<u>\$ 5,749,908</u>	<u>\$ 5,460,206</u>
Inventory write-downs (reversed)	<u>\$ 1,089</u>	<u>\$ (2,639)</u>

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2022	2021
Assets used by the Company	<u>\$ 11,915,646</u>	<u>\$ 9,769,122</u>
Assets leased under operating leases	<u>3,931</u>	<u>4,704</u>
	<u>\$ 11,919,577</u>	<u>\$ 9,773,826</u>

a. Assets used by the Company

	Buildings	Machinery and Equipment	Office Equipment	Transportation Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2022	\$ 3,591,456	\$ 14,359,345	\$ 192,773	\$ 762	\$ 119,364	\$ 2,346,740	\$ 20,610,440
Additions	121,895	70,570	17,036	-	10,562	4,170,787	4,390,850
Disposals	-	(3,675)	-	-	-	-	(3,675)
Reclassification	29,711	42,434	-	-	645	(72,790)	-
Balance at December 31, 2022	<u>\$ 3,743,062</u>	<u>\$ 14,468,674</u>	<u>\$ 209,809</u>	<u>\$ 762</u>	<u>\$ 130,571</u>	<u>\$ 6,444,737</u>	<u>\$ 24,997,615</u>
Accumulated depreciation and impairment							
Balance at January 1, 2022	\$ 2,235,392	\$ 8,399,635	\$ 149,340	\$ 762	\$ 56,189	\$ -	\$ 10,841,318
Depreciation	245,461	1,939,811	24,573	-	34,481	-	2,244,326
Disposals	-	(3,675)	-	-	-	-	(3,675)
Reclassification	-	-	-	-	-	-	-
Balance at December 31, 2022	<u>\$ 2,480,853</u>	<u>\$ 10,335,771</u>	<u>\$ 173,913</u>	<u>\$ 762</u>	<u>\$ 90,670</u>	<u>\$ -</u>	<u>\$ 13,081,969</u>
Carrying amount at December 31, 2022	<u>\$ 1,262,209</u>	<u>\$ 4,132,903</u>	<u>\$ 35,896</u>	<u>\$ -</u>	<u>\$ 39,901</u>	<u>\$ 6,444,737</u>	<u>\$ 11,915,646</u>
Cost							
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	325,143	1,876,414	11,681	-	346	(2,155,264)	58,320
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	Transportation Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Accumulated depreciation and impairment							
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>

(Concluded)

No impairment assessment was performed for the years ended December 31, 2022 and 2021 as there was no indication of impairment.

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
Cost	
Balance at January 1, 2022	\$ 15,464
Additions	-
Balance on December 31, 2022	<u>\$ 15,464</u>
Accumulated depreciation	
Balance at January 1, 2022	\$ 10,760
Depreciation	<u>773</u>
Balance on December 31, 2022	<u>\$ 11,533</u>
Carrying amount at December 31, 2022	<u>\$ 3,931</u>
Cost	
Balance at January 1, 2021	\$ 73,784
Reclassification	<u>(58,320)</u>
Balance on December 31, 2021	<u>\$ 15,464</u>

(Continued)

BuildingsAccumulated depreciation

Balance at January 1, 2021	\$ 48,398
Depreciation	1,016
Reclassification	(38,654)
Balance on December 31, 2021	<u>\$ 10,760</u>
Carrying amount at December 31, 2021	<u>\$ 4,704</u> (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	
	2022	2021
Year 1	\$ 19,824	\$ 16,992
Year 2	19,824	-
Year 3	<u>19,824</u>	<u>-</u>
	<u>\$ 59,472</u>	<u>\$ 16,992</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, 2022 and 2021 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	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 178,764	\$ 183,251
Buildings	132,580	59,017
Transportation equipment	<u>1,062</u>	<u>1,770</u>
	<u>\$ 312,406</u>	<u>\$ 244,038</u>

For the Year Ended December 31

	2022	2021
Additions to right-of-use assets	<u>\$ 147,271</u>	<u>\$ 2,735</u>
Depreciation charge for right-of-use assets		
Land	\$ 13,414	\$ 13,042
Buildings	64,781	64,366
Transportation equipment	<u>708</u>	<u>354</u>
	<u>\$ 78,903</u>	<u>\$ 77,762</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, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	\$ 82,141	\$ 71,982
Non-current	<u>236,499</u>	<u>177,417</u>
	<u>\$ 318,640</u>	<u>\$ 249,399</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.36%-1.78%	1.36%-2.14%
Buildings	1.73%	1.03%-1.11%
Transportation equipment	1.08%	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 R.O.C. 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	
	2022	2021
Expenses relating to short-term leases	<u>\$ 567</u>	<u>\$ 1,124</u>
Expenses relating to low-value asset leases	<u>\$ 5</u>	<u>\$ 3</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 13,835</u>	<u>\$ 14,100</u>
Total cash outflow for leases	<u>\$ 96,357</u>	<u>\$ 95,903</u>

12. INTANGIBLE ASSETS

	For the Year Ended December 31			
	2022	2021		
Computer software	\$ 49,922	\$ 24,874		
Technology license fees	-	-		
Technical expertise	-	-		
	<u>\$ 49,922</u>	<u>\$ 24,874</u>		
	Technology License Fee	Technical Expertise	Computer Software	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 175,959	\$ 392,889
Additions	-	-	35,109	35,109
Balance at December 31, 2022	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 211,068</u>	<u>\$ 427,998</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 151,085	\$ 368,015
Additions	-	-	10,061	10,061
Balance at December 31, 2022	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 161,146</u>	<u>\$ 378,076</u>
Carrying amount at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,922</u>	<u>\$ 49,922</u>
<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	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 175,959</u>	<u>\$ 392,889</u>
<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	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 151,085</u>	<u>\$ 368,015</u>
Carrying amount at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,874</u>	<u>\$ 24,874</u>
Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:				
Technology license fees			5 years	
Technical expertise			5 years	
Computer software			3 years	

13. LONG-TERM BORROWINGS

	December 31	
	2022	2021
<u>Unsecured borrowings</u>		
Bank loans	\$ 6,013,333	\$ 3,510,000
Less: Discounts on government grants	(39,397)	(34,203)
Less: Current portion	<u>(1,213,889)</u>	<u>(166,666)</u>
	<u>\$ 4,760,047</u>	<u>\$ 3,309,131</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, 2022, the Company acquired preferential interest rate loan subsidized by the government of \$6,180,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. The loan is repayable over a period of five years from the date of the first drawdown to December 2027, where repayment of interest 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%, 1.15%, 1.4% and 1.525%, respectively, the fair value of the loan was estimated at \$6,109,777 thousand on initial recognition. The difference of \$70,223 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 \$15,545 thousand and \$13,386 thousand for the years ended December 31, 2022 and 2021, respectively.

Under the bank loan agreement, the Company has to meet certain financial covenants. As of December 31, 2022, such financial covenants were not breached.

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2022	2021
<u>Current</u>		
Accrued expenses		
Payables for salaries and bonuses	\$ 221,897	\$ 235,273
Insurance payables	49,204	48,515
Utilities payables	39,618	29,341
Others	<u>292,984</u>	<u>262,103</u>
	<u>603,703</u>	<u>575,232</u>
Other current liabilities		
Refund liabilities	39,557	37,913
Others	<u>5,692</u>	<u>4,897</u>
	<u>45,249</u>	<u>42,810</u>
	<u>\$ 648,952</u>	<u>\$ 618,042</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	
	2022	2021
Authorized stock (in thousands)	400,000	400,000
Authorized capital	\$ 4,000,000	\$ 4,000,000
Issued and paid stock (in thousands)	315,534	293,299
Issued capital	\$ 3,155,341	\$ 2,932,991

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 issuance of ordinary shares for cash and the exercise of employee share options.

The Company resolved in the Board of Directors' meeting on April 12, 2022 to issue 21,020 thousand new shares for public subscription and underwriting prior to the initial listing with a par value of NT\$10 per share. A total of 14,800 thousand shares were issued at a premium price of NT\$333.43 per share based on the weighted average price at the auction and a total of 3,700 thousand shares were issued at a premium price of NT\$290 per share for the public subscription and underwriting. After the capital increase, the paid-in share capital was \$3,146,581 thousand. The above issuance was declared effective by the TWSE on April 28, 2022 and the subscription base date was June 28, 2022.

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 7,238,415	\$ 701,925
Employee share options exercised	44,945	6,781
Donations	12,893	12,893
<u>May only be used to offset a deficit</u>		
Donations - unclaimed dividend	824	762
<u>May not be used for any purpose</u>		
Compensation cost of employee share options	7,876	10,438
	\$ 7,304,953	\$ 732,799

Note: 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 bonuses to shareholders.

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

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

Appropriation of earnings to 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 2021 and 2020, which were approved in the shareholders' meetings on May 24, 2022, and July 22, 2021, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Cash Dividends Per Share (NT\$) For the Year Ended December 31	
	2021	2020	2021	2020
Legal reserve	\$ 216,528	\$ 209,054		
Cash dividends	586,712	582,306	\$ 2.0	\$ 2.0

The appropriations of earnings for 2022 proposed by the Company's Board of Directors on February 22, 2023, were as follows:

	The Appropriation of Earnings	Cash Dividends Per Share (NT\$)
Legal reserve	\$ 176,580	
Cash dividends	631,068	\$ 2.0

The cash dividends per share for 2020 was adjusted to \$1.98, mainly due to the exercise of employee share options on August 28, 2021. The cash dividends per share for 2021 was adjusted to \$1.86, mainly due to the exercise of employee share options on July 22, 2022. The appropriation of earnings for 2022 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 24, 2023.

17. OPERATING REVENUE

a. Contract information

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

b. Disaggregation of revenue from contracts with customers

	For the Year Ended December 31	
	2022	2021
Production		
Micro-Optical Elements	\$ 4,600,796	\$ 3,936,619
Image Sensor	4,320,594	4,947,328
Others	<u>155,758</u>	<u>145,231</u>
	<u>\$ 9,077,148</u>	<u>\$ 9,029,178</u>
Region		
Asia	\$ 7,877,133	\$ 7,695,926
Taiwan	1,106,615	1,252,207
Europe	51,191	55,070
United States	<u>42,209</u>	<u>25,975</u>
	<u>\$ 9,077,148</u>	<u>\$ 9,029,178</u>

c. Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets	\$ 314,099	\$ 248,248	\$ 137,376
Contract liabilities	\$ 9,085	\$ 9,994	\$ 5,823

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 \$7,300 thousand and \$4,688 thousand for the years ended December 31, 2022 and 2021, 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 \$36,118 thousand and \$(17,642) thousand for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the aforementioned refund liabilities amounted to \$39,557 thousand and \$37,913 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	
	2022	2021
Rental income - related party	\$ 55,029	\$ 28,564
Others	<u>(773)</u>	<u>(13)</u>
	<u>\$ 54,256</u>	<u>\$ 28,551</u>

b. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ 54,919	\$ 7,232

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on financial instruments at FVTPL	\$ (170,501)	\$ 13,454
Others	<u>(1,170)</u>	<u>(1,230)</u>
	<u>\$ (171,671)</u>	<u>\$ 12,224</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 2,183,503	\$ 1,852,255
Operating expenses	139,726	96,215
Other operating income and expenses	<u>773</u>	<u>1,016</u>
	<u>\$ 2,324,002</u>	<u>\$ 1,949,486</u>
An analysis of amortization by function		
Operating costs	\$ 6,332	\$ 5,026
General and administrative expenses	<u>3,729</u>	<u>3,945</u>
	<u>\$ 10,061</u>	<u>\$ 8,971</u>

e. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest expense		
Bank loans	\$ 31,738	\$ 13,608
Interest on lease liabilities	3,920	4,800
Others	<u>31</u>	<u>23</u>
	<u>35,689</u>	<u>18,431</u>
Less: Amounts included in the cost of qualifying assets	<u>(23,334)</u>	<u>(5,917)</u>
	<u>\$ 12,355</u>	<u>\$ 12,514</u>

Information about capitalized interest is as follows:

	2022	2021
Capitalized interest amount	\$ 23,334	\$ 5,917
Capitalized rate	0.56%-1.11%	0.57%-0.58%

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits (Note 15)		
Defined contribution plan	\$ 63,768	\$ 55,392
Share-based payments		
Equity-settled	35,602	7,788
Other employee benefits	<u>2,041,827</u>	<u>1,988,896</u>
Total employee benefits expense	<u>\$ 2,141,197</u>	<u>\$ 2,052,076</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,461,325	\$ 1,488,997
Operating expenses	<u>679,872</u>	<u>563,079</u>
	<u>\$ 2,141,197</u>	<u>\$ 2,052,076</u>

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors 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.

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 compensation of employees and the remuneration of directors are as follows:

	For the Year Ended December 31	
	2022	2021
Compensation of employees	<u>\$ 353,159</u>	<u>\$ 433,056</u>
Remuneration of directors	<u>\$ 3,240</u>	<u>\$ 2,700</u>

The appropriations of employees' compensation and remuneration of directors for 2022 and 2021 that were resolved by the Board of Directors on February 22, 2023 and February 23, 2022, respectively, are \$353,159 thousand and \$433,056 thousand, and \$3,240 thousand and \$2,674 thousand, respectively.

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors the aforementioned resolutions paid and the expenses recognized for the years ended December 31, 2022 and 2021.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 238,257	\$ 64,086
Foreign exchange losses	<u>(77,598)</u>	<u>(76,067)</u>
	<u>\$ 160,659</u>	<u>\$ (11,981)</u>

19. INCOME TAX

a. Income tax expense consisted of the following:

	For the Year Ended December 31	
	2022	2021
Current income tax		
In respect of the current year	\$ 406,339	\$ 514,879
Income tax adjustments on prior years	<u>(85,436)</u>	<u>(2,123)</u>
Deferred tax		
In respect of the current year	<u>13,751</u>	<u>25,910</u>
Income tax expense recognized in profit or loss	<u>\$ 334,654</u>	<u>\$ 538,666</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 2,100,449</u>	<u>\$ 2,703,946</u>
Income tax expense calculated at the statutory rate	\$ 420,090	\$ 540,789
Tax effect of adjusting items:		
Income tax expense adjustments on prior years	<u>(85,436)</u>	<u>(2,123)</u>
Income tax expense recognized in profit or loss	<u>\$ 334,654</u>	<u>\$ 538,666</u>

b. Current tax assets and liabilities

	For the Year Ended December 31	
	2022	2021
Current tax liabilities		
Income tax payable	<u>\$ 149,755</u>	<u>\$ 365,775</u>

c. Deferred tax assets

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

For the year ended December 31, 2022

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Refund liabilities	\$ 7,583	\$ 328	\$ 7,911
Property, plant and equipment temporary differences	10,816	(6,219)	4,597
Others	<u>2,615</u>	<u>2,833</u>	<u>5,448</u>
	<u>\$ 21,014</u>	<u>\$ (3,058)</u>	<u>\$ 17,956</u>

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Revenue	\$ 20,377	\$ 9,640	\$ 30,017
Others	<u>1,183</u>	<u>1,053</u>	<u>2,236</u>
	<u>\$ 21,560</u>	<u>\$ 10,693</u>	<u>\$ 32,253</u>

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>

d. Income tax examination

The tax authorities have examined income tax returns of the Company through 2020.

20. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	\$ 5.80	\$ 7.41
Diluted earnings per share	\$ 5.71	\$ 7.24

Earnings per share is computed as follows:

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2022</u>			
Basic EPS			
Net income	\$ 1,765,795	304,510	\$ 5.80
Effect of potentially dilutive common stock	<u>-</u>	<u>4,565</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 1,765,795</u>	<u>309,075</u>	<u>\$ 5.71</u>

For the year ended December 31, 2021

Basic EPS			
Net income	\$ 2,165,280	292,028	\$ 7.41
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>

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 will be included in the weighted average number of stocks outstanding in the calculation of diluted EPS as the stocks have a dilutive effect. Such dilutive effect of the potential stocks is included in the calculation of diluted EPS until the profit sharing bonus for employees to be settled in the form of common stocks is approved in the following year.

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 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 year 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:

	For the Year Ended December 31			
	2022		2021	
	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	3,466	\$ 18.00	5,780	\$ 20.00
Options exercised	(1,215)	16.63	(2,146)	19.84
Options forfeited	(110)	-	(168)	-
Balance at December 31	<u>2,141</u>		<u>3,466</u>	
Options exercisable, end of the year	<u>770</u>		<u>518</u>	

The weighted-average share prices on the exercise date of the share options from January 1, 2022 to December 31, 2022 was \$342.

Information on outstanding options was as follows:

	December 31	
	2022	2021
Range of exercise price (\$)	\$ 16.1	\$ 18
Weighted-average remaining contractual life (in years)	2.59	3.58

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%

The stock price on the grant date is evaluated by the future cash flow method, and the expected volatility is based on the average annualized standard deviation of the daily rate of return of the industry. Compensation costs recognized were \$1,985 thousand and \$7,788 thousand for the years ended December 31, 2022 and 2021, respectively.

The Company resolved in the Board of Directors' meeting on April 12, 2022 to issue new shares for public underwriting prior to the initial listing. According to the provisions of Article 267 of the Company Act, 11.99% of the total new shares issued totaling 2,520 thousand shares were reserved for employees' subscription. The employee stock options are fully vested on the grant date.

The grant date of the above employee stock options on cash capital increase is June 17, 2022. The Company calculates the fair value of stock options according to the Black-Scholes-Merton option evaluation model, and the input values used are as follows:

Grant-date share price	\$ 301.76
Exercise price	\$ 290.00
Expected volatility	47.03%
Expected life (in years)	0.01
Expected dividend yield	-
Risk-free interest rate	1.60%
Fair value of stock options on the grant date (per share)	<u>\$ 13.34</u>

The stock price on the grant date is evaluated by the future cash flow method, and the expected volatility is based on the average annualized standard deviation of the daily rate of return of the industry. Compensation costs recognized were \$33,617 thousand for the year ended December 31, 2022.

22. CASH FLOW INFORMATION

a. Non-cash transactions

	Years Ended December 31	
	2022	2021
Additions of property, plant and equipment	\$ 4,390,850	\$ 4,028,203
Less: Amounts included in the cost of qualifying assets	(23,334)	(5,917)
Changes in payables for purchases of equipment	<u>(241,293)</u>	<u>(64,787)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 4,126,223</u>	<u>\$ 3,957,499</u>

b. Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2022	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2022
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 5,193	\$ -	\$ 66	\$ -	\$ -	\$ 5,259
Lease liabilities	249,399	(81,950)	-	147,271	3,920	318,640
Long-term borrowings	<u>3,475,797</u>	<u>2,503,333</u>	-	-	(5,194)	<u>5,973,936</u>
Total	<u>\$ 3,730,389</u>	<u>\$ 2,421,383</u>	<u>\$ 66</u>	<u>\$ 147,271</u>	<u>\$ (1,274)</u>	<u>\$ 6,297,835</u>

	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>	-	-	(1,814)	<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>

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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 13,257	\$ -	\$ 13,257
Financial liabilities at FVTPL				
Derivative financial liabilities	\$ -	\$ 2,079	\$ -	\$ 2,079

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				
Derivative financial liabilities	\$ -	\$ 86	\$ -	\$ 86

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the years ended December 31, 2022 and 2021.

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

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
FVTPL		
Held for trading	\$ 13,257	\$ 6,003
Amortized cost (1)	12,817,211	4,586,697
<u>Financial liabilities</u>		
FVTPL		
Held for trading	2,079	86
Amortized cost (2)	7,540,897	4,782,641

1) Including financial assets at amortized cost, which comprise cash and cash equivalents, accounts 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 \$56,660 thousand and \$76,479 thousand in 2022 and 2021, 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	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 10,643,339	\$ 2,405,031
Cash flow interest rate risk		
Financial assets	1,326,414	847,894
Financial liabilities	5,973,936	3,475,797

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 sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates increase by 1% and all other variables were held constant, the Company's net profit before income tax for the years ended December 31, 2022 and 2021 would have decreased by \$46,475 thousand and \$26,279 thousand, respectively, which was mainly a result of variable-rate borrowings and variable-rate deposits.

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, 2022 and 2021, the Company's five largest customers accounted for 88% and 83% 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.

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, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Non-derivative financial liabilities				
Non-interest bearing	\$ 1,051,022	\$ 193,950	\$ 297,857	\$ 5,259
Lease liabilities	7,235	14,470	65,114	255,259
Long-term borrowings	61,384	204,579	1,012,168	4,893,701
	<u>\$ 1,119,641</u>	<u>\$ 412,999</u>	<u>\$ 1,375,139</u>	<u>\$ 5,154,219</u>

December 31, 2021

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

Additional information about the maturity analysis for financial liabilities:

December 31, 2022

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Non-interest bearing	\$ 1,548,088	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 214,421	\$ 78,355	\$ 37,820	\$ 11,482	\$ -
Long-term borrowings	\$ 6,171,832	\$ -	\$ -	\$ -	\$ -

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	\$ 138,166	\$ 76,556	\$ 48,934	\$ 12,812	\$ -
Long-term borrowings	\$ 3,554,683	\$ -	\$ -	\$ -	\$ -

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, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	\$ 610,935	\$ 579,965	\$ -	\$ -	\$ -
Outflows	\$ (598,904)	\$ (583,547)	\$ -	\$ -	\$ -
	\$ 12,031	\$ (3,582)	\$ -	\$ -	\$ -

December 31, 2021

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

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company, which held 67.70% and 72.83% of the ordinary shares of the Company on December 31, 2022 and 2021, 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	
	2022	2021
Xintec	\$ 789,002	\$ 750,808
Others	\$ 2,075	\$ 4,466
	\$ 791,077	\$ 755,274

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
For manufacturing		
TSMC	\$ 329	\$ 3,527
For researching and developing		
TSMC	\$ 10,562	\$ 15,031

d. Rental income

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
GUC	\$ 34,760	\$ 26,999
TSMC	\$ 20,269	\$ 1,565
	\$ 55,029	\$ 28,564

e. Manufacturing expense

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Xintec	\$ 13,835	\$ 14,100

f. Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Xintec	\$ 600	\$ 1,012
Others	<u>31</u>	<u>23</u>
	<u>\$ 631</u>	<u>\$ 1,035</u>

g. Contract assets

Related Party Category/Name	December 31	
	2022	2021
Xintec	<u>\$ 3,424</u>	<u>\$ 2,222</u>

h. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
Xintec	\$ 112,607	\$ 117,488
Others	<u>213</u>	<u>335</u>
	<u>\$ 112,820</u>	<u>\$ 117,823</u>

i. Other Receivables

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
TSMC	<u>\$ 4,257</u>	<u>\$ -</u>

j. Expenses payable and other current liabilities

Related Party Category/Name	For the Year Ended December 31	
	2022	2021
TSMC	\$ 5,647	\$ 4,046
Others	<u>77</u>	<u>65</u>
	<u>\$ 5,724</u>	<u>\$ 4,111</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
2022 2021

Acquisition of right-of-use assets

Xintec \$ 138,344 \$ -

Line Item Related Party Category/Name 2022 2021

Lease liabilities Xintec \$ 68,723 \$ 59,099

Related Party Category/Name

For the Year Ended December 31
2022 2021

Interest expense

Xintec \$ 600 \$ 1,012

Lease expense

Xintec \$ 13,835 \$ 14,100

l. Deposit guarantee

Related Party Category/Name

For the Year Ended December 31
2022 2021

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, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

m. Compensation of key management personnel

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

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 89,328	\$ 94,632
Post-employment benefits	<u>811</u>	<u>680</u>
	<u>\$ 90,139</u>	<u>\$ 95,312</u>

The compensation of directors and other key management personnel were determined by the Compensation Committee 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, 2022 and 2021, the Company provided certificates of deposits amounting to \$20,311 thousand, 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 contingent liabilities and unrecognized commitments of the Company at December 31, 2022 and 2021 were as follows:

a. Unrecognized commitments

	December 31	
	2022	2021
Acquisition of property, plant and equipment	\$ 683,450	\$ 2,184,568

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, 2022

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
<u>Financial assets</u>		
Monetary items		
USD	\$ 44,280	30.713
JPY	1,492,496	0.2331
EUR	74	32.838
<u>Financial liabilities</u>		
Monetary items		
USD	7,337	30.713
JPY	1,509,112	0.2331
EUR	-	32.838

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

Note: Please refer to Note 18 for foreign exchange gain and loss for the years ended December 31, 2022 and 2021. 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

The Company'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, 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:

	For the Year Ended December 31	
	2022	2021
Asia	\$ 7,877,133	\$ 7,695,926
Taiwan	1,106,615	1,252,207
Europe	51,191	55,070
United States	42,209	25,975
	<u>\$ 9,077,148</u>	<u>\$ 9,029,178</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	
	2022	2021
Micro-Optical Elements	\$ 4,600,796	\$ 3,936,619
Image Sensor	4,320,594	4,947,328
Others	<u>155,758</u>	<u>145,231</u>
	<u>\$ 9,077,148</u>	<u>\$ 9,029,178</u>

d. Information about major customers

Major customers representing at least 10% of net revenue:

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Customer A	\$ 3,621,402	40	\$ 2,508,073	28
Customer B	2,590,800	29	3,187,407	35

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, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Accounts Payable or Receivable Ending Balance	Note
			Purchases/ Sales	Amount	% to Total	Unit Price	Payment Terms		
VisEra	Xintec	Other related parties	Sales	\$ 789,002	9	60 days after monthly closing	Note 25	\$ 112,607	15
							Note 25		-

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, 2022
(In Thousands of New Taiwan Dollars, Unless Specified 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	\$ 112,607	6.86	\$ -	-	\$ -	-

TABLE 3

VISERA TECHNOLOGIES COMPANY LTD.
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
TSMC	213,619,000	67.70%

VisEra Technologies Company Ltd.

Chairman

Robert Kuan



VisEra Technologies Company Ltd.

📍 No. 12, Duxing 1st Road, Hsinchu Science Park, Hsinchu City
☎ Tel:03-666-8788 📠 Fax:03-666-2858 🌐 www.viseratech.com