

Formosa Sumco Technology Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Formosa Sumco Technology Corporation

Opinion

We have audited the accompanying financial statements of Formosa Sumco Technology Corporation (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter from the audit of the Company's financial statements is as below:

Revenue Recognition

The Company mainly manufactures and sells silicon wafers. For some of the major clients, the Company recognizes sales revenue when the goods have been delivered to the client's designated location and the client actually uses the goods in accordance with the agreement. As the above-mentioned sales revenue is significant for the year ended December 31, 2021, the occurrence of revenue recognition for the aforementioned type of sales revenue has been deemed as a key audit matter for the year ended December 31, 2021.

To address this matter, we evaluated the Company's revenue recognition policy and the relevant design and implementation of internal controls for this type of revenue, also performed test of related controls and substantive tests, selected samples of revenue for this type of sales, verified them against sales reports, the clients' transaction statements and related documents to confirm that the transactions for this type of sales had been occurred.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The governing units of the Company, including those charged with governance, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ching-Ting Yang and Wen-Yuan Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 4, 2022

Notice to Readers

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

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,265,740	39	\$ 7,849,353	34
Financial assets at amortized cost - current (Notes 4 and 8)	-	-	300,000	1
Trade receivables from unrelated parties (Notes 4, 9 and 19)	1,670,140	7	1,671,922	7
Trade receivables from related parties (Notes 4, 9, 19 and 25)	456,728	2	305,906	1
Other receivables from unrelated parties (Notes 4 and 9)	31,673	-	40,304	-
Other receivables from related parties (Notes 4, 9 and 25)	400,123	2	570,818	3
Inventories (Notes 4, 5 and 10)	2,785,019	12	2,846,980	12
Prepayments (Notes 4 and 15)	<u>109,665</u>	<u>-</u>	<u>86,089</u>	<u>1</u>
Total current assets	<u>14,719,088</u>	<u>62</u>	<u>13,671,372</u>	<u>59</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	311	-	324	-
Investments accounted for using the equity method (Notes 4 and 11)	361,244	2	372,898	2
Property, plant and equipment (Notes 4, 12, 25 and 26)	8,332,307	35	8,828,182	38
Right-of-use assets (Notes 4, 13 and 25)	7,686	-	15,404	-
Intangible assets (Notes 4, 14 and 25)	7,963	-	6,564	-
Deferred tax assets (Notes 4 and 21)	269,662	1	227,629	1
Prepayments for equipment (Note 4)	85,517	-	9,492	-
Refundable deposits (Note 4)	205	-	205	-
Other non-current assets (Notes 4 and 15)	<u>1,746</u>	<u>-</u>	<u>2,233</u>	<u>-</u>
Total non-current assets	<u>9,066,641</u>	<u>38</u>	<u>9,462,931</u>	<u>41</u>
TOTAL	<u>\$ 23,785,729</u>	<u>100</u>	<u>\$ 23,134,303</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4 and 19)	\$ 126,870	1	\$ 153,973	1
Trade payables to unrelated parties (Note 4)	370,897	2	359,133	2
Trade payables to related parties (Notes 4 and 25)	279,972	1	292,392	1
Other payables to unrelated parties (Notes 4, 16 and 20)	1,067,336	4	931,153	4
Other payables to related parties (Notes 4, 16 and 25)	259,423	1	216,999	1
Current tax liabilities (Notes 4 and 21)	360,479	1	341,282	1
Lease liability - current (Notes 4, 13 and 25)	4,068	-	7,740	-
Other current liabilities	<u>11,412</u>	<u>-</u>	<u>11,306</u>	<u>-</u>
Total current liabilities	<u>2,480,457</u>	<u>10</u>	<u>2,313,978</u>	<u>10</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	28,495	-	20,930	-
Lease liability - non-current (Notes 4, 13 and 25)	3,744	-	7,812	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	401,904	2	375,686	2
Guarantee deposits (Note 4)	217	-	683	-
Other non-current liabilities	<u>18,156</u>	<u>-</u>	<u>69,186</u>	<u>-</u>
Total non-current liabilities	<u>452,516</u>	<u>2</u>	<u>474,297</u>	<u>2</u>
Total liabilities	<u>2,932,973</u>	<u>12</u>	<u>2,788,275</u>	<u>12</u>
EQUITY (Notes 4, 18 and 23)				
Share capital				
Ordinary shares	<u>3,878,483</u>	<u>16</u>	<u>3,878,483</u>	<u>17</u>
Capital surplus	<u>5,739,249</u>	<u>24</u>	<u>5,739,235</u>	<u>25</u>
Retained earnings				
Legal reserve	2,424,699	11	2,293,240	10
Unappropriated earnings	<u>8,839,600</u>	<u>37</u>	<u>8,414,855</u>	<u>36</u>
Total retained earnings	<u>11,264,299</u>	<u>48</u>	<u>10,708,095</u>	<u>46</u>
Other equity	<u>(29,275)</u>	<u>-</u>	<u>20,215</u>	<u>-</u>
Total equity	<u>20,852,756</u>	<u>88</u>	<u>20,346,028</u>	<u>88</u>
TOTAL	<u>\$ 23,785,729</u>	<u>100</u>	<u>\$ 23,134,303</u>	<u>100</u>

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 19 and 25)	\$ 12,166,313	100	\$ 11,934,697	100
OPERATING COSTS (Notes 10, 14, 17, 20 and 25)	<u>(9,677,645)</u>	<u>(79)</u>	<u>(9,574,548)</u>	<u>(80)</u>
GROSS PROFIT	<u>2,488,668</u>	<u>21</u>	<u>2,360,149</u>	<u>20</u>
OPERATING EXPENSES (Notes 17, 20 and 25)				
Marketing	(460,797)	(4)	(346,369)	(3)
Administrative	<u>(270,124)</u>	<u>(2)</u>	<u>(224,575)</u>	<u>(2)</u>
Total operating expenses	<u>(730,921)</u>	<u>(6)</u>	<u>(570,944)</u>	<u>(5)</u>
INCOME FROM OPERATIONS	<u>1,757,747</u>	<u>15</u>	<u>1,789,205</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 20 and 25)				
Interest income	26,671	-	50,938	1
Other income	16,161	-	19,306	-
Other gains and losses	(158,065)	(1)	(332,570)	(3)
Finance costs	(247)	-	(846)	-
Share of profit of subsidiaries	<u>37,823</u>	<u>-</u>	<u>18,352</u>	<u>-</u>
Total non-operating income and expenses	<u>(77,657)</u>	<u>(1)</u>	<u>(244,820)</u>	<u>(2)</u>
INCOME BEFORE INCOME TAX	1,680,090	14	1,544,385	13
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(269,320)</u>	<u>(2)</u>	<u>(236,474)</u>	<u>(2)</u>
NET INCOME	<u>1,410,770</u>	<u>12</u>	<u>1,307,911</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 17, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(25,865)	-	8,343	-
Unrealized gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income	(13)	-	7	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	5,173	-	(1,669)	-

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FORMOSA SUMCO TECHNOLOGY CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (49,477)	(1)	\$ (5,882)	-
Other comprehensive income (loss) for the year, net of income tax	(70,182)	(1)	799	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,340,588</u>	<u>11</u>	<u>\$ 1,308,710</u>	<u>11</u>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	
Diluted earnings per share	<u>\$ 3.64</u>		<u>\$ 3.37</u>	

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION

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

				Retained Earnings		Exchange Difference on Translating Foreign Operations	Others		Total	Total Equity
	Share Capital'	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total		Unrealized Gain (Loss) on Investments in Financial Assets Designated as at FVTOCI			
BALANCE AT JANUARY 1, 2020	\$ 3,878,483	\$ 5,739,217	\$ 2,080,660	\$ 8,670,319	\$ 10,750,979	\$ 25,811	\$ 279	\$ 26,090	\$ 20,394,769	
Appropriations of 2019 earnings										
Legal reserve	-	-	212,580	(212,580)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(1,357,469)	(1,357,469)	-	-	-	(1,357,469)	
	-	-	212,580	(1,570,049)	(1,357,469)	-	-	-	(1,357,469)	
Dividends expired and uncollected by shareholders	-	18	-	-	-	-	-	-	18	
Net income in 2020	-	-	-	1,307,911	1,307,911	-	-	-	1,307,911	
Other comprehensive income (loss) in 2020, net of income tax	-	-	-	6,674	6,674	(5,882)	7	(5,875)	799	
Total comprehensive income (loss) in 2020	-	-	-	1,314,585	1,314,585	(5,882)	7	(5,875)	1,308,710	
BALANCE AT DECEMBER 31, 2020	3,878,483	5,739,235	2,293,240	8,414,855	10,708,095	19,929	286	20,215	20,346,028	
Appropriations of 2020 earnings										
Legal reserve	-	-	131,459	(131,459)	-	-	-	-	-	-
Cash dividends to shareholders	-	-	-	(833,874)	(833,874)	-	-	-	(833,874)	
	-	-	131,459	(965,333)	(833,874)	-	-	-	(833,874)	
Dividends expired and uncollected by shareholders	-	14	-	-	-	-	-	-	14	
Net income in 2021	-	-	-	1,410,770	1,410,770	-	-	-	1,410,770	
Other comprehensive income (loss) in 2021, net of income tax	-	-	-	(20,692)	(20,692)	(49,477)	(13)	(49,490)	(70,182)	
Total comprehensive income (loss) in 2021	-	-	-	1,390,078	1,390,078	(49,477)	(13)	(49,490)	1,340,588	
BALANCE AT DECEMBER 31, 2021	\$ 3,878,483	\$ 5,739,249	\$ 2,424,699	\$ 8,839,600	\$ 11,264,299	\$ (29,548)	\$ 273	\$ (29,275)	\$ 20,852,756	

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

FORMOSA SUMCO TECHNOLOGY CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,680,090	\$ 1,544,385
Adjustments for:		
Depreciation expenses	1,953,652	2,126,470
Amortization expenses	1,699	1,164
Interest expense	247	846
Interest income	(26,671)	(50,938)
Dividend income	(2)	(9)
Share of profit of subsidiaries	(37,823)	(18,352)
Gain on disposal of property, plant and equipment	(68)	(1)
Write-down of inventories	15,324	8,347
Net loss on foreign exchange	43,776	78,530
Changes in operating assets and liabilities		
Trade receivables	(157,250)	(19,565)
Other receivables	4,213	868
Inventories	46,636	(67,850)
Prepayments	(23,575)	48,418
Contract liabilities	(27,103)	84,381
Trade payables	(7,607)	5,300
Other payables	399,399	(177,243)
Other current liabilities	106	2,181
Net defined benefit liabilities	1,288	139
Cash generated from operations	3,866,331	3,567,071
Interest received	32,581	51,390
Dividends received	2	9
Interest paid	(247)	(846)
Income tax paid	(280,353)	(107,161)
Net cash generated from operating activities	<u>3,618,314</u>	<u>3,510,463</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial asset at amortized cost	-	(300,000)
Disposal of financial asset at amortized cost	300,000	-
Payments for property, plant and equipment	(1,661,500)	(657,896)
Disposal on property, plant and equipment	91	1
Decrease in refundable deposits	-	4
Decrease in other receivables - related parties	143,713	112,958
Payments for intangible assets	(3,098)	(7,728)
Decrease in other non-current assets	487	-
Increase in other non-current assets	-	(2,233)
Increase in prepayments for equipment	(85,452)	(18,894)
Net cash used in investing activities	<u>(1,305,759)</u>	<u>(873,788)</u>

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FORMOSA SUMCO TECHNOLOGY CORPORATION

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	\$ -	\$ 436
Decrease in guarantee deposits received	(466)	-
Lease liabilities principal repayment	(7,740)	(7,654)
Increase in other non-current liabilities	-	9,071
Decrease in other non-current liabilities	(51,030)	-
Dividends paid to owners of the Company	<u>(833,807)</u>	<u>(1,357,405)</u>
Net cash used in financing activities	<u>(893,043)</u>	<u>(1,355,552)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(3,125)</u>	<u>(45,399)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,416,387	1,235,724
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,849,353</u>	<u>6,613,629</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,265,740</u>	<u>\$ 7,849,353</u>

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

(Concluded)

FORMOSA SUMCO TECHNOLOGY CORPORATION

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

1. GENERAL INFORMATION

Formosa Sumco Technology Corporation (the “Company”, formerly Formosa Komatsu Silicon Corporation) was established by Formosa Plastics Corporation, Asia Pacific Investment Corporation and Komatsu Electronic Metals Co., Ltd. The Company was incorporated in the Republic of China (“ROC”) in and commenced business in November 1995. The Company mainly manufactures, sells, and trades silicon wafers.

On October 18, 2006, Sumco Corporation acquired 51% of the equity in Komatsu Electronic Metals Co., Ltd. As the result, the Company’s name was changed to Formosa Sumco Technology Corporation in accordance with the resolution passed at the general shareholders’ meeting on December 29, 2006, and this name change was registered with the Ministry of Economic Affairs, Republic of China. In addition, Komatsu Electronic Metals Co., Ltd. changed its name to Sumco Techxiv Corporation.

The Company became publicly listed on September 12, 2006, and its shares have been listed and started trading on the Emerging Stock Board (ESB) on November 23, 2006. The Company was subsequently listed and started trading on the Taiwan Stock Exchange since December 10, 2007.

The Company’s parent is Sumco Techxiv Corporation, which held 45.57% of the ordinary shares of the Company as of December 31, 2021 and 2020. The Company’s ultimate parent is Sumco Corporation.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 4, 2022.

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

- a. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

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

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

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

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

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

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

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

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

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

As of the date the financial statements were authorized for issue, the 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

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

When preparing these financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, and the related equity items, as appropriate, in these financial statements.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period 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 period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipment

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

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

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

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

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

j. 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 issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

k. Revenue recognition

The Company identifies the contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of silicon wafers. Sales of silicon wafers are recognized as revenue when the goods are delivered to the customer's specific location or the goods are actually used because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from consignment services. The Company is an agent and its performance obligation is the provision of consignment services. The Company recognizes revenue in the net amount of consideration received or receivable when the goods that are consigned are transferred to the customer and the Company has no further obligation to the customer.

l. Leasing

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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 that stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Current service cost and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forwards, and unused tax credits for purchases of machinery and equipment to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Accounting Judgements

Valuation of inventories

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

Due to the rapid advancement in technology, the Company estimates the net realizable value of inventories for obsolete and unmarketable items at the end of the reporting period and then writes down the cost of inventories to their net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, and hence may result in significant changes. The carrying amounts of inventories as of December 31, 2021 and 2020 are disclosed in Note 10.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 8	\$ -
Checking accounts	2,543	336
Demand deposits	564	546
Foreign currency deposits	589,622	868,539
Cash equivalents (investments with original maturities of less than 3 months)		
Commercial papers	1,574,086	754,923
Repurchase agreements collateralized by bonds	1,683,130	1,367,261
Time deposits	<u>5,415,787</u>	<u>4,857,748</u>
	<u><u>\$ 9,265,740</u></u>	<u><u>\$ 7,849,353</u></u>

The market rate intervals of cash in bank, commercial papers and repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2021	2020
Demand deposits	0.02%	0.02%
Foreign currency deposits	0.0001%-0.01%	0.01%
Commercial papers	0.25%-0.37%	0.22%-0.27%
Repurchase agreements collateralized by bonds	0.25%-0.30%	0.22%-0.24%
Time deposits	0.31%-0.38%	0.33%-0.42%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - Formosa Petrochemical Corporation	<u>\$ 311</u>	<u>\$ 324</u>

The Company invested in the ordinary shares of Formosa Petrochemical Corporation for long-term strategy purposes, and expects to profit from the shares through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ <u>-</u>	\$ <u>300,000</u>

The interest rates for time deposits with original maturities of more than 3 months was 0.42% for December 31, 2020.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount		
Trade receivables from unrelated parties	\$ 1,670,140	\$ 1,671,922
Trade receivables from related parties	456,728	305,906
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>
<u>Other receivables</u>		
Tax refund receivables (sales tax)	\$ 30,142	\$ 37,250
Others	<u>1,531</u>	<u>3,054</u>
	<u>\$ 31,673</u>	<u>\$ 40,304</u>
<u>Other receivables - related parties</u>		
Receivables from loans to related parties - fixed interest rate	\$ 398,142	\$ 567,285
Receivables from interest from related parties	1,981	2,245
Others	<u>-</u>	<u>1,288</u>
	<u>\$ 400,123</u>	<u>\$ 570,818</u>

Trade Receivables

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company provides for expected credit losses based on the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 2,126,868	\$ -	\$ -	\$ -	\$ -	\$ 2,126,868
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 2,126,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,126,868</u>

December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 1,977,828	\$ -	\$ -	\$ -	\$ -	\$ 1,977,828
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 1,977,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,977,828</u>

10. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 758,756	\$ 698,121
Supplies	1,070,445	1,082,442
Work in progress	452,289	491,412
Finished goods	613,310	684,831
Merchandise inventories	22,813	7,444
Less: Allowance for inventory write-downs	<u>(132,594)</u>	<u>(117,270)</u>
	<u>\$ 2,785,019</u>	<u>\$ 2,846,980</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$9,677,645 thousand and \$9,574,548 thousand, respectively.

The cost of goods sold for the year ended December 31, 2021 included reversal of inventory write-downs of \$15,324 thousand and income from the sale of silicon waste of \$58,276 thousand, respectively.

The cost of goods sold for the year ended December 31, 2020 included reversal of inventory write-downs of \$8,347 thousand and income from the sale of silicon waste of \$31,427 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

Investee	December 31	
	2021	2020
	<u>\$ 361,244</u>	<u>\$ 372,898</u>
	% of Ownership and Voting Rights	
	December 31	
	2021	2021
Japan Formosa Sumco Technology Corporation	100%	100%

The share of net income or loss and other comprehensive income from subsidiaries accounted for using the equity method in the years 2021 and 2020 were based on the subsidiaries' audited financial statements for the same reporting periods as the Company.

12. PROPERTY, PLANT AND EQUIPMENT

Assets Used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 120,906	\$ 3,933,248	\$ 32,366,952	\$ 903,531	\$ 1,040,953	\$ 38,365,590
Additions	-	-	22,761	34,747	1,392,574	1,450,082
Reclassifications	-	11,281	1,517,783	75,696	(1,604,760)	-
Disposals	-	-	(389,440)	(405,120)	-	(794,560)
Balance at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 3,944,529</u>	<u>\$ 33,518,056</u>	<u>\$ 608,854</u>	<u>\$ 828,767</u>	<u>\$ 39,021,112</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ -	\$ 1,573,175	\$ 27,224,744	\$ 739,489	\$ -	\$ 29,537,408
Disposals	-	-	(389,440)	(405,097)	-	(794,537)
Depreciation expense	-	111,725	1,779,139	55,070	-	1,945,934
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 1,684,900</u>	<u>\$ 28,614,443</u>	<u>\$ 389,462</u>	<u>\$ -</u>	<u>\$ 30,688,805</u>
Carrying amount at December 31, 2021	<u>\$ 120,906</u>	<u>\$ 2,259,629</u>	<u>\$ 4,903,613</u>	<u>\$ 219,392</u>	<u>\$ 828,767</u>	<u>\$ 8,332,307</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Equipment Under Installation and Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 120,906	\$ 3,901,905	\$ 31,164,034	\$ 793,609	\$ 1,497,235	\$ 37,477,689
Additions	-	-	18,275	65,070	827,181	910,526
Reclassifications	-	31,343	1,200,097	52,023	(1,283,463)	-
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Balance at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 3,933,248</u>	<u>\$ 32,366,952</u>	<u>\$ 903,531</u>	<u>\$ 1,040,953</u>	<u>\$ 38,365,590</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 1,462,462	\$ 25,270,295	\$ 708,524	\$ -	\$ 27,441,281
Disposals	-	-	(15,454)	(7,171)	-	(22,625)
Depreciation expense	-	110,713	1,969,903	38,136	-	2,118,752
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,573,175</u>	<u>\$ 27,224,744</u>	<u>\$ 739,489</u>	<u>\$ -</u>	<u>\$ 29,537,408</u>
Carrying amount at December 31, 2020	<u>\$ 120,906</u>	<u>\$ 2,360,073</u>	<u>\$ 5,142,208</u>	<u>\$ 164,042</u>	<u>\$ 1,040,953</u>	<u>\$ 8,828,182</u>

(Concluded)

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

Buildings	
Real estate, dormitories, warehouses, and readiness rooms	23-35 years
Wastewater treatment area and strain tanks	15-35 years
Machinery and equipment	5-12 years
Other equipment	3-12 years

The Company did not have impairment of property, plant and equipment in 2021 and 2020.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Land	\$ 7,325	\$ 10,988
Buildings	<u>361</u>	<u>4,416</u>
	<u>\$ 7,686</u>	<u>\$ 15,404</u>

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY13,000 thousand (NT\$3,098 thousand) in December 2020, March, April, June, August, September and November 2021 has been paid JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, and are amortized over a period of 60 months.

The Company signed a technical cooperation arrangement with Sumco Corporation with a total fee of JPY28,000 thousand (NT\$7,728 thousand) in March and December 2020 has been paid JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, and are amortized over a period of 60 months.

The amortization expense in the years 2021 was \$1,699 thousand. The amortization expense is accounted for as technical corporation expense under operating costs.

The amortization expense in the years 2020 was \$1,164 thousand. The amortization expense is accounted for as technical corporation expense under operating costs.

15. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayments	\$ 109,665	\$ 86,089
Others (including electricity subsidies)	<u>1,746</u>	<u>2,233</u>
	<u>\$ 111,411</u>	<u>\$ 88,322</u>
Current	\$ 109,665	\$ 86,089
Non-current	<u>1,746</u>	<u>2,233</u>
	<u>\$ 111,411</u>	<u>\$ 88,322</u>

16. OTHER LIABILITIES

	December 31	
	2021	2020
<u>Other payables - current</u>		
Payables for purchase of equipment	\$ 203,333	\$ 417,913
Payables for salary and bonus	599,809	308,058
Payables for insurance	34,033	27,615
Payables for utilities	55,661	53,682
Payables for dividends	155	102
Others (Note)	<u>174,345</u>	<u>123,783</u>
	<u>\$ 1,067,336</u>	<u>\$ 931,153</u>
<u>Other payables - related parties (current)</u>		
Payables for purchase of equipment - related parties	\$ -	\$ 6,265
Payables for royalties - related parties	<u>259,423</u>	<u>210,734</u>
	<u>\$ 259,423</u>	<u>\$ 216,999</u>

Note: Others included under other payables - current are mainly payables for project fees, pension cost, employees' compensation and taxation.

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 574,164	\$ 539,439
Fair value of plan assets	<u>(172,260)</u>	<u>(163,753)</u>
Net defined benefit liabilities	<u>\$ 401,904</u>	<u>\$ 375,686</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 535,186</u>	<u>\$ (151,296)</u>	<u>\$ 383,890</u>
Service cost			
Current service cost	3,075	-	3,075
Net interest expense (income)	<u>5,352</u>	<u>(1,544)</u>	<u>3,808</u>
Recognized in profit or loss	<u>8,427</u>	<u>(1,544)</u>	<u>6,883</u>
			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (4,169)	\$ (4,169)
Actuarial (gain) loss - experience adjustments	(4,174)	-	(4,174)
Recognized in other comprehensive income	(4,174)	(4,169)	(8,343)
Contributions from the employer	-	(6,744)	(6,744)
Balance at December 31, 2020	<u>539,439</u>	<u>(163,753)</u>	<u>375,686</u>
Service cost			
Current service cost	3,012	-	3,012
Net interest expense (income)	5,394	(1,669)	3,725
Recognized in profit or loss	<u>8,406</u>	<u>(1,669)</u>	<u>6,737</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(454)	(454)
Actuarial (gain) loss - experience adjustments	26,319	-	26,319
Recognized in other comprehensive income	26,319	(454)	25,865
Contributions from the employer	-	(6,384)	(6,384)
Balance at December 31, 2021	<u>\$ 574,164</u>	<u>\$ (172,260)</u>	<u>\$ 401,904</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rates	0.50%	1.00%
Expected rates of salary increase	2.85%	2.85%

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

	December 31	
	2021	2020
Discount rates		
0.25% increase	<u>\$ (15,910)</u>	<u>\$ (18,045)</u>
0.25% decrease	<u>\$ 16,526</u>	<u>\$ 18,859</u>
Expected rates of salary increase		
1% increase	<u>\$ 68,505</u>	<u>\$ 79,994</u>
1% decrease	<u>\$ (60,148)</u>	<u>\$ (68,437)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 6,812</u>	<u>\$ 6,249</u>
The average duration of the defined benefit obligation	13.3 years	16.0 years

18. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>775,697</u>	<u>775,697</u>
Shares authorized	<u>\$ 7,756,966</u>	<u>\$ 7,756,966</u>
Number of shares issued and fully paid (in thousands)	<u>387,848</u>	<u>387,848</u>
Shares issued	<u>\$ 3,878,483</u>	<u>\$ 3,878,483</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares (1)	\$ 5,739,080	\$ 5,739,080
<u>May be used to offset a deficit only</u>		
Dividends expired and uncollected by shareholders (2)	<u>169</u>	<u>155</u>
	<u>\$ 5,739,249</u>	<u>\$ 5,739,235</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Accounted for as capital surplus - others, and may be used only to offset a deficit.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors before and after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 20 (g).

The Company belongs to a high-tech capital intensive industry and it is in the growth phase. To support the Company's growth, the Company has three different methods to distribute dividends, including cash dividends, capitalization of retained earnings, and capital surplus, and no more than 80% of distributable surplus should be distributed from the legal reserve and special reserve. In principle, cash dividends should be distributed first, and the aggregate of capitalized retained earnings and capital surplus shall not exceed 50% of total dividends.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings on July 28, 2021 and on June 11, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share	
	For the Year Ended		(NT\$)	
	December 31		For the Year Ended	
	2020	2019	2020	2019
Legal reserve	\$ 131,459	\$ 212,580		
Cash dividends	833,874	1,357,469	\$ 2.15	\$ 3.50

The appropriations of earnings for 2021 had been proposed by the Company's board of directors on March 4, 2022. The appropriations and dividends per share were as follows:

	Appropriation	Dividends Per
	of Earnings	Share (NT\$)
Legal reserve	\$ 139,008	
Special reserve	29,275	
Cash dividends	861,023	\$2.22

The appropriations of earnings for 2021 are subject to the resolution of the shareholders in the shareholders' meeting to be held on June 17, 2022.

d. Other equity items

The exchange differences arising on translation of foreign operations' net assets from their functional currencies to the Company's presentation currency (NTD) are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the exchange differences on translating foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income, excluding those available-for-sale financial assets that have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified into profit or loss.

19. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of goods	<u>\$ 12,166,313</u>	<u>\$ 11,934,697</u>
Contract Balances		
	December 31, 2021	December 31, 2020
Trade receivables (Note 9)	<u>\$ 2,126,868</u>	<u>\$ 1,977,828</u>
Contract assets	<u>\$ 126,870</u>	<u>\$ 153,973</u>
		January 1, 2020
		<u>\$ 1,973,598</u>
		<u>\$ 69,592</u>

20. NET INCOME

a. Interest income

	For the Year Ended December 31	
	2021	2020
Bank deposits	\$ 19,755	\$ 43,640
Financial assets at amortized cost	2,122	957
Others	<u>4,794</u>	<u>6,341</u>
	<u>\$ 26,671</u>	<u>\$ 50,938</u>

b. Other income

	For the Year Ended December 31	
	2021	2020
Dividend income	\$ 2	\$ 9
Others (including commission income, etc.)	<u>16,159</u>	<u>19,297</u>
	<u>\$ 16,161</u>	<u>\$ 19,306</u>

c. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Net foreign exchange losses	\$ (157,212)	\$ (329,850)
Gain on disposal of property, plant and equipment	68	1
Others	<u>(921)</u>	<u>(2,721)</u>
	<u>\$ (158,065)</u>	<u>\$ (332,570)</u>

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on lease liability	\$ 132	\$ 217
Interest expense	<u>115</u>	<u>629</u>
	<u>\$ 247</u>	<u>\$ 846</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 1,941,871	\$ 2,115,619
Operating expenses	<u>11,781</u>	<u>10,851</u>
	<u>\$ 1,953,652</u>	<u>\$ 2,126,470</u>
An analysis of amortization by function		
Operating costs	\$ 1,699	\$ 1,164
Operating expenses	<u>-</u>	<u>-</u>
	<u>\$ 1,699</u>	<u>\$ 1,164</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (see Note 17)		
Defined contribution plans	\$ 59,659	\$ 56,490
Defined benefit plans	<u>6,737</u>	<u>6,883</u>
	66,396	63,373
Salary and bonus etc.	<u>1,824,269</u>	<u>1,547,994</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,675,687	\$ 1,429,199
Operating expenses	<u>214,978</u>	<u>182,168</u>
	<u>\$ 1,890,665</u>	<u>\$ 1,611,367</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at rates of no less than 0.05% and no higher than 0.5%, respectively, of net profit before income tax excluding employees' compensation. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 4, 2022 and March 23, 2021, respectively, were as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2021	2020
Employees' compensation	0.300%	0.300%
Remuneration of directors and supervisors	-	-

Amount

	<u>For the Year Ended December 31</u>	
	2021	2020
	Cash	Cash
Employees' compensation	\$ 5,055	\$ 4,647
Remuneration of directors and supervisors	-	-

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2021	2020
Foreign exchange gains	\$ 129,838	\$ 113,814
Foreign exchange losses	<u>(287,050)</u>	<u>(443,664)</u>
Net losses	<u>\$ (157,212)</u>	<u>\$ (329,850)</u>

21. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 280,168	\$ 280,282
Income tax expense of unappropriated earnings	17,463	27,156
Adjustments for prior years	984	(54,276)
Deferred tax		
In respect of the current year	<u>(29,295)</u>	<u>(16,688)</u>
Income tax expense recognized in profit or loss	<u>\$ 269,320</u>	<u>\$ 236,474</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Profit before income tax	<u>\$ 1,680,090</u>	<u>\$ 1,544,385</u>
Income tax expense calculated at the statutory rate (20%)	\$ 336,018	\$ 308,877
Nondeductible expense in determining taxable income	2	298
Tax-exempt income	(51,303)	(45,581)
Income tax on unappropriated earnings	17,463	27,156
Recognized investment credits	(33,844)	-
Adjustments for prior years' tax	<u>984</u>	<u>(54,276)</u>
Income tax expense recognized in profit or loss	<u>\$ 269,320</u>	<u>\$ 236,474</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	<u>\$ 5,173</u>	<u>\$ (1,669)</u>
Total income tax recognized in other comprehensive income	<u>\$ 5,173</u>	<u>\$ (1,669)</u>

c. Current tax liabilities

	December 31	
	2021	2020
Income tax payable	<u>\$ 360,479</u>	<u>\$ 341,282</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 7,348	\$ (628)	\$ -	\$ 6,720
Allowance for inventory write-offs	23,454	3,065	-	26,519
Defined benefit obligation	72,627	70	5,173	77,870
Difference in depreciation method of machinery and equipment	111,039	34,353	-	145,392
Others	<u>13,161</u>	<u>-</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 227,629</u>	<u>\$ 36,860</u>	<u>\$ 5,173</u>	<u>\$ 269,662</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (20,930)</u>	<u>\$ (7,565)</u>	<u>\$ -</u>	<u>\$ (28,495)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Exchange differences on the difference in timing of translation of foreign currency assets and liabilities	\$ 15,691	\$ (8,343)	\$ -	\$ 7,348
Allowance for inventory write-offs	21,785	1,669	-	23,454
Defined benefit obligation	74,269	27	(1,669)	72,627
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Difference in depreciation method of machinery and equipment	\$ 83,279	\$ 27,760	\$ -	\$ 111,039
Others	<u>13,899</u>	<u>(738)</u>	<u>-</u>	<u>13,161</u>
	<u>\$ 208,923</u>	<u>\$ 20,375</u>	<u>\$ (1,669)</u>	<u>\$ 227,629</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Others	<u>\$ (17,243)</u>	<u>\$ (3,687)</u>	<u>\$ -</u>	<u>\$ (20,930)</u>
				(Concluded)

e. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Net income	<u>\$ 1,410,770</u>	<u>\$ 1,307,911</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	387,848	387,848
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>25</u>	<u>45</u>
Weighted average number of ordinary shares used for the computation of diluted earnings per share (in thousands)	<u>387,873</u>	<u>387,893</u>

If the Company offered to settle bonuses or compensation paid to employees in shares or cash, the Company assumed the entire amount of the bonus or compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. CAPITAL MANAGEMENT

In consideration of the prevailing industry dynamics and the future development as well as the changes in the external economic environment, the Company manages its working capital and dividend payments in the future, to ensure that the Company will be able to continue as a going concern while maximizing the returns to shareholders as well as other related parties through the optimization of capital structure.

The Company could make adjustments to dividends or issue new shares in order to maintain or adjust the capital structure.

24. FINANCIAL INSTRUMENTS

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

The Company's management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 311	\$ -	\$ -	\$ 311

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Securities listed in the ROC				
Equity securities	\$ 324	\$ -	\$ -	\$ 324

There were no transfers between Levels 1 and 2 in the current and prior periods.

c. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 11,794,467	\$ 10,701,258
Financial assets at FVTOCI		
Equity instruments	311	324
<u>Financial liabilities</u>		
Amortized cost (2)	1,358,732	1,473,512

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables, other receivables (excluding sales tax refund receivables), and refundable deposits.
- 2) The balances include financial liabilities measured at amortized cost, which comprise trade and other payables (excluding payables for salary and bonus, employees' compensation, pension cost, and taxation), and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivables, trade payables, and bank borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar (USD) and Japanese Yen (JPY).

The following table details the Company's sensitivity to a 10% increase and decrease in NTD (the functional currency) against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the NTD weakening 10% against the relevant currency. For a 10% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Profit or loss	\$ 348,494 (i)	\$ 505,145 (i)	\$ 13,603 (ii)	\$ 20,035 (ii)

- i. This was mainly attributable to the exposure outstanding on cash, receivables and payables in USD, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure to outstanding on cash, receivables and payables in JPY, which were not hedged, at the end of the reporting period.

The Company's sensitivity to foreign currency decreased during the current year mainly due to the decrease of USD foreign currency deposits. The Company's sensitivity to foreign currency decreased during the current period mainly due to the decrease of trade receivables in JPY.

b) Interest rate risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 9,071,145	\$ 7,847,217
Cash flow interest rate risk		
Financial assets	590,186	869,085

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would increase/decrease by \$5,902 thousand and \$8,691 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on floating rate bank deposits.

The Company's sensitivity to interest rates was not significantly different for the years ended December 31, 2021 and 2020.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables.

In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for the clients with trade receivables accounting for 10% of total monetary assets. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 10% of total monetary assets at any time during the years ended December 31, 2021 and 2020.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents, highly liquid marketable securities, and sufficient bank borrowings deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk rate table

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2021

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,358,732	\$ -	\$ -	\$ -
Lease liabilities	<u>2,212</u>	<u>1,856</u>	<u>3,744</u>	<u>-</u>
	<u>\$ 1,360,944</u>	<u>\$ 1,856</u>	<u>\$ 3,744</u>	<u>\$ -</u>
	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 4,068</u>	<u>\$ 3,744</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year	1-3 Years	3+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 1,473,512	\$ -	\$ -	\$ -
Lease liabilities	<u>3,859</u>	<u>3,881</u>	<u>7,812</u>	<u>-</u>
	<u>\$ 1,477,371</u>	<u>\$ 3,881</u>	<u>\$ 7,812</u>	<u>\$ -</u>

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 7,740</u>	<u>\$ 7,812</u>	<u>\$ -</u>	<u>\$ -</u>

The following tables detail the Company's expected maturities for some of its non-derivative financial assets. The tables below had been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2021

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 2,131,156	\$ -
Variable interest rate assets	590,187	-
Fixed interest rate assets	<u>9,074,746</u>	<u>-</u>
	<u>\$ 11,796,089</u>	<u>\$ -</u>

December 31, 2020

	1-6 Months	6 Months to 1 Year
<u>Non-derivative financial assets</u>		
Non-interest bearing assets	\$ 1,982,711	\$ -
Variable interest rate assets	869,172	-
Fixed interest rate assets	<u>7,852,594</u>	<u>-</u>
	<u>\$ 10,704,477</u>	<u>\$ -</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

25. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its related parties are disclosed below.

Related parties and their relationships with the Company:

Related Party	Related Party Category and Relationship with the Company
Sumco Corporation	Ultimate parent company
Sumco Techxiv Corporation	Parent of the Company
Sumco Technology Corporation	Sister company (subsidiary of Sumco Corporation)

(Continued)

Related Party	Related Party Category and Relationship with the Company
Japan Formosa Sumco Technology Corporation	Subsidiary of the Company
Formosa Plastic Corporation	Investor with significant influence over the Company (equity-method investor holding 29.05% of the equity of the Company)
Formosa Technologies Corporation	Other (a director is the chairman of the Company)
Formosa Daikin Advanced Chemicals Co., Ltd.	Other (same chairman)
Formosa Heavy Industries Corporation	Other (same chairman)
	(Concluded)

Operating Transactions

a. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
Sales	Ultimate parent company (Sumco Corporation)	\$ 574,992	\$ 30,368
	Parent entity (Sumco Techxiv Corporation)	<u>1,848,353</u>	<u>1,840,765</u>
		<u>\$ 2,423,345</u>	<u>\$ 1,871,133</u>

The transaction prices are based on mutual agreement. The credit term are from the day the related party confirms the sale: (a) 60 days - parent entity; (b) 55 days -ultimate parent company.

b. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2021	2020
Ultimate parent company (Sumco Corporation)	\$ 539,611	\$ 529,073
Parent company of the Company (Sumco Techxiv Corporation)	34,331	31,098
Subsidiary (Japan Formosa Sumco Technology Corporation)	696,658	730,518
Investor with significant influence over the Company	25,743	21,517
Others (same chairman or a director is the chairman of the Company)	<u>23,153</u>	<u>19,040</u>
	<u>\$ 1,319,496</u>	<u>\$ 1,331,246</u>

The transaction prices are based on mutual agreement. Payments are due within the following number of days from the receipt of the Company's goods: (a) 30 to 70 days - parent entity; (b) 60 to 120 days - ultimate parent entity; (c) 70 days - subsidiary entity; and (d) immediately upon delivery - all other related parties.

Receivables from related parties are as follows:

Line Item	Related Party Category	December 31	
		2021	2020
Trade receivable	Ultimate parent company (Sumco Corporation)	\$ 131,392	\$ 29,674
	Parent entity (Sumco Techxiv Corporation)	<u>325,336</u>	<u>276,232</u>
		<u>\$ 456,728</u>	<u>\$ 305,906</u>

Payables to related parties are as below:

Line Item	Related Party Category	December 31	
		2021	2020
Trade payable	Ultimate parent entity (Sumco Corporation)	\$ 95,169	\$ 92,098
	Parent entity (Sumco Techxiv Corporation)	2,947	3,976
	Subsidiary entity (Japan Formosa Sumco Technology Corporation)	177,123	194,283
	Investor with significant influence over the Company	3,429	1,776
	Others (same chairman or a director is the chairman of the Company)	<u>1,304</u>	<u>259</u>
		<u>\$ 279,972</u>	<u>\$ 292,392</u>

The outstanding trade payables to related parties are unsecured and will be paid by cash. The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

c. Commission income, income from sale of waste, other revenue and other receivables

	For the Year Ended December 31	
	2021	2020
Ultimate parent company (commission income, accounted for as other income; other revenue, accounted for as deduction of operating costs)	\$ 2,674	\$ 9,150
Sister company (income from sale of waste, accounted for as deduction of operating costs)	-	-
Investor with significant influence over the Group (other income)	<u>807</u>	<u>1,049</u>
	<u>\$ 3,481</u>	<u>\$ 10,199</u>
	December 31	
	2021	2020
Ultimate parent company (other receivables)	<u>\$ -</u>	<u>\$ 1,288</u>

d. Lease arrangements - the Company is lessee

	December 31	
	2021	2020
<u>Acquisition of right-of-use assets</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u>-</u>	\$ <u>6,668</u>
<u>Lease liabilities</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u>7,446</u>	\$ <u>14,461</u>
<u>Interest expense</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ <u>124</u>	\$ <u>200</u>

The Company leased right-of-use of land and office from its investors with significant influence over the Company - Formosa Plastic Corporation in January 2020 and January 2019. The lease term of the two contracts was 5 and 2 years, respectively; the rental is based on mutual agreement and fixed lease payments are paid monthly and semiannually, respectively.

e. Loans to related parties

	December 31	
	2021	2020
<u>Other receivables - related parties</u>		
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	\$ <u>398,142</u>	\$ <u>567,285</u>
<u>Interest receivables (accounted for as other receivables - related parties)</u>		
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	\$ <u>1,981</u>	\$ <u>2,245</u>
	For the Year Ended December 31	
	2021	2020
<u>Interest income</u>		
Investors with significant influence over the Company (Formosa Plastic Corporation)	\$ 13	\$ 18
Subsidiary entity (Japan Formosa Sumco Technology Corporation)	<u>4,781</u>	<u>6,323</u>
	\$ <u>4,794</u>	\$ <u>6,341</u>

The Company issued a total loan of \$495,686 thousand to significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured. The interest income from loan to significant influence (Formosa Plastic Corporation) was \$13 thousand. The loans was recovered before June 30, 2021.

The Company issued a total loan of \$644,870 thousand to significant influence (Formosa Plastic Corporation) at 1% interest rate, which was unsecured. The interest income from loan to significant influence (Formosa Plastic Corporation) was \$18 thousand. The loans was recovered before June 30, 2020.

The Company issued loans to the subsidiaries and provided them with loans at interest rate of 1% in the current and prior periods.

f. Other transactions with related parties

1) The repairs and maintenance expenses of manufacturing expenses

The repairs and maintenance expenses the Company paid to the other related party (Formosa Technologies Corporation) were \$21,530 thousand and \$22,777 thousand for the years ended December 31, 2021 and 2020, respectively. The transaction amounts are based on mutual agreement, and settled within the year.

The repairs and maintenance expenses the Group paid to the other related party (Formosa Heavy Industry Corporation) were \$2,947 thousand for the years ended December 31, 2021. The transaction amounts are based on mutual agreement, and settled within the year.

2) Acquisitions of equipment and payables for purchase of equipment - related parties

The Company acquired processing transportation system from other related parties (Formosa Heavy Industries Corporation) with contract price of \$8,066 thousand, has been paid upon receipt.

The Company acquired video conference network system and distributed control system DCS from inventor with significant influence (Formosa Plastic Corporation) with contract price of \$3,294 thousand, has been paid upon receipt.

The Company acquired software package from other related parties (Formosa Technologies Corporation) with contract price of \$4,191 thousand, has been paid upon receipt.

The Company replaced manufacturing process control system from other related parties (Formosa Technologies Corporation) for the year ended December 31, 2020 with contract price of \$54,000 thousand. The payable balance of \$2,700 thousand, as of December 31, 2020, accounted for as payable for equipments to related parties (other payable), has been paid upon receipt.

The Company acquired facial identity access control system from inventor with significant influence (Formosa Plastic Corporation) in the year December 31, 2020 with contract price of \$1,900 thousand and \$8,760 thousand, has been paid upon receipt.

The Company acquired production equipment from its ultimate parent company (Sumco Corporation) with contract price of \$195 thousand, has been paid upon receipt.

The Company acquired a warehouse management system from other related party (Formosa Technologies Corporation) for the year ended December 31, 2019 at a contract price of \$72,790 thousand. The balance payable was \$3,565 thousand, as of December 31, 2020, accounted for as other payables-related parties, has been paid upon receipt.

3) Other transactions

In December 2020, March, April, June, August, September, November 2021, the Company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY13,000 thousand (NT\$3,098 thousand) in April, May, July, November and December 2021, has been paid JPY13,000 thousand (NT\$3,098 thousand) and was recognized as intangible assets (refer to Note 14)

In March and December 2020, the Company has signed technical compensation arrangement with its ultimate parent company and acquired the technical know-how of silicon wafer production worth JPY28,000 thousand (NT\$7,728 thousand) in March, April and December 2020, has been paid JPY28,000 thousand (NT\$7,728 thousand) and was recognized as intangible assets (refer to Note 14).

Under an existing agreement effective since 2003, the Company is liable of paying royalty to its parent company regularly. The royalty was recognized as selling expenses for the years ended December 31, 2021 and 2020. The unpaid amount as of December 31, 2021 and 2020 were recognized as royalties payable to related parties (accounted for as other payables) and will be paid in February of the subsequent year.

In August 2010, the Company signed a technical right and support contract with its ultimate parent company. Under this contract, the Company receives support from the ultimate parent company in technical know-how and assistance in manufacturing of silicon wafer semiconductors. The Company should pay royalty to the ultimate parent company regularly. The royalty was recognized as technical commission fees classified under selling expenses for the years ended December 31, 2021 and 2020. The unpaid amounts as of December 31, 2021 and 2020, were recognized as royalties payable to related parties (other payables) and will be paid in February of the subsequent year.

The above-mentioned selling expenses and accrued expenses (other payables) that resulted from transactions with related parties are summarized as follows:

	For the Year Ended December 31	
	2021	2020
<u>Selling expenses (technical support expense)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>232,171</u>	<u>191,474</u>
	<u><u>\$ 250,546</u></u>	<u><u>\$ 210,734</u></u>
	December 31	
	2021	2020
<u>Payable for royalties (other payables)</u>		
Parent entity (Sumco Techxiv Corporation)	\$ 18,375	\$ 19,260
Ultimate parent entity (Sumco Corporation)	<u>241,048</u>	<u>191,474</u>
	<u><u>\$ 259,423</u></u>	<u><u>\$ 210,734</u></u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 18,767	\$ 20,928
Post-employment benefits	104	103
Other long-term employee benefits	<u>13</u>	<u>10</u>
	<u>\$ 18,884</u>	<u>\$ 21,041</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

- The newly purchased machinery and equipment are exempt from tariff. Under the “estimated useful lives of fixed assets” enacted by Executive Yuan, should there be any capital reduction or other transfer of the machinery, equipment or components mentioned above to a third party, except those transferred to permitted businesses, the Company should pay supplementary import duties for the fixed assets.
- Amounts available under unused letters of credit as of December 31, 2021 were NT\$127,349, and the available under unused letters of credit were from purchasing machinery and equipment.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 137,542	27.690 (USD:NTD)	\$ 3,808,548
JPY	1,755,148	0.2404 (JPY:NTD)	<u>421,938</u>
			<u>\$ 4,230,486</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	1,516,631	0.2404 (JPY:NTD)	<u>\$ 361,244</u>

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	11,687	27.690 (USD:NTD)	\$ 323,606
JPY	1,189,298	0.2404 (JPY:NTD)	<u>285,907</u>
			<u>\$ 609,513</u>
			(Concluded)

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 199,529	28.508 (USD:NTD)	\$ 5,688,181
JPY	2,146,271	0.2724 (JPY:NTD)	<u>584,644</u>
			<u>\$ 6,272,825</u>
Non-monetary items			
Investments accounted for using the equity method			
JPY	1,368,028	0.2724 (JPY:NTD)	<u>\$ 372,898</u>
<u>Financial liabilities</u>			
Monetary items			
USD	22,335	28.508 (USD:NTD)	\$ 636,731
JPY	1,410,760	0.2724 (JPY:NTD)	<u>384,291</u>
			<u>\$ 1,021,022</u>

The Company is mainly exposed to the USD and JPY. For the significant realized and unrealized foreign exchange gains (losses), refer to Note 20.

28. DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities) (Table 2)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (None)
 - 10) Intercompany relationships and significant intercompany transactions (Note 25)
 - 11) Information on investees (Table 5)
- c. Information on investments in mainland China
- None.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 6)

TABLE 1

FORMOSA SUMCO TECHNOLOGY CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 3)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrower	Total Financing Amount Limits	Note
													Item	Value			
0	Formosa Sunco Technology Corporation	Japan Formosa Sunco Technology Corporation Formosa Plastic Corporation	Receivables from related parties	Yes	\$ 743,000 (Notes 3 and 4)	\$ 743,000 (Notes 3 and 4)	\$ 398,142	1.00%	2	\$ -	Operating capital	\$ -	None	\$ -	\$ 2,085,276	\$ 10,426,378	
			Receivables from related parties	Yes	743,000 (Notes 3 and 4)	- (Notes 3, 4 and 5)	- (Note 5)	1.00%	2	-	Operating capital	-	None	-	5,213,189	10,426,378	

Note 1: a. “0” financing provide.
b. “1” and onward coded based on reduce of companies inverted.

Note 2: a. “1” with trade transaction.
b. “2” the need for short-term financing.

Note 3: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

Note 4: Financing period for Japan Formosa Technology Corporation from June 10, 2021 to June 9, 2022.

Note 5: The Company recovered a \$495,686 thousand loan from Formosa Plastic Corporation before June 30, 2021.

TABLE 2

FORMOSA SUMCO TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Held Company Name	Marketable Securities Type and Name (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	Ending Balance				Note
				Shares	Carrying Value (Note 3)	Percentage of Ownership (%)	Fair Value	
Formosa Sumco Technology Corporation	<u>Stock</u> Formosa Petrochemical Corporation		Financial assets at FVTOCI	3,247	\$ 311		\$ 311	

Note 1: The marketable securities, listed above includes stocks, bonds, beneficiary certifiable, and all form of securities listed under IFRS 9: Financial Instruments.

Note 2: The issuer of security is unrelated party. Hence, no descriptions of relationship.

Note 3: The carrying value equals the original cost of \$38 thousand pluses year-end evaluation of \$273 thousand.

Note 4: Please refer to Table 5 for further information above investee.

TABLE 3

FORMOSA SUMCO TECHNOLOGY CORPORATION

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Formosa Sumco Technology Corporation	Sumco Corporation	Ultimate parent company	Purchase	\$ 539,611	8.47	60 to 120 days from the receipt of the Company's goods	No significant difference	No significant difference	\$ (95,169)	(14.62)	
	Sumco Corporation	Ultimate parent company	Sale	574,992	4.73	Net 55 days from the end of the month of when invoice is issued	No significant difference	No significant difference	131,392	6.18	
	Sumco Techxiv Corporation	Parent Company	Sale	1,848,353	15.19	Net 60 days from the end of the month of when invoice is issued	No significant difference	No significant difference	325,336	15.30	
	Japan Formosa Sumco Technology Corporation	Subsidiary	Purchase	696,658	10.93	70 days receipts of the Company's goods	No significant difference	No significant difference	(177,123)	(27.21)	
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	Sale	696,658	100.00	70 days receipts of the Company's goods	No significant difference	No significant difference	177,123	100.00	

TABLE 4

FORMOSA SUMCO TECHNOLOGY CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Actions Taken		
Formosa Sumco Technology Corporation	Sumco Techxiv Corporation	Parent company	\$ 325,336	6.15	\$ -	-	\$ 167,321	\$ -
Formosa Sumco Technology Corporation	Sumco Corporation	Ultimate parent company	131,392	7.14	-	-	65,900	-
Japan Formosa Sumco Technology Corporation	Formosa Sumco Technology Corporation	Parent company	177,123	3.75	-	-	49,643	-
Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Subsidiary	400,123 (Note)	Not applicable	-	-	-	-

Note: The Company issued loan to Japan Formosa Sumco Technology Corporation which includes principal \$398,142 thousand and interest \$1,981 thousand.

TABLE 5

FORMOSA SUMCO TECHNOLOGY CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of Foreign Currency/New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
Formosa Sumco Technology Corporation	Japan Formosa Sumco Technology Corporation	Japan	Manufacture and sale of high quality ingot and other related business	JPY 998,000 (NT\$ 248,390)	JPY 998,000 (NT\$ 248,390)	9,980	100	JPY 1,516,631 (NT\$ 361,244)	JPY 90,934 (NT\$ 23,189)	JPY 148,603 (NT\$ 37,823)	Notes 1 and 2

Note 1: Carrying amount and share of profit (loss) is calculated from the financial statements audited by the independent accountant and the percentage of ownership of the investor company.

Note 2: The share of profits (losses) of the investee includes the effect of unrealized gross profit on intercompany transactions.

TABLE 6**FORMOSA SUMCO TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sumco Techxiv Corporation	176,742,849	45.57
Formosa Plastic Corporation	112,707,716	29.05
Asia Pacific Investment Corporation	34,675,146	8.94

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day of the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders that have been delivered by the company without physical registration (including treasury shares) is more than 5%. The share capital recorded in the company's consolidated financial report and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.

FORMOSA SUMCO TECHNOLOGY CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of financial assets at amortized cost	Note 8
Statement of accounts receivable	2
Statement of other receivables	Note 9
Statement of inventories	3
Statement of changes in investments accounted for using the equity method	4
Statement of changes in property, plant and equipment	Note 12
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Statement of changes in right of use assets	Note 13
Statement of changes in accumulated depreciation of right of use assets	Note 13
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FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Item	Description	Amount
Cash on hand		\$ 8
Checking accounts		2,543
Demand deposits		564
Foreign currency deposits (Note)		589,622
Cash equivalents	Commercial papers - expiry date on 2022.01.31, interest rates range from 0.25%-0.37%	1,574,086
	Repurchase agreements collateralized by bonds - expiry date on 2022.01.31, interest rates range from 0.25%-0.30%	1,683,130
	Time deposits - within 31 to 90 days, interest rates at 0.31%-0.38%	<u>5,415,787</u>
		<u>\$ 9,265,740</u>

Note:

Foreign Currency Amount (In Thousands)	Exchange Rate	New Taiwan Dollar Amount (In Thousands)
USD20,437	27.690	\$ 565,894
JPY90,741	0.2404	21,814
EUR61	31.3613	<u>1,914</u>
		<u>\$ 589,622</u>

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Client Name	Description	Amount
Unrelated parties		
Client A	Payments	\$ 442,707
Client B	Payments	337,591
Client C	Payments	275,523
Client D	Payments	184,323
Client E	Payments	165,257
Client F	Payments	122,849
Client G	Payments	97,938
Others (Note)	Payments	43,952
Less: Allowance for impairment loss to unrelated parties		<u>-</u>
		<u>\$ 1,670,140</u>
Related parties		
SUMCO TECHXIV CORPORATION	Payments	\$ 325,336
SUMCO CORPORATION		131,392
Less: Allowance for impairment loss to related parties		<u>-</u>
		<u>\$ 456,728</u>

Note: The amount of each item does not exceed 5% of the account balance.

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	
		Cost	Net Realizable Value
Raw materials (Note)		\$ 758,756	\$ 771,225
Supplies		1,070,445	1,065,259
Work in progress		452,289	577,230
Finished goods		613,310	737,922
Merchandise inventories		22,813	22,813
Less: Allowance for inventory write-downs		<u>(132,594)</u>	<u>-</u>
		<u><u>\$ 2,785,019</u></u>	<u><u>\$ 3,174,449</u></u>

Note: Except for raw materials that have been valued based on the most recent purchase price, the net realizable value has been valued based on the estimated price under normal situations minus costs required for completion and marketing expenses.

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN LONG TERM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee	Balance, January 1, 2021		Additions		Decrease		Investment Gain or Loss	Exchange Adjustment	Balance, December 31, 2021			Equity, Net	Guarantee or Pledge
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount		
Unlisted company Japan Formosa Sumco Technology Corporation	9,980	<u>\$ 372,898</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ 37,823</u>	<u>\$ (49,477)</u>	9,980	100	<u>\$ 361,244</u>	<u>\$ 383,580</u>	N

Note: The investment gain or loss was calculated on the basis of the investee's audited financial statements for the same reporting periods as the Company and the proportion of the Company's ownership.

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Description	Amount
Unrelated parties		
Vendor A	Payments	\$ 126,822
Vendor B	Payments	107,823
Others (Note)	Payments	<u>136,252</u>
		<u>\$ 370,897</u>
Related parties		
Sumco Corporation	Payments	\$ 95,169
Japan Formosa Sumco Technology Corporation	Payments	177,123
Others	Payments	<u>7,680</u>
		<u>\$ 279,972</u>

Note: The amount of each item does not exceed 5% of the account balance.

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Number	Amount
Silicon wafers	7,972,405 pieces	<u><u>\$ 12,166.313</u></u>

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2021
 (In Thousands of New Taiwan Dollars)

Item	Amount
Merchandise inventories, beginning of year	\$ 7,444
Add: Transferred from other accounts	242,626
Less: Merchandise inventories, end of year	(22,813)
Others	54
Cost of goods sold - imported products	<u>227,311</u>
Raw materials, beginning of year	698,121
Add: Raw materials purchased	2,108,378
Transferred from other accounts	95,387,799
Less: Raw materials, end of year	(758,756)
Transferred to other accounts	<u>(2,047,743)</u>
Raw materials consumed	<u>95,387,799</u>
Supplies, beginning of year	1,082,442
Add: Supplies purchased	2,871,652
Transferred from other accounts	4,083
Less: Supplies, end of year	(1,070,445)
Transferred to expenses	(2,885,684)
Others	<u>(2,048)</u>
Supplies consumed	<u>-</u>
Direct labor	<u>1,150,428</u>
Manufacturing expenses	<u>6,613,637</u>
Manufacturing costs	103,151,864
Add: Work in progress, beginning of year	491,412
Transferred from other accounts	95,387,799
Less: Work in progress, end of year	(452,289)
Transferred to other accounts	(138,246,640)
Transferred to expenses	<u>(54,586)</u>
Cost of finished goods	60,277,560
Add: Finished goods, beginning of year	684,831
Less: Finished goods, end of year	(613,310)
Transferred to other accounts	(50,727,924)
Transferred to expenses	<u>(129,998)</u>
Cost of goods sold - finished goods	<u>9,491,159</u>
Idle capacity	<u>2,127</u>
Inventory write-downs	<u>15,324</u>
Income from sale of silicon waste	<u>(58,276)</u>
	<u>\$ 9,677,645</u>

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payroll expense		\$ 35,996
Shipping expense		87,398
Packing expense		38,648
Technical support expense		250,546
Others (Note)		<u>48,209</u>
		<u>\$ 460,797</u>

Note: The amount of each item does not exceed 5% of the account balance.

FORMOSA SUMCO TECHNOLOGY CORPORATION**STATEMENT OF ADMINISTRATIVE EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payroll expense		\$ 175,751
Others	Allocation expenses of general management office	26,348
	Others (Note)	<u>68,025</u>
		<u><u>\$ 270,124</u></u>

Note: The amount of each item does not exceed 5% of the account balance.

FORMOSA SUMCO TECHNOLOGY CORPORATION

STATEMENT OF LABOR, DEPRECIATION, DEPLETION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expense						
Salary and bonus	\$ 1,469,695	\$ 176,432	\$ 1,646,127	\$ 1,240,467	\$ 145,557	\$ 1,386,024
Labor and health insurance	111,552	12,789	124,341	97,606	10,878	108,484
Pension expense	58,814	7,582	66,396	56,186	7,187	63,373
Remuneration of directors	-	14,944	14,944	-	15,502	15,502
Other benefit expense	35,626	3,231	38,857	34,939	3,045	37,984
Depreciation	1,941,871	11,781	1,953,652	2,115,619	10,851	2,126,470
Amortization	1,699	-	1,699	1,164	-	1,164

Note 1: As of December 31, 2021 and 2020, the Company had 1,369 and 1,336 employees, including 8 non-employee directors.

Note 2: Average labor cost for the years ended December 31, 2021 and 2020 were \$1,378 thousand and \$1,202 thousand, respectively.

Note 3: Average salary and bonus for the years ended December 31, 2021 and 2020 were \$1,210 thousand and \$1,044 thousand, respectively.

Note 4: The average salary and bonus decreased by 15.90% year over year.

Note 5: The Company did not have supervisors for the years ended December 31, 2021 and 2020. Therefore, there was no compensation to the supervisor.

Note 6: a. The policies of compensation for Directors:

1. The Company has canceled distribution of compensation to directors from earning which were approved in the shareholder's meeting.
2. The handling of compensations for directors and supervisors is delegated to the Board of Directors, and proposed in consideration of directors' levels of participation in the Company's operations and value of contribution, and by referencing industry standards in accordance with the Company's Articles of Association.
3. The Remuneration Committee and the Board of Directors have reached the solution that, except for the independent directors who will be paid a fixed monthly compensation, the current directors and supervisors will not receive remunerations. In addition, directors who concurrently serve as managers will not be paid honorarium fees, while the other directors and supervisors will receive fixed honorarium fees based on actual Board meeting attendance records.

b. The Company has established the Remuneration Committee to replace supervisor in June 21, 2018.

c. The policies of compensation for Managers:

The President's and Deputy General Manager's compensations are handled in accordance with the Company's Articles of Incorporation and Article 29 of the Company Act. In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the Company's operating conditions. Fixed monthly salary is also adjusted by the Remuneration Committee in reference to the Company's overall employee salary adjustment standards.

d. The policies of compensation for Employee:

In addition to fixed monthly salary, year-end bonuses, festival bonuses and special awards are also given subject to the Company's operating conditions. Fixed monthly salary is also adjusted by CPI and other economic data in reference to the Company's overall employee salary adjustment standards.