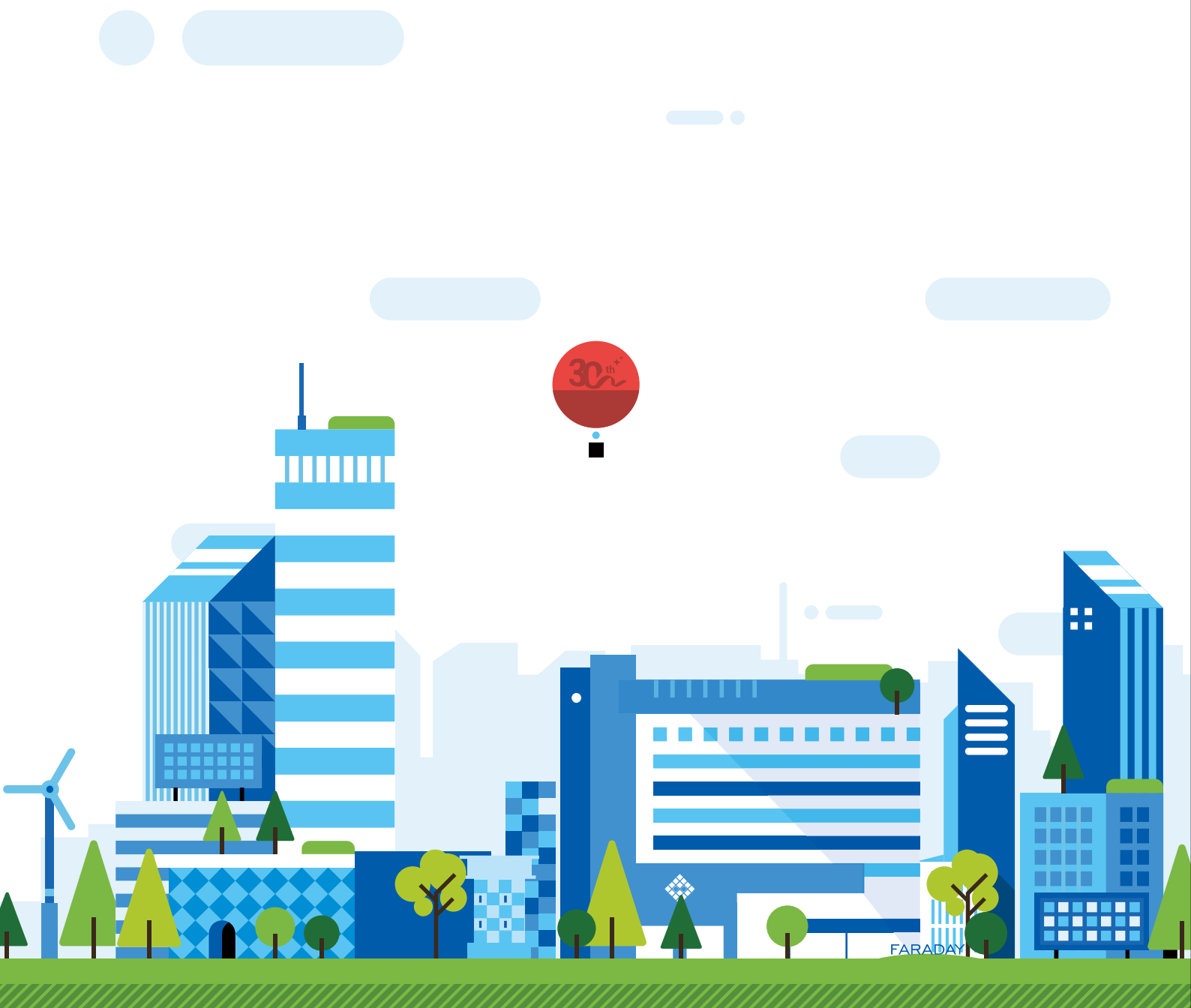




Taiwan stock exchange market observation post system : <http://mops.twse.com.tw>
Printed on April 30, 2022

TWSE 3035

2021 Annual Report



1. Company Spokesperson and Deputy Spokesperson

Spokesperson

Name: Wen-Ju Tseng

Title: Chief Financial Officer

Phone: (03) 578-7888

Deputy Spokesperson

Name: Chao-Yi Lu

Title: Manager

Phone: (03) 578-7888

Email: ir@faraday-tech.com

2. Address and telephone number of the head office, branch office and factory

Address: No.5, Li-Hsin Rd.III, Hsinchu Science Park, Hsinchu City, Taiwan 300, R.O.C.

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Floor 10-1, No. 30 Zhongzheng South Road, Yongkang District, Tainan City

Phone: (03) 578-7888

(02) 2627-5988

(06) 282-8686

3. Name, address, Faraday's official website and telephone number of stock transfer institution

Name: Horizon Securities Co., Ltd.

Address: 3rd Floor, No. 236, Section 4, Xinyi Road, Taipei City

Faraday's official website: www.honsec.com.tw

Phone: (02) 2700-8899

4. The names of the CPAs of the most recent annual financial report, name of the firm, address, Faraday's official website address and telephone number.

CPAs: Wan-Ju Chiu and Hsin-Min Hsu

Firm Name: Ernst & Young

Address: 9th Floor, No. 333, Section 1, Keelung Road, Taipei City

Faraday's official website: www.ey.com.tw

Phone: (02) 2757-8888

5. Name of venue for trading of listed overseas securities and the way to inquire about the information of the overseas securities

Not applicable

6. Company Faraday's official website www.faraday-tech.com

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I. Letter to Shareholder

Dear shareholders,

2021 was the year with challenges for the global semiconductor industry. The COVID-19 pandemic and the transformation of the geopolitical situation have brought great disturbance and uncertainty to the society. However, with the rise of new trends such as working from home (WFH) and distance learning, the semiconductor industry has ushered in a new wave of demand, and the industrial supply chain is also facing the pressure of tight production capacity. On the one hand, Faraday proceeds a good job in epidemic prevention; on the other hand, strengthens technological development; meanwhile, working closely with customers and the supply chain to keep abreast of the dynamic changes in demand and supply. At Faraday, we attach great importance to the health and safety of our colleagues, and the preparations for epidemic prevention were initiated very early and quite successfully. In terms of business, Faraday has also actively adjusted its strategy and tried our best to continue to meet the requirements of our customers. Facing various challenges in 2021, Faraday has created new achievements in both business and financial performance with its unique operating model and competitive advantages. 2021 was a year of remarkable growth and progress for Faraday. The new ASIC projects have maintained high grades year after year, and the revenue has achieved excellent performance in all aspects: Silicon Intellectual Property (IP) revenue has hit a 14-year high, the non-recurring engineering (NRE) has also benefited from the booming ASIC projects to set a historical record high. Faraday's mass production revenue has also been increased for 3 consecutive years, driven by new project shipments. These are the results of long-term accumulation and fully demonstrate Faraday's solid mid-term and long-term competitiveness. Looking back to the year of 2021, with the efforts of all employees, the annual collective revenue reached NT\$8.09 billion, an increase of 47% over the previous year, reaching the second highest in history; in terms of profit performance, the annual operating profit was even higher than the previous year. It has grown more than nine times in one year to NT\$1.4 billion, operating profit rate has reached 17.3% with basic earnings per share of NT\$4.65.

The main operating results of Faraday in 2021 are as follows:

- The revenue structure was optimized, and the mass production has been entered a stacked growth. Faraday is positioned as an expert in customized ICs, with complete technical layout and unique business model, Faraday is able to focus on the blue ocean market of niche products. Niche products have the characteristics of long life cycle and are less affected by economic fluctuations. Taken as growth drivers, they will bring long-term structural changes to mass production revenue, and strengthen the growth and predictability of revenue. In 2021, under the stacked growth of new projects, mass production became the main driving force, and the revenue increased by 56% compared to the previous year to NT\$5.61 billion, growing for three consecutive years.
- ASIC orders were stable, and non-recurring engineering (NRE) revenue has hit a record high. Faraday's achievements in ASIC orders are obvious to all. With the support of existing customers, the annual order numbers and order amount have remained consistently high even if affected by the epidemic, indicating that the customer has a close cooperation relationship with Faraday and has high customer engagement. In terms of applications, we continue our long-term efforts in niche advantageous applications, including automation applications, artificial intelligence and the Internet of Things (AIoT), network communications, etc. We have made gains in these rapidly developing fields. Faraday orders pay attention first to mass production, and the continuous accumulation of ASIC orders will lay the foundation for the growth of future mass production. In 2021, the NRE revenue increased by 32% and hit a record high of NT\$1.41 billion.
- Focusing on its own IP development, IP revenue hit a 14-year high. Faraday's complete

proprietary IP platform is the cornerstone of our business operations, which not only provides IP customization services to reduce design risks, but also brings IP revenue to Faraday. In addition, Faraday is also actively investing in the IP deployment of advanced processes to prepare for customer future needs. In 2021, IP revenue increased by 27% over the previous year to NT\$1.06 billion, a 14-year high.

Faraday continues to innovate and invest in research and development. In 2021, Faraday's significant technological breakthroughs and achievements included:

- Introduced complete image and display high-speed interface IP in UMC's 40 LP and 28 HPC/28 HPC Plus processes and has been successfully applied in many top high-end products to meet the requirements of various image and display systems.
- Based on UMC's 28 HPC Plus process, it has launched programmable 16G SerDes with high applicability, suitable for both enterprise and consumer products, which can help customers expand business opportunities to more diverse applications.
- Launched LPDDR4/4X PHY IP on Samsung 14 LPC process platform and has passed silicon verification, suitable for multimedia, AR/VR, AI edge computing, AIoT, 5G Netcom and other applications.
- Successfully built a 5G NR mmWave ASIC project, which is used in small cell baseband/IF and RRU (Remote Radio Unit), fully demonstrating Faraday's comprehensive integrated service capabilities and high-speed interface IP solutions and manufacturing services.
- Launched MIPI D-PHY IP on Samsung 14 LPC process platform and has passed silicon verification, which can support a board range of high-performance display and camera applications to meet customers' specific needs in complex SoC designs.
- Successfully used the self-developed SoReal!™ 2.0 virtual platform to help customers quickly build SoC virtual systems and accelerate the software development of industrial IoT systems.

Faraday has also received honors and recognitions in technology research and development and corporate sustainability. Faraday has been dedicated to automotive IP for over a decade. After the design process has passed ISO 26262 certification, Faraday has continued to invest in automotive IP research and development, and applied by worldwide first-tier automotive suppliers. Faraday also launched memory IP in UMC's 55 nm eFlash process. And successfully received the ISO 26262 ASIL-D Ready certificate, the highest level of automotive safety, issued by the German certification agency SGS-TÜV. In addition to focusing on its own business, Faraday is also committed to fulfilling its corporate social responsibility. Through cross-departmental teamwork and stakeholder management, Faraday carried out operations such as identification of major ESG issues, risk assessment management, green R&D innovation, etc., and promoted/strengthened 11 major ESG issues and won the AQM x SGS Quality Excellence Case Award. In addition, Faraday continuously responded to government agencies and global investment institutions' initiatives for environmental protection, introduced the TCFD climate change-related financial disclosure framework to implement corporate sustainability, and promoted the interaction with community and society by the main topics of "education", "environmental protection", and "helping for the disadvantaged". We have continuously completed a number of campus education promotion, sponsored ecological conservation activities and donated a number of charity activities.

In 2021, Faraday's market capitalization has also grown rapidly with its own business, and Faraday has been selected as a constituent stock of the Taiwan Mid-Cap 100 Index. On the other hand, Faraday also continuously selected as a constituent stock of Taiwan High Compensation 100 Index. Looking forward to the future, Faraday will continue to implement epidemic prevention measures and continue to strengthen Faraday's fundamentals. We believe that with Faraday's unique operating model and service platform, we are in an excellent position in terms

of IP, commissioned design, product application, and customer base. At the end, we would like to thank you again for your long-term support for Faraday Technology. All employees of Faraday will continue to work hard so as to create maximum value for shareholders.

Chairman: Chia-Tsung, Hung

President: Kuo-Yung Wang

Accounting Officer: Wen-Ju Tsen

II. Company Profile

1. Date of establishment

June 10, 1993

2. Company history

June 1993	Faraday Technology was established.
March 1995	Completed the development of key components of the National Science Council, "Technology Development Plan for Applied Integrated Circuit Component Database ".
January 1996	Launched SIP business.
September 1996	Completed the 0.35um standard component database.
November 1997	Completed the 0.25um standard component database development.
October 1999	Faraday's stock was officially listed on the OTC market.
June 2001	Entered into an alliance with the world's largest SIP supplier ARM for joint marketing.
July 2002	The USB2.0 physical layer IP passed USB-IF certification.
August 2002	Faraday's stock was listed on TWSE.
September 2002	Passed ISO9001: 2000 international quality certification.
October 2002	Introduced Serial ATA IP.
December 2002	Signed the SIP Mall Construction Plan with the Ministry of Economic Affairs.
October 2003	Hosted the first USA Faraday Technology's Technology Forum.
June 2004	Launched high-resolution MPEG-4 solution.
September 2004	Launched MPEG4/JPEG multimedia application platform.
September 2004	Launched PCI Express high-speed interface solution.
November 2004	Established "Neihu R&D Center" to expand the R&D lineup of SIP.
December 2005	"Won the "Research and Development Achievement Award" of the Science Park.
August 2006	Signed an ASIC design and distribution partnership agreement with Arrow Electronics, North America's largest semiconductor distributor, to expand the North American market.
September 2006	Officially launched the R&D center in Tainan Science Industrial Park, Taiwan to actively recruit local outstanding scientific and technological talents and strengthen research and development.
October 2006	Participated in the Japan International Flat Panel Display Exhibition for the first time, bringing the complete product line of the flat panel display business to the international market.
November 2006	Launched SerDes IP.
January 2007	Japan OKI, Faraday Technology and UMCJ signed a technical cooperation to provide ASIC design and integrated production services for chips under 90 nm.
February 2007	Faraday Technology won the Frost & Sullivan 2006 Customer Service Innovative Enterprise Award.
March 2007	The cumulative shipment quantity of Faraday Technology's USB IP exceeded 200 million.

November 2007	RA Lab passed the National Accreditation Foundation (TAF) certification.
January 2008	Provided UMC with the 65nm LL process memory compiler.
March 2008	Developed SiP design service capabilities to further enhance integration advantages and competitiveness.
November 2008	Participated in the Fresco Logic Partner Program to provide a complete SuperSpeed USB solution.
December 2008	Launched miniLib™, a 90nm and 65nm micro-intelligence component library
March 2009	Published 0.13um miniIO™ which saves up to 40% of the chip area with a solid ESD performance.
April 2009	Launched 90nm high-speed PCIe 2.0.
May 2009	Led the industry in introducing the USB 3.0 physical layer IP.
July 2009	Launched low power leakage memory to reduce power leakage by 90%.
August 2009	Introduced the 65nm and 55nm miniIO™ which saves 40% of the chip area with a solid ESD performance.
September 2009	The 90 nm SATA 3G solution passed the compatibility standard test.
December 2009	The IP business transfer was transferred to the subsidiary Innopower.
March 2010	Introduced the 90nm USB 3.0 physical layer IP.
April 2010	Passed full software and hardware testing and certification and launched PCIe Gen2 EP Controller IP.
May 2010	Assisted customers in obtaining USB 3.0 host controller certification.
July 2010	Launched 1G Hz ARMv5 instruction-set architecture ultra-high performance processor FA726TE.
October 2010	Introduced USB 3.0 certification achievements: complete layout of USB 3.0 from the host to the device, from the physical layer (PHY) to the controller; Faraday Technology IP received full product certification.
December 2010	Launched 0.11 micron aluminum process IP to help customers improve product performance and cost competitiveness.
January 2011	Launched the 55 Nano High Performance Wireless Communication IQ ADC/DAC IP Solution.
January 2011	Held a USB 3.0 seminar with customers to welcomes the first year of the USB 3.0 market.
October 2011	Assisting customers in the mass production of 65nm consumer electronics products.
February 2012	Signed a cooperation agreement to provide a series of optimized IP SIP to UMC, covering the processes from 0.11 micron to 28 nm.
April 2012	Expanded the authorization of ARM® Cortex™-A9 microprocessor and Mali™-400 MP GPUs.
December 2012	Completed 40nm high-complexity 340 million SoC design.
December 2012	The annual revenue exceeded NT\$8 billion, a record high.
January 2013	Made another success in high-end communication applications by cooperating with UMC to produce 40 nm 300 million logic gate SoC. In response to popular handheld devices, launched MIPI high-integration solution which passed silicon verification with high integration and low power consumption, including MIPI CSI-2, DSI controllers and D-PHY

	IPs.
November 2013	Accelerated the development of single-chip for cloud computing systems, and launched dual-core, ARM Cortex A9-based SoC development platform.
December 2013	Following Canada, mid USA and east USA, Faraday Technology continued to expand its business network to the West Coast of USA, working with local agents with ASIC experience and expertise.
April 2014	Launched the 28nm component library and memory compiler to meet the market demand for low power, high density and high speed performance.
September 2014	Expanded the agency of ARM Keil series products, providing complete MCU development tools and technical support.
March 2015	Announced the UMC 55nm eFlash process component library and memory compiler.
March 2015	Launched the system-level MIPI subsystem solution, integrating CSI-2 RX, LVDS, 28nm and 40nm Combo PHY and prototype kits.
January 2016	Introduced the complete UMC 28nm HPC process component library and memory compiler.
March 2016	The Faraday Technology MIPI IP subsystem shipment quantity exceeded 15 million units, covering mobile devices, security surveillance and digital cameras.
August 2016	Won the ISO9001 Plus QMS Competence Management Benchmark on high-quality design service.
October 2016	Introduced PowerSlash™ SIP to be used in UMC's 55nm ultra-low power consumption process to support IoT application development. Introduced Uranus™ Ultra Low Power IoT Application SoC Development Platform,
October 2016	
January 2017	Faraday Technology became the world's first ASIC design service provider to receive ISO 26262 certification.
March 2017	Introduced the 40eHV and 40LP SRAM compilers with the world's smallest storage cell area.
April 2017	Introduced the 28nm V-by-One HS PHY and controller IP to be used in UMC's HPCU process.
April 2017	Exhibited the full-process IP solution and IoT SoC development platform at ESC 2017.
May 2017	Launched UrLib+® add-on library to be used in UMC's 40LP process. The ASIC automotive IC led the industry in passing the AEC-Q100 and AEC-Q006 reliability verification standards.
June 2017	Launched 28HPC USB 3.1 PHY and 40LP Type-C PHY, and integrated power transfer PD controller.
August 2017	Launches Its New FPGA to ASIC Turnkey Service.
September 2017	Faraday Launches SoReal! 2.0 Virtual Platform to Support Its FPGA Board for Early SoC Software Development.
November 2017	Launched SoReal! 2.0 Virtual Platform to augment hardware integration and accelerate SoC software development.

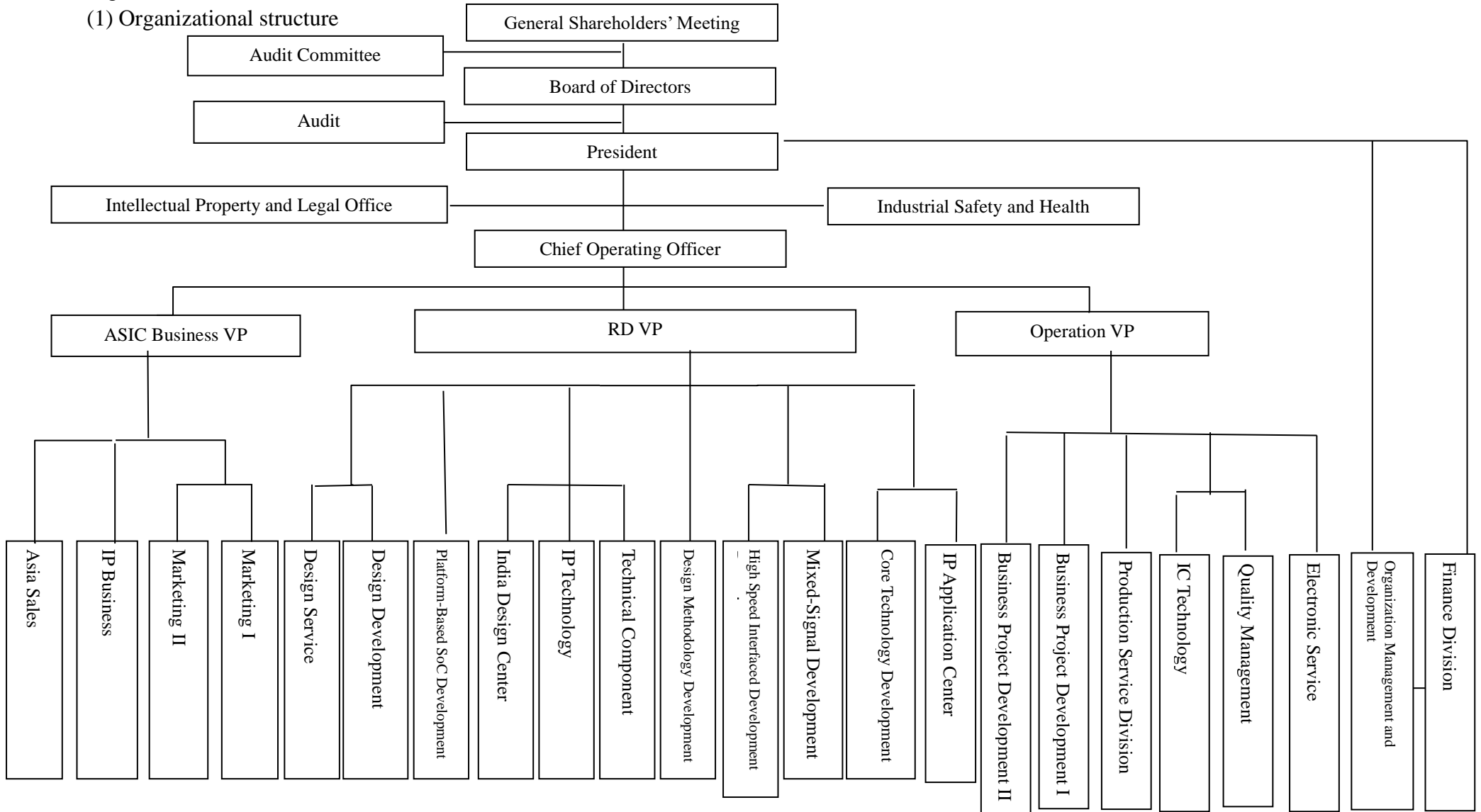
March 2018	Introduced 28nm M1+ component library to greatly improve the results of SoC digital circuit winding.
April 2018	Faraday Technology's FPGA-to-ASIC solution accelerated customer AI IC technology innovation. Led the ASIC industry to support mainstream projector technology.
August 2018	Faraday launched the industry's smallest USB 2.0 OTG PHY IP. Faraday expanded ASIC services to support Samsung FinFET process to provide product applications for new generations.
December 2018	Faraday launched the multi-protocol video interface IP solution which is cost-effective.
April 2019	Faraday's RISC-V ASIC solution successfully assisted mass production of AIoT SoC.
August 2019	Faraday is the first launching 28nm 28G programmable SerDes specialized for Netcom ASIC.
November 2019	Faraday launched the complete IP solution for basic components in UMC's 22nm process.
December 2019	Faraday launched a new generation of IoT SoC platform to accelerate the early development of ASIC.
February 2020	Faraday's AIoT Platform ASIC Solution Escalates System Accomplishment.
March 2020	Faraday launched the Low-DPPM universal solution to meet the highly reliable requirements of ASIC in various fields.
March 2020	Faraday launched the system-level static control services to speed up the schedule of ASIC mass production.
March 2020	Faraday launched the 28G SerDes IP solution in UMC's 28HPC process.
Apr.2020	Faraday provides UMC 40nm Ethernet GPHY silicon intellectual property licensing service.
May 2020	Faraday's SoCreative!V™ SoC development platform accelerates the development timeline of AI edge applications.
May 2020	Faraday successfully imported its display interface IP to several emerging display ASICs.
July 2020	Faraday launches Ariel™ IoT SoC development platform using Infineon's SONOS eFlash technology.
October 2020	Faraday launches audio ASIC solutions to accelerate the development of music entertainment applications.
November 2020	Faraday's 22nm basic component IP has been adopted in smart IoT devices.
November 2020	Faraday supplies memory compilers for OLED driver chips for mobile devices.
December 2020	Faraday prior the industry to adopt TCFD climate change-related financial disclosure framework to implement corporate sustainability.
January 2021	Faraday launches complete video and display high-speed interface IP in UMC's 28 and 40 nanometer processes.
May 2021	Faraday Announces 16G Programmable SerDes in UMC 28HPC+.
June 2021	Faraday Announces LPDDR4/4X in Samsung 14LPC Process.
July 2021	Faraday Succeeds in 5G NR mmWave ASIC.
August 2021	Faraday Accelerates Software Development for IIoT ASIC with SoReal!™ 2.0 Virtual Platform.

September 2021	Faraday Announces the Success of Its ARM-based SoCs in Wide Ranging Applications.
November 2021	Faraday Announces Proven MIPI D-PHY for Samsung Foundry.
November 2021	Faraday Puts ESG into Practice and Receives Excellent Quality Practice Award.
November 2021	Faraday to Showcase ASIC Solutions at DAC in San Francisco.
January 2022	Faraday IP Solutions Certified by SGS-TÜV for ISO 26262 ASIL-D Ready.
February 2022	Faraday Succeeds in Factory Automation ASIC.
March 2022	Faraday Launches Cortex-A53-based Platform to Accelerate FinFET SoC Development.

III. Corporate Governance Report

1. Organizational structure

(1) Organizational structure



(2) Businesses of Major Departments

1	<p>【President's Office】</p> <p>a. General supervision of the operations of the Applied Business Unit, Business and Marketing VP's Office, R&D VP's Office, Market and Investment VP's Office, Operation VP's Office, Asian Business Department, Audit Office, Business Project Development Department Division I, Business Project Development Department Division II, Core Component Development Department, Design Development Department, Design Rule Development Department, Design Service Department, Electronic Service Department, Finance Department, IC Technology Department, India Design Center, Intellectual Rights and Legal Affairs Office, IP Application Center, IP Business Department, Technical Component Development Department, IP Technology Department, Industrial's Health and Safety's Office, Marketing Department Division I, Marketing Department Division II, Mixed Component Development Department, Organization Management and Development Department, Platform-based SoC Development Department, Production Service Department, Quality Operation Department and various R&D project units and all operations of overseas subsidiaries.</p> <p>b. Formulation and implementation of Faraday's operating policy planning and operation guidelines.</p> <p>c. Instruction and performance evaluation of the annual quality objectives of each department.</p> <p>d. Adjustment and approval of the authority and responsibility of each department.</p> <p>e. Integrate, coordinate, and support the operational processes, market technology needs and resource planning of Faraday Technology's overseas subsidiaries, branches and agents to enhance international operational efficiency and strengthen regional services.</p>
2	<p>【Business and Marketing VP Office】</p> <p>Establish and implement ASIC business, IP business, marketing, global customer services and other work polices and support business activities related to external stations.</p>
3	<p>【RD VP Office】</p> <p>Formulate Faraday's R&D policy work guidelines and their implementation.</p>
4	<p>【Operation VP Office】</p> <p>Formulate Faraday's production operation management work guidelines and their implementation.</p>
5	<p>【Asia Sales】</p> <p>a. ASIC Sales: responsible for ASIC and design service related business in Taiwan, Korea or new development areas; Market data search, analysis and recommendations.</p> <p>b. Technical Consultant: technical coordination and discussion before the project contract is obtained from the customer, so as to ensure the project technology can fill the gap between the customer's needs and internal support.</p>
6	<p>【Audit】</p> <p>a. Establishment, implementation and review of the internal audit system.</p> <p>b. Discussion and review of the internal control system.</p>
7	<p>【Business Project Development I】</p> <p>Responsible for regional project management in Taiwan, the United States, Europe, Korea and Japan. The function of project management will vary according to different regions, including the technical coordination and discussion before the cooperation contract is obtained from the customer (this part is usually responsible by overseas</p>

	FAM or TC) and the next-stage project management.
8	【Business Project Development II】 Responsible for regional project management in mainland China, including the technical coordination and discussion before the first-stage project cooperation contract is obtained from the customer (this part is usually responsible by overseas FAM or TC) and the next-stage project management.
9	【Core Technology Development】 Responsible for the design, verification and maintenance, and assisting in the verification of digital IP applications on systems. <ul style="list-style-type: none"> a. Interface IP b. Microprocessor c. System Component d. Software Development e. Verification Technology
10	【Design Development】 <ul style="list-style-type: none"> a. ASIC Consultant b. DFT Design Service c. DFT Design Flow d. Logical Design Flow e. Physical Implementation Flow f. Physical Implementation
11	【Design Methodology Development】 Improve the integration and integration of tools, services and methodologies to provide efficient and high-quality design processes. <ul style="list-style-type: none"> a. Chip Package Co-design b. Chip Power Quality c. Signal Integrity and Co-Design
12	【Design Service】 <ul style="list-style-type: none"> a. Chips' Physical Layout b. Auto Design
13	【Electronic Service】 Planning the electronic structure to coordinate the resources of the business information system and the operation of departments. <ul style="list-style-type: none"> a. Computing and Storage Management b. Enterprise Resource System c. Enterprise Resource System d. Integration Application Development e. Network and System Management
14	【Finance Division】 <ul style="list-style-type: none"> a. Accounting Management b. Financial Management and Strategy Management c. Investor Relations d. Payroll
15	【High Speed Interface Development】 <ul style="list-style-type: none"> a. Communication Algorithm b. High Speed I/O Digital
16	【IC Technology】 <ul style="list-style-type: none"> a. Assembly Service b. Mass Production Technology: Mass Production Development, Production

	<p>Engineering</p> <p>c. Reliability Assurance</p> <p>d. Test Engineering: Test Assurance, Hardware Engineering, Software Engineering</p>
17	<p>【India Design Center】</p> <p>Develop advanced specifications of IP or design technology.</p>
18	<p>【Intellectual Property and Legal Office】</p> <p>a. Intellectual Property</p> <p>b. Legal Affairs</p>
19	<p>【IP Application Center】</p> <p>a. Application Development</p> <p>b. Inter-Operability & Software Testing</p> <p>c. IP Verification Center</p> <p>d. Layout and Manufacturing</p> <p>e. System Application</p> <p>f. System Interface</p> <p>g. Technical Document Center</p>
20	<p>【IP Business】</p> <p>a. IP Business</p> <p>b. Customer Engineering</p>
21	<p>【Intellectual Property Development】</p> <p>Developing and supporting the technical components required for the development of ASIC products, and following the technology market direction and integrating R&D resources to establish Faraday's competitiveness.</p> <p>h. Cell Library Development</p> <p>i. DDRPHY Design</p> <p>j. Memory Development</p> <p>k. ESD Development</p> <p>l. Memory Design Flow</p>
22	<p>【IP Technology】</p> <p>Improving and integrating tools, services and methodologies to provide efficient and high-quality IP design processes and IP management.</p> <p>a. IP Design Model</p> <p>b. IP Fundamental Technology</p> <p>c. IP Kernel Technology</p> <p>d. IP Management Center</p> <p>e. OIP Management Center</p> <p>f. Physical Verification Technology</p>
23	<p>【Industrial Safety and Health】</p> <p>a. Determine the annual work plan of occupational safety and health and supervise the implementation of relevant departments.</p> <p>b. Plan and supervise the inspection and record of safety and health management of each department.</p> <p>c. Plan and supervise the management and operation of organic solvents and the implementation of operating environment measurement.</p> <p>d. Plan and implement education training related to safety and health.</p> <p>e. Plan for employee health check and implement health management.</p> <p>f. Formulate occupational disaster prevention plans and implement occupational disaster investigation, reporting, statistics and reporting operations.</p> <p>g. Provide employees with safety and health consulting services.</p> <p>h. Provide suggestions and information related to safety and health improvement.</p>

	i. Other business in accordance with safety and health laws shall be performed.
24	【Marketing I】 a. Formulating Faraday's medium and long-term strategic directions in product application and technology development, and assisting in their implementation. b. Planning advanced processes and the time and strategy of the essential IPs and key IPs. c. Marketing and promotion: including but not limited to formulating the content of marketing such as product introduction, proposal, etc. d. Assisting in the evaluation of technology licensing, technology outsourcing and strategic alliances e. Development and expansion assessment of new businesses f. Investment evaluation and post-investment management
25	【Marketing II】 a. IP Outsourcing b. Marketing Communication: Marketing Promotion, Corporate Image, Exhibitions and Media Relations
26	【Mixed-Signal Development】 a. Analog Data Converter b. Clock Generator Design c. DC-DC Converter d. High Speed I/O Analog e. Serial Display Circuit f. Serial Link g. Layout
27	【Organization Management and Development】 Handling administrative co-ordination and centrally supervising human resources, documentation, general affairs and factory operations; controlling departmental expense budgets, and setting departments' work guidelines and implementing them. a. Human Resource Management b. Human Resource Development c. Document Control Center d. General Service e. Education Training Committee
28	【Platform-Based SoC Development】 Establishing software environment, hardware integration and verification environment and automation processes required for platform-based SoC development, and providing high-quality and high-efficiency platform-based SoC design and development, system application development and software testing, and system architecture analysis and development. a. SoC Architecture Design b. SoC Automation Design c. SoC Function Verification d. SoC Hardware Development e. Premier Platform Design f. Smart Platform Design g. Software Development

29	【Production Service Division】 Responsible for production planning and procurement management. a. Procurement Management: General Procurement, Outsourcing Management b. Production Planning: Production Management, Warehouse Management
30	【Quality Management】 a. Production Quality Management b. Quality Assurance c. Quality System

2. Information of Directors and Key Managers

(1) Information of Directors

March 26, 2022

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	ROC	Chia-Tsung Hung	Male 61~70	July 7, 2021	3 years	Jun 9, 2015	—	—	—	—	—	—	—	—	Chairman, United Microelectronics Corporation Bachelor of Accounting, Tamkang University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chairman & Chief Strategic Officer, Faraday Technology Corporation Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, Triknight Capital Corporation. Executive Director, United Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	—	—	—	—
Entity represented by Chairman	ROC	United Microelectronics Corporation	—	July 7, 2021	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
Juristic- Person Director	ROC	United Microelectronics Corporation	—	July 7, 2021	3 years	May 2, 2002	34,240,213	13.77%	34,240,213	13.77%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			
		Representative: Ying-Sheng Shen	Male 51~60	July 7, 2021	3 years	Jun 15, 2016	—	—	—	—	—	—	—	—	Vice President, United Microelectronics Corporation Bachelor of Electrical Engineering, Feng Chia University	Associate Vice President, United Microelectronics Corporation Representatives of Juristic-person Director, Faraday Technology Corporation	—	—	—	—
Juristic- Person	ROC	Unimicron Technology Corp.	—	July 7, 2021	3 years	Jun 12, 2012	120,000	0.05%	120,000	0.05%	Not applicable		Not applicable		Not applicable	Not applicable	Not applicable			

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director																				
		Representative: Zai-Sheng Shen	Male 51~60	July 7, 2021	July 19, 2021	July 7, 2021	—	—	—	—	—	—	—	—	Vice President, Unimicon Technology Corporation Bachelor of Business Administration , National Central University	Director, Uniflex Technology Inc. Director, Unisense Technology Co., Ltd. Supervisor, Unimicon JAPAN Co.,Ltd President; Qun Hong Technology Inc. Director, Uniflex Technology (Jiangsu)Limited Chairman, UniFresh Inc. Director, UNIDISPLAY HOLDING CORP. Director, UNIDISPLAY TRADING CORP. Chairman, Qunjing Investment Co., Ltd. Supervisor, ShiehYung Investment Corporation	—	—	—	Note 1
		Representative: Zhen-Li Huang	Male 71~80	July 19, 2021	3years	July 19, 2021	—	—	—	—	—	—	—	—	Professor of Accounting , Tamkang University Ph.D. of Accounting , University of Warwick	Professor of Accounting ,Tamkang University Representatives of Juristic-person Director, Faraday Technology Corporation	—	—	—	Note 2
Director	ROC	Kuo-Yung Wang	Male 51~60	July 7, 2021	3 years	Nov 21, 2011	371,990	0.15%	371,990	0.15%	150,600	0.06%	—	—	President, Faraday Technology Corporation Chairman, Sheng Bang Investment Corporation Chairman, Chih Hung Investment Corporation Vice President, United Microelectronics Corporation Master of Industrial Engineering, National Tsing Hua University	President, Faraday Technology Corporation Chairman, Sheng Bang Investment Corporation Chairman, Chih Hung Investment Corporation Chairman,United Business Service Corporation (Chongqing) Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, Artery Technology Company Chairman, Artery Technology Corporation-Cayman	—	—	—	—

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	Shih-Chin Lin	Male 51~60	July 7, 2021	3 years	Jun 15, 2016	220,000	0.09%	180,000	0.07%	—	—	—	—	COO, Faraday Technology Corporation Senior Director, United Microelectronics Corporation Master of Electrophysics, National Chiao Tung University	COO, Faraday Technology Corporation Chairman, Innopower Technology Corporation Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	—	—	—	—
Director	ROC	Wen-Ju Tseng	Female 51~60	July 7, 2021	3 years	Jun 15, 2018	112,915	0.04%	62,915	0.03%	—	—	—	—	CFO, Faraday Technology Corporation Bachelor of Business Administration, National Chengchi University	CFO, Faraday Technology Corporation Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation- Samoa Chairman, Bright Capital Group Limited-Samoa Chairman, Faraday Technology-B.V.I. Director ,Artery Technology Corporation - Cayman Director, ShiehYung Investment Corporation Supervisor,Faraday Technology China Corporation Supervisor, Faraday Technology Corporation (Suzhou) Supervisor, Artery Technology Corporation, Ltd. (Chongqing) Supervisor, United Business Service Corporation (Chongqing) Supervisor, Innopower Technology Corporation (Chongqing) Supervisor, United Creative Solution Corporation (Shanghai) Supervisor, Grain Media Inc. Supervisor,Faraday Technology Japan Corp.	—	—	—	—

Title	Nationality	Name	Gender Age	Date Elected	Term	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Children's Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	ROC	Ning-Hai Jin	Male 71~80	July 7, 2021	3 years	Jun 9, 2015	—	—	—	—	—	—	—	—	President, Aurora Group Master of Engineering Science, University of Michigan	Chairman, Blueocean Optoelectronics Technology Chairman, Xingge Media Representative of Juristic-Person Director, CTBC Insurance Co., Ltd. Representative of Juristic-Person Director, Genesis Photonics Inc.	—	—	—	—
Independent Director	ROC	Bing-Kuan Luo	Male 61~70	July 7, 2021	3 years	Jun 15, 2018	—	—	—	—	—	—	—	—	Independent Director, Shandong Dadi Chinese Salt Industry Corp Director and Supervisor, GenDing Corporation Consultant, Eastern Taiwan Joint Services Center, Executive Yuan Director, Mega International Investment Trust Co., Ltd Director, Mega Venture Capital Co., Ltd. PhD of Management, Shanghai Fudan University	Chairman, Huashan Internation Consultant Chairman, Taiwan Independent Director Association Independent Director, Hua Nan Commercial Bank, Ltd. Director, Taiwan M&A and Private Equity Council (MAPECT) Director, Monte Jade Science & Technology Association of Taiwan	—	—	—	—
Independent Director	ROC	Wan-Fen Zhou	Female 51~60	July 7, 2021	3 years	July 7, 2021	—	—	—	—	—	—	—	—	CFO, Dawning Leading Technology Inc. Deputy Manager, United Microelectronics Corporation Director, King Yuan Electronics Co., Ltd. Supervisor, ShiehYung Investment Corporation Bachelor of International Trade ,Tamkang University	Senior Director, King Yuan Electronics Co., Ltd. Supervisor, Hsun Chieh Investment Co., Ltd.	—	—	—	—

Note 1: Representative of Juristic-Person Director, Zai-Sheng Shen, dismissed on July 19, 2021.

Note 2: Representative of Juristic-Person Director, Zhen-Li Huang, replaced on July 19, 2021.

(2) Major Shareholders of Institutional Shareholders

Form 1: Major Shareholders of Corporate Shareholders

March 31, 2022

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
United Microelectronics Corporation (the shareholding record date is the ex-dividend date on April 10, 2021)	JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs(5.84%)、Fubon Life Insurance Co, Ltd.(4.16%)、Hsun Chieh Investment Co., Ltd.(3.55%)、New Labor Pension Fund(2.53%)、Silicon Integrated Systems Corp.(2.30%)、Yann Yuan Investment Co., Ltd.(1.62%)、CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.(1.57%)、Norges Bank - internal - NBIM PF EQ INTERNAL CFD(1.23%)、Nan Shan Life Insurance Company, Ltd.(1.20%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds(1.06%)
Unimicron Technology Corporation (the shareholding record date is the ex-dividend date on August 31, 2021)	United Microelectronics Corporation(13.03%)、New Labor Pension Fund(4.84%)、HSBC Bank in Custody for Morgan Stanley & Co. International Plc Account(3.54%)、HSBC (Taiwan) Bank Trusted British Business Goldman Sachs International Investment Account(2.32%)、Nan Shan Life Insurance Co., Ltd(2.21%)、Cathay Life Insurance Co.,Ltd.(2.16%)、JP Morgan Chase Bank Custody of JP Morgan Securities Co., Ltd. Account(2.14%)、Old Labor Pension Fund(1.89%)、HSBC Taiwan escrows Merrill Lynch International Investment Account(1.89%)、Standard Chartered Trustees Mizuho Securities Co., Ltd.(1.84%)

Form 2: If any Major Shareholder Listed in Form 1 is a Corporate/JuristicPerson, List its Major Shareholders in this Form

March 31, 2022

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (shareholding %)
Hsun Chieh Investment Co., Ltd.	ShiehYung Investment Corporation (63.51%), United Microelectronics Corporation (36.49%)
Nan Shan Life Insurance Co., Ltd.	First Commercial Bank Trustee Account For Representative of Ruen Chen Investment Holding Co., Ltd. (55.56%)、Ruen Chen Investment Holding Co., Ltd. (33.99%)、Reun Hua Dyeing & Weaving Co.,Ltd. (1.34%)、Y. T. Du (1.16%)、Ruen Tai Shing Co., Ltd. (0.97%)、Ruentex Development Co., Ltd. (0.23%)、Ruentex Industries Ltd. (0.21%)、Yen Sin Corporation (0.16%)、Ruentex Leasing Co., Ltd. (0.13%)、Chi-Pin Investment Company (0.11%)
Silicon Integrated Systems Corporation.	United Microelectronics Corp (19.01%)、Hsun Chieh Investment Co., Ltd. (3.16%)、Hsing Sen Liu (1.38%)、JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.12%)、Standard Chartered Bank (Taiwan) Limited as custodian of Credit Suisse Securities (Europe) Limited (1.10%)、Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.04%)、Yung Chin Investment (0.63%)、JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Depositary APG Emerging Markets Equity Pool (0.51%)、Tsong-Ming Chuang (0.48%)、Wen Hsi Chen (0.45%)
Fubon Life Insurance Co., Ltd	Taipei City Government(13.07%)、Ming Dong Co.,Ltd.(8.34%)、Dao Ying Co.,Ltd.(7.62%)、Richard M. Tsai(3.15%)、Daniel M. Tsai(2.98%)、Hung Fu Investment Co.,Ltd.(2.59%)、New Labor Pension Fund(2.16%)、Chung Shing Development Co.,Ltd.(1.40%)、Investment account of Norges Bank managed by Citibank Taiwan (1.12%)、Tsai Yang Shiang-Shun(1.12%)
Yann Yuan Investment Co., Ltd.	Silicon Integrated Systems Corporation. (29.45%)、United Microelectronics Corp (28.22%)、King Yuan ELECTRONICS CO., LTD. (15.34%)、Unimicron Technology Corporation (12.27%)、Coretronic Corporation (7.98%)、Sigurd Microelectronics Corporation (4.29%)、Hsun Chieh Investment Co., Ltd.(2.45%)
Cathay Life Insurance Co.,Ltd.	Cathay Financial Holding Co., Ltd. (100%)

(3) Information on Directors and Supervisors

a. Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and the Independence of Independent Directors:

<div>Qualifications</div> <div>Name</div>	Professional qualifications and experience	Independence analysis	No. of other public companies at which the person concurrently serves as an independent director
Chia-Tsung Hung	<p>Mr. Hung has knowledge of the industry, practical experience, both leadership and academic abilities, accounting and financial analysis ability, international market perspective, marketing and operating planning of technological-related industry, practical abilities of decision-making management and crisis management; served as Chief Financial Officer, Senior Vice President of UMC, chairman of ITE Tech. Inc., and director of EPISTAR Corp. In 2004, Institutional Investor Magazine recognized Mr. Hung as the semiconductor sector's best CFO in their Asia Equities Market Report; currently serves as Chairman and Chief Strategy at UMC, and is not under any circumstances listed in Article 30 of the Company Act.</p>		NA
Kuo-Yung Wang	<p>Mr. Wang has knowledge of the industry, practical experience, both leadership and academic abilities, and ability to make judgments about operations, marketing, international market perspective, operation management, and practical ability in crisis management. He devoted himself in technology and semi-conductor industry for more than 30 years, and is fully qualified in IC design and service, semiconductor intellectual property core, foundry, e-supply chain fields. He also has abundant experience in marketing, sales, and strategy planning. Mr. Wang was the Chief Strategy at Faraday Technology, Marketing Deputy Director at TSMC, Manager at ITRI Institute of Communications Engineering, and Deputy General Manager in charge of marketing, Asia-Pacific sales and support in semiconductor intellectual property core development and design at UMC. He led the sales team creating NTD60 billion sales performance and continuous growth, and is not under any circumstances listed in Article 30 of the Company Act.</p>		NA

Ying-Sheng Shen	Mr. Shen has knowledge of the industry, practical experience, both decision-making and academic abilities, ability to make judgments about operations, marketing, operation management, and practical ability in crisis management. He was the Assisting Manager at UMC and became the Deputy General Manager in charge of market development and sales since 2015, and is not under any circumstances listed in Article 30 of the Company Act.		NA
Zhen-Li Huang	Mr. Huang has knowledge in business, finance and accounting, international market perspective, both crisis management and academic abilities, and has passed a national examination and been awarded a certificate in a profession necessary of certified public accountant. He was a public accountant at Cheng-Chi Accounting Firm, supervisor at WIN Semiconductor, and independent director at UMC, and was an Accounting professor at Tamkang University with more than 30 years of teaching experience. He is not under any circumstances listed in Article 30 of the Company Act.		NA
Shih-Chin Lin	Mr. Lin has knowledge of the industry, practical experience, both decision-making and academic abilities, ability to make judgments about operations, operation management, and practical ability in crisis management. He serves in the semi-conductor industry for more than 20 years and is familiar with the design process of integrated circuit. He also has abundant experience in IC design service and embedded RAM design. He was the IP Senior Director at UMC, Design Director at PSMC, and Design Manager at TSMC-Acer Semiconductor Corp., and is not under any circumstances listed in Article 30 of the Company Act.		NA

Wen-Ju Tseng	Ms. Tseng has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, international market perspective operation management, and practical ability in crisis management. She worked in related positions of Accounting and Finance in UMC, Finance Minister of Faraday Technology from 2000 to 2015, and has been the Chief Financial Officer and Spokesperson since 2015. Ms. Tseng is in charge of multiple businesses in managing cross-country finance, accounting, and tax planning, and is not under any circumstances listed in Article 30 of the Company Act.		NA
Ning-Hai Jin	Mr. Jin has knowledge of the industry, international market perspective, both operating management and academic abilities, business and technology industrial management and corporate governance. He was the General Manager of Aurora Holdings Incorporated and Legal representative of Taiwan Life Insurance Co., Ltd. He is currently the Chairman of Lan-Hai Electro-optical Inc. and Starlevel Media Services Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	Mr. Jin is an independent director and meets the independence criteria, including but not limited to the himself, his spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	NA
Bing-Kuan Luo	Mr. Luo has knowledge of the industry, international market perspective, both operating management and academic abilities, abilities in legal, finance, crisis management, and corporate governance. He was the consultant at the Ministry of Economic Affairs and Eastern Taiwan Joint Services Center, Executive Yuan, Vice President and Chairman of Taiwan of HKiNED, and Chief Investment Officer of Kai-Da International Strategy Counseling Corp and China Certified M&A Dealmaker . He is currently the Chairman of Hua-Shuan International Counselling Corp. and TIDA Taiwan, and is not under any circumstances listed in Article 30 of the Company Act.	Mr. Luo is an independent director and meets the independence criteria, including but not limited to himself, his spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	1

Wan-Fen Zhou	Ms. Chou has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, operation management, and practical ability in crisis management. She was the Chief Financial Officer of Dawning Leading Technology Inc., Deputy Manager at UMC, supervisor at Jai-Yon Investment Corp. Ms. Chou is currently the Finance Senior Director at King Yuan Electronics Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	Ms. Zhou is an independent director and meets the independence criteria, including but not limited to herself, her spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	NA
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b. Diversity and Independence of the Board of Directors:

A diversification policy was formulated in Chapter 3 “Strengthen the Functions of the Board of Directors” of the Company’s “Corporate Governance Best Practice Principles”, which clearly stipulated the members of the Company’s Board of Directors should be diversified. The diversification policy is formulated based on operations, business patterns and development needs, and shall not have limitation on gender, race, and nationality. In addition to general knowledge, competency and character necessary to perform their duties, the Board needs to possess the following abilities in order to achieve the goal of corporate governance, including 1. The ability to make judgments about operations. 2. Accounting and financial analysis ability. 3. Business management ability. 4. Crisis management ability. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership ability. 8. Decision-making ability, and other diversified professional background.

Currently, there are 9 directors including 3 independent directors, 2 female directors, and 4 directors who are employees of the Company (the percentage of all directors are 33.3%, 22.2%, and 44.4% respectively). The Company has set a goal for female directors to reach 25%. As of the end of 2021, 5 directors were aged 50-59, 2 were aged 60-69, and 2 were aged above 70. The independent directors had all met the regulation of independence set by the Securities and Futures Bureau and none of them is under any circumstances listed in Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act. Directors shall have neither a spousal relationship nor a relationship within the second degree of kinship with any other director. For information regarding directors’ education and experience, gender, professional qualification, work experience, and diversification, please refer to information disclose on director information, professional qualification, and the independence of independent directors.

(4) Information of the Chief Strategy Officer, President, VPs, SAVPs and Managers of Departments and Branches

March 26, 2022

Unit: share

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Chief & Strategy Officer	ROC	Chia-Tsung Hung	Male	March 2, 2018	—	—	—	—	—	—	Chairman, United Microelectronics Corporation Bachelor of Accounting, Tamkang University	Chairman & Chief Strategic Officer, United Microelectronics Corporation Chairman, Hong Cheng Venture Capital Chairman, Hong Ding Venture Capital Director, Triknight Capital Corporation. Executive Director, United Semiconductor (Shandong) Chairman, UMC Capital Corp. Director, United Microelectronics (Europe) B.V.	—	—	—	—	—
President	ROC	Kuo-Yung Wang	Male	Jul 28, 2015	371,990	0.15%	150,600	0.06%	—	—	President, Faraday Technology Corporation Vice President, United Microelectronics Corporation Master of Industrial Engineering and Engineering Management, National Tsing Hua University	Chairman, Chi Hong Investment Chairman, Sheng Bang Investment Chairman, Artery Technology Company Chairman, Artery Technology Corporation, Ltd. (Chongqing) Chairman, United Business Service Corporation (Chongqing) Chairman, Artery Technology Corporation-Cayman	—	—	—	—	—
COO	ROC	Shih-Chin Lin	Male	Jul 30, 2015	180,000	0.07%	—	—	—	—	COO, Faraday Technology Corporation Senior Director, United Microelectronics Corporation Master of Industrial Master of Electrophysics, National Chiao Tung University	Chairman, Innopower Technology Corporation (Chongqing) Chairman, Faraday Technology China Corporation Chairman, Faraday Technology Japan Corp. Chairman, FaradayTek Solutions India Private Limited Director, Faraday Technology Corporation (Suzhou) Director, United Business Service Corporation (Chongqing)	—	—	—	—	—

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Senior VP	ROC	Chien-Ming Chen	Male	Jun 17, 2019	60,300	0.02%	—	—	—	—	VP, Faraday Technology Corporation PhD of Computer Science, National Tsing Hua University	Chairman, Faraday Technology Corporation (Suzhou) Director, Faraday Technology China Corporation Director, Artery Technology Corporation, Ltd. (Chongqing) Director, Artery Technology Company	—	—	—	—	—
VP	ROC	Jyh-Herng Wang	Male	Jun 8, 2018	160,000	0.06%	3,195	0.001%	—	—	SAVP, Faraday Technology Corporation PhD of Electrical Engineering, National Taiwan University	None	—	—	—	—	—
VP	ROC	Kun-Cheng Wu	Male	Jun 17, 2019	123,076	0.05%	30,203	0.01%	—	—	SAVP, Faraday Technology Corporation Master of Computer Science, National Chiao Tung University	None	—	—	—	—	Note

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
CFO & SAVP	ROC	Wen-Ju Tseng	Female	Sep 1, 2017	62,915	0.03%	—	—	—	—	CFO, Faraday Technology Corporation Bachelor of Business Administration, National Chengchi University	Chairman, Faraday Technology (Mauritius) Corp. Chairman, Faraday Technology Corporation-Samoa Chairman, Bright Capital Group Limited-Samoa Chairman, Faraday Technology-B.V.I. Director ,Artery Technology Corporation - Cayman Director, ShiehYung Investment Corporation Supervisor,Faraday Technology China Corporation Supervisor, Faraday Technology Corporation (Suzhou) Supervisor, Artery Technology Corporation, Ltd. (Chongqing) Supervisor, United Business Service Corporation (Chongqing) Supervisor, Innopower Technology Corporation (Chongqing) Supervisor, United Creative Solution Corporation (Shanghai) Supervisor, Grain Media Inc. Supervisor,Faraday Technology Japan Corp.	—	—	—	—	—
SAVP	ROC	Chih-Shiun Lu	Male	Sep 1, 2017	173,000	0.07%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Electrical Engineering, National Taiwan University	None	—	—	—	—	—
SAVP	ROC	Rong-Shing Lai	Male	Jun 8, 2018	156,000	0.06%	—	—	—	—	SAVP, Faraday Technology Corporation Marketing Manager, Silicon Integrated Systems Master of Electrical Engineering, National Cheng Kung University	Chairman, Grain Media Inc. Chairman, GrainTech Electronics Limited Director, Artery Technology Corporation, Ltd. (Chongqing) Director, Artery Technology Company Director, Sanjet Co., Ltd.	—	—	—	—	—

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Managers obtaining employee stock option certificates	Remark(s)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
SAVP	ROC	Cheng-Hsing Chien	Male	Jun 17, 2019	40,000	0.02%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Electrical Engineering, National Taiwan University	Chairman ,Faraday Technology Vietnam Company Limited.	—	—	—	—	—
SAVP	ROC	Kuo-Hua Lee	Male	Dec 3, 2019	70,000	0.03%	—	—	—	—	SAVP, Faraday Technology Corporation Master of Physics, Tamkang University	Chairman, Faraday Technology Corporation. (USA)	—	—	—	—	—
SAVP	ROC	Shu-Huei Liao	Female	Sep 1, 2021	28,000	0.01%	—	—	—	—	Director,Faraday Technology Corporation Master of Industrial Engineering and Engineering Management, National Tsing Hua University	None	—	—	—	—	—

Note: VP, Kun-Cheng Wu, was dismissed on September 6, 2021.

(5) Remuneration of Directors, Strategy Officer, Presidents, COO, and VPs

General Remuneration of Directors and Independent Directors

December 31, 2021
Unit: NT\$1,000/1,000 shares

Title	Name	Director remuneration								Sum of A+B+C+D and ratio to Net Income(%)		Relevant Remuneration Received by Directors Who are Also Employees								Sum of A+B+C+D+E+F+G and ratio to Net Income (%)		Remuner ation from ventures other than subsidiari es or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C) (note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		Faraday	All companies in the consolidated financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companie s in the consolidat ed financial statements	Faraday		Companies in the consolidated financial statements		Faraday	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman	Chia-Tsung Hung	3,329	3,329	—	—	1,929	1,929	1,120	1,120	6,378 (0.55%)	6,378 (0.55%)	29,970	29,970	—	—	10,501	—	10,501	—	46,849 (4.05%)	46,849 (4.05%)	None.
Entity represented by Chairman	United Microelectronics Corporation																					
Juristic- Person Director	United Microelectronics Corporation																					
Representati ve of Juristic- Person Director	United Microelectronics Corporation Representative: Ying-Sheng Shen																					
Juristic- Person Director	Unimicon Technology Corp.																					
Representati ve of Juristic- Person Director	Unimicon Technology Corp. Representative: Zai-Sheng Shen (Note 1)																					
Representati ve of Juristic- Person Director	Unimicon Technology Corp. Representative: Zhen-Li Huang (Note 2)																					
Director	Kuo-Yung Wang																					
Director	Shih-Chin Lin																					
Director	Wen-Ju Tseng																					

Title	Name	Director remuneration								Sum of A+B+C+D and ratio to Net Income(%)	Relevant Remuneration Received by Directors Who are Also Employees								Sum of A+B+C+D+E+F+G and ratio to Net Income (%)		Remuner ation from ventures other than subsidiari es or from the parent company	
		Base Compensation (A)		Severance Pay (B)		Directors Compensation (C) (note 1)		Allowances (D)			Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)							
		Faraday	All companies in the consolidated financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements	Faraday	Companies in the consolidate d financial statements		Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companie s in the consolidat ed financial statements	Faraday		Companies in the consolidated financial statements			Faraday
Cash	Stock									Cash							Stock					
Independent Director	Ling-Ling Wu	2,694	2,694	—	—	—	—	660	660	3,354 (0.29%)	3,354 (0.29%)	—	—	—	—	—	—	—	3,354 (0.29%)	3,354 (0.29%)	None.	
Independent Director	Ning-Hai Jin																					
Independent Director	Bing-Kuan Luo																					
Independent Director	Wan-Fen Zhou																					
1. Please describe the policy, system, standards and structure in place for paying remuneration to directors and describe the relationship of factors such as the duties and risks undertaken and time invested by the directors to the amount of remuneration paid : Note 3																						
2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises):None																						

Note 1: Representative of Juristic-Person Director, Zai-Sheng Shen, dismissed on July 19, 2021.

Note 2: Representative of Juristic-Person Director, Zhen-Li Huang, replaced on July 19, 2021.

Note 3: Remuneration policies, procedures, standards, and structure, and its linkage to responsibilities, risks, and time spent:

1. Remuneration policies, procedures, standards, and structure

- (1) The salary of the Company's directors is in accordance with Article 16 of the Articles of Incorporation, that the Board of Directors is authorized to determine the salary for directors, and the extent and value of the services provided for the management of the Company and the standards of the industry. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors as stipulated in Article 27 of the Articles of Incorporation. Independent directors are not included in the remuneration of directors. The Company evaluates the remuneration of the Board in accordance with the "Board Performance Evaluation Measures" regularly. Performance and salary rationality are reviewed by the Audit Committee and the Board of Directors.
- (2) Various allowances and bonuses are established in accordance with the salary regulations as managers' remuneration in order to show solicitude and encouragement for employees' hard work. Bonus is distributed based on the Company's annual performance, financial status, operation status, and personal work performance. In case of profit generated for the year, it shall set aside no less than 10% for remuneration of employees as stipulated in Article 27 of the Articles of Incorporation.
- (3) The Company's remuneration packages are in accordance with the Remuneration Committee Charter. The scope is consistent with the remuneration paid to directors and managers listed in

the “Regulations Governing Information to be Published in Annual Reports of Public Companies”.

2. The Linkage with remuneration amount

- (1) The review on the distribution standard and system of the Company’s remuneration policy is mainly based on the overall operation status. The distribution standard is determined by performance achievement rate and contribution in order to improve the overall organizational performance of the Board of Directors and the management team. In addition, general pay levels in the industry are regularly referred to, while reflecting to the performance of individual and the team.
- (2) Any important decision of the management is made after evaluating relevant risk factors. The performance of the decision is reflected on company profit; therefore, the performance of risk control is relevant with the management’s remuneration.
- (3) The directors’ and managers’ performance and salary rationality are evaluated and reviewed by the Audit Committee and the Board of Directors regularly. In addition to performance achievement rate and contribution, it also refers to the overall operating performance, future risk and development trend of the industry, and operating status and relevant regulations to timely review the remuneration system. Reasonable remuneration is distributed after considering current company governance trend in order to strike a balance between sustainable operation and risk control. The actual distribution amount of the directors and managers’ remuneration in 2021 is reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

Remuneration Tiers

Range of Remuneration (NT\$)	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements
Lower than 1,000,000	Unimicron, Chia-Tsung Hung, Ying-Sheng Shen, Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Zai-Sheng Shen, Zhen-Li Huang Ling-Ling Wu Wan-Fen Zhou	Unimicron, Chia-Tsung Hung, Ying-Sheng Shen, Kuo-Yung Wang, Shih-Chin Lin, Wen-Ju Tseng, Zai-Sheng Shen, Zhen-Li Huang Ling-Ling Wu Wan-Fen Zhou	Unimicron, Ying-Sheng Shen, Zai-Sheng Sehn, Zhen-Li Huang, Ling-Ling Wu, Wan-Fen Zhou	Unimicron, Ying-Sheng Shen, Zai-Sheng Sehn, Zhen-Li Huang, Ling-Ling Wu, Wan-Fen Zhou
1,000,000 (inclusive) ~2,000,000 (not inclusive)	UMC, Ning-Hai Jin, Bing-Kuan Luo	UMC, Ning-Hai Jin, Bing-Kuan Luo	UMC, Ning-Hai Jin, Bing-Kuan Luo	UMC, Ning-Hai Jin, Bing-Kuan Luo
2,000,000 (inclusive) ~3,500,000 (not inclusive)	—	—	—	—
3,500,000 (inclusive) ~5,000,000 (not inclusive)	—	—	—	—
5,000,000 (inclusive) ~10,000,000 (not inclusive)	—	—	Chia-Tsung Hung, Wen-Ju Tseng	Chia-Tsung Hung, Wen-Ju Tseng
10,000,000 (inclusive) ~15,000,000 (not inclusive)	—	—	Shih-Chin Lin	Shih-Chin Lin
15,000,000 (inclusive) ~30,000,000 (not inclusive)	—	—	Kuo-Yung Wang	Kuo-Yung Wang
30,000,000 (inclusive) ~50,000,000 (not inclusive)	—	—	—	—
50,000,000 (inclusive) ~100,000,000 (not inclusive)	—	—	—	—
More than 100,000,000 (not inclusive)	—	—	—	—
Total	13 people	13 people	13people	13 people

Note 1: The amount of Directors' remuneration approved by the Board of Directors in 2022.

Note 2: Representative of Juristic-Person Director, Zai-Sheng Shen, dismissed on July 19, 2021.

Representative of Juristic-Person Director, Zhen-Li Huang, replaced on July 19, 2021.

Note 3: Independent Director, Ling-Ling Wu, resigned on July 7, 2021.

Independent Director, Wan-Fen Zhou replaced on July 7, 2021.

Remuneration of Chief Strategy Officer, President, COO and VPs

December 31, 2021

Unit: NT\$1,000/1,000 shares

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Sum of A+B+C+D and ratio to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday	Companies in the consolidated financial statements	Faraday		Companies in the consolidated financial statements		Faraday	Companies in the consolidated financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
Chief Strategy Officer	Chia-Tsung Hung	21,042	21,042	—	—	21,740	21,740	13,892	—	13,892	—	56,675 (4.90%)	56,675 (4.90%)	—
President	Kuo-Yung Wang													
Chief Operation Officer	Shih-Chin Lin													
Senior VP	Chien-Ming Chen													
VP	Jyh-Herng Wang													
VP	Kun-Cheng Wu (Note)													

Note : VP, Kun-Cheng Wu, was dismissed on September 6, 2021.

Remuneration Tiers

Range of Remuneration (NT\$) (Note1)	Names of Chief Strategy Officer, President, COO and VPs	
	Faraday	Companies in the consolidated financial statements
Lower than 1,000,000	—	—
1,000,000 (inclusive) ~ 2,000,000 (not inclusive)	—	—
2,000,000 (inclusive) ~ 3,500,000 (not inclusive)	—	—
3,500,000 (inclusive) ~ 5,000,000 (not inclusive)	Kun-Cheng Wu(Note2)	Kun-Cheng Wu(Note2)
5,000,000 (inclusive) ~ 10,000,000 (not inclusive)	Chia-Tsung Hung, Chien-Ming Chen, Jyh-Herng Wang	Chia-Tsung Hung, Chien-Ming Chen, Jyh-Herng Wang,
10,000,000 (inclusive) ~ 15,000,000 (not inclusive)	Shih-Chin Lin	Shih-Chin Lin
15,000,000 (inclusive) ~ 30,000,000 (not inclusive)	Kuo-Yung Wang	Kuo-Yung Wang
30,000,000 (inclusive) ~ 50,000,000 (not inclusive)	—	—
50,000,000 (inclusive) ~ 100,000,000 (not inclusive)	—	—
More than 100,000,000 (not inclusive)	—	—
Total	6 people	6 people

Note1: The amount of employees' remuneration approved by the Board of Directors in 2022.

Note2: VP, Kun-Cheng Wu, was dismissed on September 6, 2021.

Names of Managers Receiving Employee Remuneration and Amounts Distributed

December 31, 2021

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income After Tax (%)
Manager	Chief Strategy Officer	Chia-Tsung Hung	—	20,573	20,573	1.78%
	President	Kuo-Yung Wang				
	Chief Operation Officer	Shih-Chin Lin				
	Senior VP	Chien-Ming Chen				
	VP	Jyh-Herng Wang				
	VP	Kun-Cheng Wu (Note 2)				
	SAVP & Chief Financial Officer	Wen-Ju Tseng				
	SAVP	Chih-Shiun Lu				
	SAVP	Rong-Shing Lai				
	SAVP	Cheng-Hsing Chien				
	SAVP	Kuo-Hua Lee				
	SAVP	Shu-Huei Liao (Note3)				

Note 1: The amount of employees' remuneration approved by the Board of Directors in 2022.

Note 2: VP, Kun-Cheng Wu, was dismissed on September 6, 2021.

Note 3: SAVP, Shu-Huei Lia was newly-appointed on September 1, 2021.

(6) Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the last two years

Analysis of Remuneration of Directors, Chief Strategy Officer, President, and VPs in the last two years

Unit: NT\$1,000

Title \ Item	Faraday				All Companies in the Financial Statements			
	2021		2020		2021		2020	
	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax	Total remuneration	The ratio to net profit after tax
Directors(include Independent Directors)	50,203	4.34%	31,483	11.73%	50,203	4.34%	31,483	11.73%
President, Chief Strategy Officer, Chief Operation Officer and VPs	56,675	4.90%	37,832	14.09%	56,675	4.90%	37,832	14.09%

Note: The increase in total remuneration of Directors in 2021 compared to 2020 is due to the increase in net profit after tax in 2021.

The increase in total remuneration of President ,CSO ,COO and VPs in 2021 compared to 2020 is due to the increase in bonus payments in 2021.

Remuneration Payment Policy

Remuneration policies, procedures, standards, and structure, and its linkage to responsibilities, risks, and time spent:

1. Remuneration policies, procedures, standards, and structure

- (1) The salary of the Company's directors is in accordance with Article 16 of the Articles of Incorporation, that the Board of Directors is authorized to determine the salary for directors, and the extent and value of the services provided for the management of the Company and the standards of the industry. In case of profit generated for the year, it shall set aside no more than 2% for remuneration of directors as stipulated in Article 27 of the Articles of Incorporation. Independent directors are not included in the remuneration of directors. The Company evaluates the remuneration of the Board in accordance with the "Board Performance Evaluation Measures" regularly. Performance and salary rationality are reviewed by the Audit Committee and the Board of Directors.
- (2) Various allowances and bonuses are established in accordance with the salary regulations as managers' remuneration in order to show solicitude and encouragement for employees' hard work. Bonus is distributed based on the Company's annual performance, financial status, operation status, and personal work performance. In case of profit generated for the year, it shall set aside no less than 10% for remuneration of employees as stipulated in Article 27 of the Articles of Incorporation.
- (3) The Company's remuneration packages are in accordance with the Remuneration Committee Charter. The scope is consistent with the remuneration paid to directors and managers listed in the "Regulations Governing Information to be Published in Annual Reports of Public Companies".

2. Procedure for setting remuneration

- (1) The evaluation result of the “Faraday's Board Performance Evaluation Measures” and “Performance Evaluation Measures” that is applicable to the managers and employees are the basis to regularly evaluate the salary and remuneration of the directors and managers. Performance assessments and compensation levels of directors and managers shall take into account the general pay levels in the industry, the time spent by the individual and their responsibilities, the extent of goal achievement, their performance in other positions, and the compensation paid to employees holding equivalent positions in recent years. Also to be evaluated are the reasonableness of the correlation between the individual's performance and this Corporation's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of Faraday.
- (2) The self-evaluation of the Board of Directors, Board members, and other functional committee members were all above standard in 2021. Under the threat of COVID-19 in 2021, Faraday still works hard in prevention and preemptive preparation while proactively adjusting the strategy. With the effort of all employees, the annual consolidated revenue increased 47% compared with the same period last year and reached the 2nd highest amount in the history. The profit performance is higher than estimation; therefore, the performance evaluation of managers in 2021 has reached the goal, as well as the operating index evaluation result.

3. The Linkage with remuneration amount

- (1) The review on the distribution standard and system of the Company's remuneration policy is mainly based on the overall operation status. The distribution standard is determined by performance achievement rate and contribution in order to improve the overall organizational performance of the Board of Directors and the management team. In addition, general pay levels in the industry are regularly referred to, while reflecting to the performance of individual and the team.
- (2) Any important decision of the management is made after evaluating relevant risk factors. The performance of the decision is reflected on company profit; therefore, the performance of risk control is relevant with the management's remuneration.
- (3) The directors' and managers' performance and salary rationality are evaluated and reviewed by the Audit Committee and the Board of Directors regularly. In addition to performance achievement rate and contribution, it also refers to the overall operating performance, future risk and development trend of the industry, and operating status and relevant regulations to timely review the remuneration system. Reasonable remuneration is distributed after considering current company governance trend in order to strike a balance between sustainable operation and risk control. The actual distribution amount of the directors and managers' remuneration in 2021 is reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

3. Corporate Governance Implementation Status

(I) Operation of the Board of Directors:

Before the re-election of directors on July 7 2021, The Board of Directors convened 4 (A) meetings. The Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	UMC Representative: Chia-Tsung Hung	4	0	100	
Juristic-Person Director	UMC Representative: Ying-Sheng Shen	4	0	100	
Director	Kuo-Yung Wang	4	0	100	
Director	Shih-Chin Lin	4	0	100	
Director	Wen-Ju Tseng	4	0	100	
Independent Director	Ling-Ling Wu	4	0	100	
Independent Director	Ning-Hai Jin	2	2	50	
Independent Director	Bing-Kuan Luo	4	0	100	

After the re-election of directors on July 7 2021, The Board of Directors convened 5 (A) meetings. The Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	UMC Representative: Chia-Tsung Hung	5	0	100	
Juristic-Person Director	UMC Representative: Ying-Sheng Shen	5	0	100	
Juristic-Person Director	Unimicron Representative: Zai-Sheng Shen	1	0	100	Representative of Juristic-Person Director, Zai-Sheng Shen, dismissed on July 19, 2021.
	Unimicron Representative: Zhen-Li Huang	4	0		Representative of Juristic-Person Director, Zhen-Li Huang, replaced on July 19, 2021.
Director	Kuo-Yung Wang	5	0	100	
Director	Shih-Chin Lin	5	0	100	
Director	Wen-Ju Tseng	5	0	100	
Independent Director	Ning-Hai Jin	5	0	100	
Independent Director	Bing-Kuan Luo	5	0	100	
Independent Director	Wan-Fen Jhou	5	0	100	

Annotations:

- In case the operation of the board of directors has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the opinions of all independent directors and Faraday's disposal of the opinions of independent directors:

●: Attendance in person ★: By Proxy ▲: Absent									
Independent Director	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th
Ling-Ling Wu	●	●	●	●	▲	▲	▲	▲	▲
Ning-Hai Jin	●	★	★	●	●	●	●	●	●
Bing-Kuan Luo	●	●	●	●	●	●	●	●	●
Wan-Fen Jhou	▲	▲	▲	▲	●	●	●	●	●

(1) Matters listed in Article 14.3 of the Securities Exchange Act: Please refer to the important resolutions of shareholders meeting and board of directors(Page93~95).

(2) Other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion, in addition to the matters above: None.

2. On the implementation of directors' avoidance of interests, state the names of the directors, the contents of the motions, the reasons for the avoidance of interests and the participation in the voting:

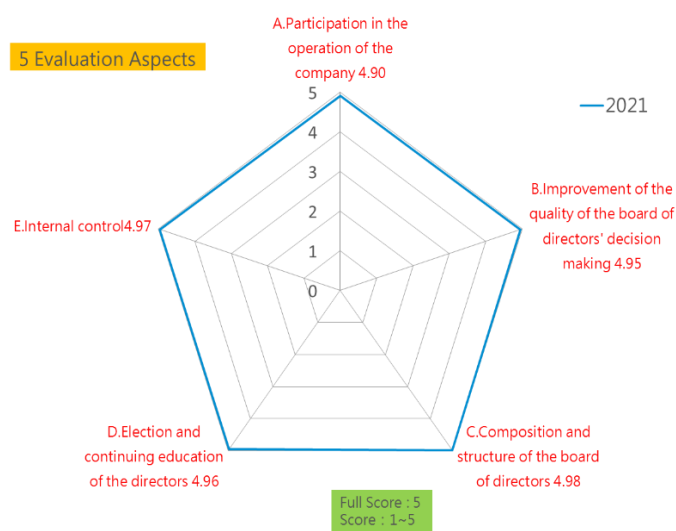
Director name	Motion content	Reason for avoidance	Participation in voting	Remarks
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Proposal for Managerial Officers' Remuneration.	The Directors have a stake in the motion.	Not voting	2 th session of 11 th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Proposal for the change, salary and remuneration of the Managerial Officers.	The Directors have a stake in the motion.	Not voting	3 th session of 11 th term
Chia-Tsung Hung Kuo-Yung Wang Shih-Chin Lin Wen-Ju Tseng	Proposal for the salary and remuneration of the Managerial Officers.	The Directors have a stake in the motion.	Not voting	5 th session of 11 th term

3. Information about Board of Directors' performance self-evaluation implementation (i.e. the evaluation cycle and period, the evaluation scope, the evaluation method and evaluation aspects):

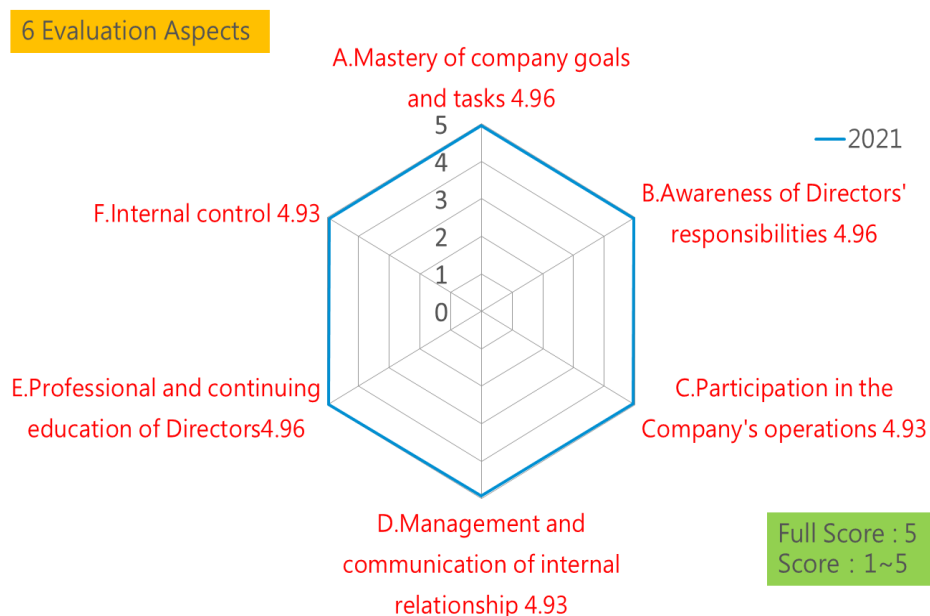
Evaluation Cycles	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspects
Once a year	January 1 st to December 31 st , 2021	Including the performance evaluation of the Board of Directors, Functional Committees, and individual Directors	Self-evaluation of the Board, Functional Committees, and Board members	<p>1. The measurement items for the self-evaluation of the Board of Directors include the following aspects:</p> <p>(1) Participation in Faraday's operations.</p> <p>(2) Improve the decision-making quality of the Board.</p> <p>(3) Board composition and structure.</p> <p>(4) Election and continuing education of Directors.</p> <p>(5) Internal control.</p> <p>2. The measurement items for the self-evaluation of Board members include the following aspects:</p> <p>(1) Mastery of company goals and tasks.</p> <p>(2) Awareness of Directors' responsibilities.</p> <p>(3) Participation in Faraday's operations.</p> <p>(4) Management and communication of internal relationship.</p> <p>(5) Professional and continuing education of Directors.</p>

				<p>(6) Internal control.</p> <p>3. Functional Committee self-evaluation measurement items, include the following aspects:</p> <p>(1) Participation in Faraday's operations.</p> <p>(2) Recognition of the responsibilities of Functional Committees.</p> <p>(3) Improve the decision-making quality of Functional Committees.</p> <p>(4) Functional Committee composition and member selection.</p> <p>(5) Internal control.</p>
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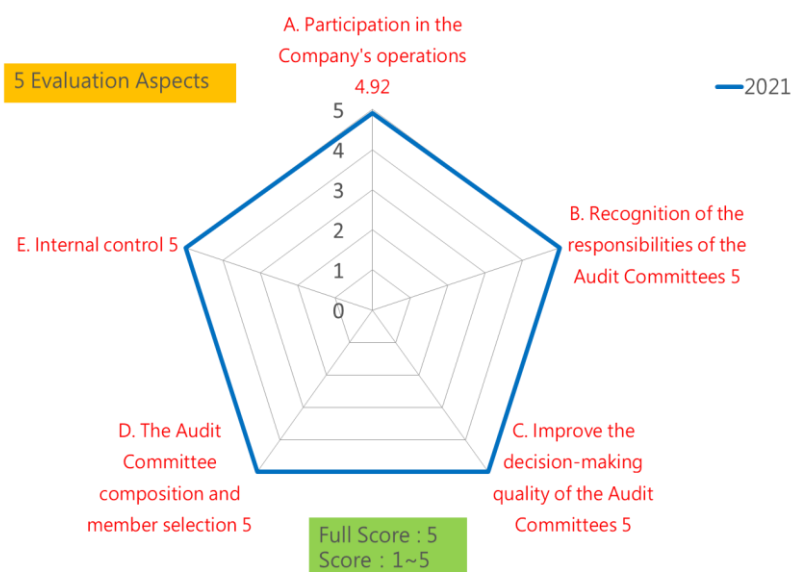
(1) Performance evaluation results of the Board of Directors.



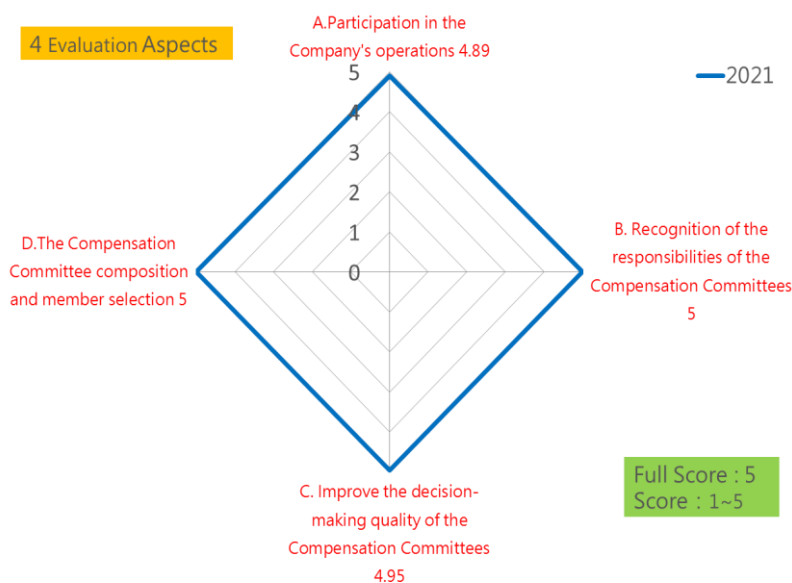
(2) Performance evaluation results of Board Members.



(3) Performance evaluation results of the Audit Committee



(4) Performance evaluation results of the Compensation Committee.



4. Goals and status of strengthening the function and performances of the Board of Directors in current years:

- (1) Strengthen the functions of the Board: Faraday is devoted to strengthen the Board of Directors mechanism and has established an Audit Committee on June 9, 2015. In accordance with the regulations, the Audit Committee shall hold a meeting every quarter, and at any time when necessary. The main purpose of the Audit Committee is to assist the Board of Directors in decision making and to strengthen the supervising function of the Board of Directors. The meeting attendance of the Board of Directors in 2021 was good, and the Board of Directors operation is fully participated. Motions that have stakes with directors are reviewed by the Audit Committee or the Remuneration Committee before submit for the Board of Directors' resolution. Faraday has assigned a corporate governance officer in 2020, who is in charge of corporate governance related matters, and also established "Board Performance Evaluation Measures" to conduct relevant performance evaluation every year to reinforce the function of the Board of Directors.

- (2) Enhance information transparency: The major resolution of the Board of Directors and financial information are publicly announced on MOPS and disclosed on the Faraday's official website in accordance with the regulations. Investors and shareholders may obtain relevant information in a timely manner.
- (3) In 2021 and up to the publication of this annual report in 2022, nine Board of Directors meetings were held with at least two independent directors attend in person in every meeting.
- (4) The Board of Directors has been operating in accordance with the "Code of Procedures for Board Meetings". Meanwhile, continuing education is arranged for directors to maintain their core values and professional competence. For relevant information, please refer to the continuing education of Directors in 2021 (Page 53).

(2) The operation of the Audit Committee or the Supervisor's participation in the operation of the Board Meeting:

A. Operation of the Audit Committee:

Before the re-election of directors on July 7 2021, the Audit Committee conducted 3(A) meetings. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Ling-Ling Wu	3	0	100	
Independent Director	Ning-Hai Jin	1	2	33.33	
Independent Director	Bing-Kuan Luo	3	0	100	

After the re-election of directors on July 7 2021, the Audit Committee conducted 3(A) meetings. The Independent Directors' attendance status is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Bing-Kuan Luo	3	0	100	
Independent Director	Ning-Hai Jin	3	0	100	
Independent Director	Wan-Fen Zhou	3	0	100	

Annotations:

1. In case the operation of the Audit Committee has any of the circumstances below, state the date of the board meeting, the session number, the content of the motion, the Audit Committee's review results and Faraday's disposal of the opinions of the Audit Committee:

(1) Resolutions related to Article 14.5 of the Securities and Exchange Act : Listed in the table below.

(2) Other resolutions that was not approved by the Audit Committee but was approved by two thirds or more of all Directors: None.

Audit Committee Meeting Dates	Session	Resolution	Result	Faraday's disposal of member opinions
February 23, 2021	11 th session of 2 nd term	1. Approve Faraday's 2020 annual audited business accounts, business report, financial statements (including consolidated and individual statements) , together with the draft audit report by Ernst & Young. 2. Reviewing the independence of the CPAs and appointing the CPAs to handle the audit and signature of financial statements of Faraday and	Approved by all Audit Committee Members.	None

		income tax of profit-making enterprises for 2021. 3. Review Statement of 2020 Internal Control System.		
March 30, 2021	12 th session of 2 nd term	Approve the appointment of Faraday's new audit supervisor.	Approved by all Audit Committee Members.	None
April 27, 2021	13 th session of 2 nd term	Review Faraday's 2021Q1 Business Operations Report.	Approved by all Audit Committee Members.	None
July 27, 2021	1 st session of 3 rd term	Review Faraday's 2021Q2 Business Operations Report .	Approved by all Audit Committee Members.	None
October 26, 2021	2 nd session of 3 rd term	1. Review Faraday's 2021Q3 Business Operations Report. 2. To set up 2022 Audit Plan. 3. To amend Faraday's "Operational Procedures for Loaning of Funds to Others". 4. To amend Faraday's "Operational Procedures for Endorsements and Guarantees".	Approved by all Audit Committee Members.	None
February 22, 2022	3 rd session of 3 rd term	1. Faraday's 2021 Business Report and Financial Statements. 2. Implementation of the audit plan and evaluation of the effectiveness of the Internal Control System in 2021. 3. Faraday regularly evaluates the independence and suitability of the CPAs and the appointment of the CPAs in 2022.	Approved by all Audit Committee Members.	None

2. On the implementation of Independent Directors' avoidance of interests, state the names of the Independent Directors, the contents of the resolutions, the reasons for the avoidance of interests and the participation in the voting: None.

3. Descriptions of the communications between the Independent Directors, the internal auditors, and the CPAs(which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The communications between the Independent Directors and the internal auditors:

The internal audit supervisor regularly provides Audit Reports and future audit plans to the Audit Committee. Whenever the Audit Committee members need information about Faraday's financial and operation status , Faraday arranges responsible personnel to attend the meeting and give a briefing.

Date	Communications Focus	Result
February 23, 2021 The Audit Committee	2020 Internal Control System Statement.	Approved by the Audit Committee and submit to the Board of Directors.
	Report on the implementation of internal audit business in 2020Q4.	Noted
April 27, 2021	Report on the implementation of internal audit business in 2021Q1.	Noted
July 27, 2021	Report on the implementation of internal audit business in 2021Q2.	Noted
October 26, 2021 The Audit Committee	Report on the implementation of internal audit business in 2021Q3.	Noted
	To set up 2022 Audit Plan.	Approved by the Audit Committee and submit to the Board of Directors.

(2)The communications between the Independent Directors and the CPAs:

The CPAs will report to the Audit Committee at least once a year about the audit results and the key audit items in the future. The Audit Committee members may also contact the CPAs at any time by phone or email. The communication channel between the Audit Committee and the CPAs functioned well.

Date	Communications Focus	Result
February 5, 2021 The Audit Committee pre-meeting.	<ol style="list-style-type: none"> 1. In 2020, the consolidated and individual financial report audit results, key audit items and internal control audit report. 2. Communication with corporate governance units and management. 3. Updates to the Securities Regulatory Act. 4. Tax law update. 5. The 8th Corporate Governance Evaluation Index Revised Introduction. 6. IFRS update. 7. The latest development of accounting standards for enterprises. 	2020 Financial Statements approved by the Audit Committee and submit to the Board of Directors.
April 27, 2021 The Audit Committee	<ol style="list-style-type: none"> 1. Review of 2021Q1 financial statements. 2. Updates to the Securities Regulatory Act. 3. Tax law update. 4. Communication with corporate governance units and management. 	2021Q1 Financial Statements approved by the Audit Committee and submit to the Board of Directors.
July 20, 2021 The Audit Committee pre-meeting.	<ol style="list-style-type: none"> 1. Review of 2021Q2financial statements. 2. Updates to the Securities Regulatory Act. 3. Tax law update. 	2021Q2 Financial Statements approved by the Audit Committee and submit to the Board of Directors.
October 21, 2021 The Audit Committee pre-meeting.	<ol style="list-style-type: none"> 1. Review of 2021Q3 financial statements. 2. The Annual Financial Statement Review Plan of 2021. 3. Updates to the Securities Regulatory Act. 4. Tax law update. 	2021Q3 Financial Statements approved by the Audit Committee and submit to the Board of Directors.

B. The Supervisor's participation in the operation of the Board Meeting:

Faraday has established the Audit Committee on June 9,2015 to replace the function of the supervisor.

(3) Taiwan Corporate Governance Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
1. Has Faraday established and disclosed its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		Faraday has established Corporate Governance Best Practice Principles with reference to the “Taiwan Corporate Governance Implementation” which has been published on Faraday’s Faraday’s official website and a “Corporate Governance” section has been set up for investors to inquire and download relevant regulations.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
2. Shareholding Structure & Shareholders’ Right (1) Does Faraday have Internal Operation Procedures for handling shareholders’ suggestions, concerns,disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		Faraday has established Rules of Procedure for Shareholders' Meetings. In order to ensure the rights and interests of shareholders, faraday has a spokesperson system and a contact window (ir@faraday-tech.com), and set up a shareholder area under investor relations on the Faraday’s official website to respond to shareholders' opinions and responses, and deal with shareholders' suggestions, doubts, disputes, etc. We also will response to the Board of Directors and the Audit Committee timely.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
(2) Does Faraday know the identity of its major shareholders and the parties with ultimate control of the major shareholders?	V		Faraday declares the changes in shareholding of insiders according to the regulations every month, and has a person to deal with matters related to stock affairs, and has close business relations with stock agency agencies to ensure the stability of management rights.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
(3) Has Faraday built and executed a risk management system and “firewall” between Faraday and its affiliates?	V		The personnel, assets and financial management rights and responsibilities between affiliates are clearly divided, while risk assessment is firmly implemented and an appropriate firewall is established. The “Measures for Monitoring Subsidiaries” and the “Regulations on the Reciprocal Financial Business of Affiliates” have been established and	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			firmly implemented.	
(4) Has Faraday established internal rules prohibiting insider trading of securities based on undisclosed information?	V		Faraday has formulated the "Insider Transaction Prevention Regulations", "Internal Significant Information Processing Procedures" and "Ethical Corporate Management Best Practice Principles", which have been published on the Faraday's official website for investors to inquire about and download relevant company regulations; at the same time, and It is strictly forbidden for company insiders and employees to use unpublished information in the market to buy and sell securities, to protect investors and safeguard Faraday's rights and interests.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
3. Composition and Responsibilities of the Board of Directors (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented?	V		The nomination and selection of members of the board of directors of Faraday follows the provisions of the "Articles of Association", adopts the nomination system for candidates, and abides by the "Code of Practice for Corporate Governance" and "Director Election Method". To formulate an appropriate diversity policy for its own operation, operation type and development needs, without restrictions on gender, race and nationality, in addition to possessing the knowledge, skills and qualities necessary to perform duties, in order to achieve the ideal goal of corporate governance, the board of directors as a whole should The abilities include 1. Operational judgment ability 2. Accounting and financial analysis ability 3. Operation and management ability 4. Crisis handling ability 5. Industry knowledge 6. International market outlook 7. Leadership ability 8. Decision-making ability and other diversified professional backgrounds. There are currently 9 directors of Faraday, including 3 independent directors, 2 female directors and 4 directors with	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			employee status (accounting for 33.3%, 22.2% and 44.4% of all directors respectively). A target of 25% of directors. As of the end of 2011, there were 5 directors aged 50-59 years, 2 directors aged 60-69 years, and 2 directors aged over 70 years old. Among them, the independent directors are all in line with the regulations of SFB on independent directors. None of the items specified in Items 3 and 4 of Article 26-3 of the Securities and Exchange Act, there is no relationship between the directors of a spouse or relative within the second degree of kinship, and each director's educational experience, gender, professional qualifications, work experience and diversity For relevant information, please refer to the information of directors (Pages 15~18) and disclosure of information on directors' professional qualifications and independence of independent directors (Pages 20-23).	
(2) Has Faraday voluntarily established other functional committees in addition to the remuneration committee and the audit committee?		V	Faraday Technology has not yet set up functional committees other than the Compensation Committee and the Audit Committee to assist the Board in performing its duties.	An assessment will be made according to laws and regulations and company needs.
(3) Has Faraday established rules and methodology forevaluating the performance of its Board of Directors,implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms?	V		The Board of Directors of Faraday passed the Board Performance Evaluation Measures in July, 2020, and conducts self-evaluations of the Board, Functional Committees, and individual Board members regularly each year to establish performance targets for enhancing the efficiency of the Board. The evaluation results are reported to the Board Meeting in the first quarter of the following year as a reference for selecting individual Directors.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

(4) Does Faraday regularly evaluate its external auditors' independence?	V	<div>Faraday annually evaluates the independence of CPAs. The Audit Committee and the Board of Directors have approved the regular evaluation on the independence and competence of CPAs on February 23, 2021 and February 22, 2022 respectively, and have obtained the independence statement issued by CPAs. Evaluation on the independence and competence of CPAs is as follows:</div> <table><tr><th>Independence</th><th>Yes</th><th>No</th></tr><tr><td>Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Are the CPAs not shareholders of the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Do the CPAs not receive remuneration from the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Are the CPAs not having direct or significantly indirect financial interest with the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>Are the CPAs not the stakeholders of the Company or its affiliates?</td><td>√</td><td></td></tr><tr><td>There is a five-year rotation as of the last certification.</td><td>√</td><td></td></tr><tr><td>Have the CPAs complied with the regulations of independence listed in the Norm of Professional Ethics for Certified Public Accountant Bulletin No.10 and obtained the “independence statement” issued by the CPAs?</td><td>√</td><td></td></tr></table>	Independence	Yes	No	Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?	√		Are the CPAs not shareholders of the Company or its affiliates?	√		Do the CPAs not receive remuneration from the Company or its affiliates?	√		Are the CPAs not having direct or significantly indirect financial interest with the Company or its affiliates?	√		Are the CPAs not the stakeholders of the Company or its affiliates?	√		There is a five-year rotation as of the last certification.	√		Have the CPAs complied with the regulations of independence listed in the Norm of Professional Ethics for Certified Public Accountant Bulletin No.10 and obtained the “independence statement” issued by the CPAs?	√		Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
Independence	Yes	No																									
Do the CPAs not act as either the directors or supervisors of the Company or its affiliates?	√																										
Are the CPAs not shareholders of the Company or its affiliates?	√																										
Do the CPAs not receive remuneration from the Company or its affiliates?	√																										
Are the CPAs not having direct or significantly indirect financial interest with the Company or its affiliates?	√																										
Are the CPAs not the stakeholders of the Company or its affiliates?	√																										
There is a five-year rotation as of the last certification.	√																										
Have the CPAs complied with the regulations of independence listed in the Norm of Professional Ethics for Certified Public Accountant Bulletin No.10 and obtained the “independence statement” issued by the CPAs?	√																										
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate	V	Faraday approved the resolution of the board of directors on February 13, 2020 to appoint the CFO as the head of	Conform to the the Corporate Governance																								

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations,organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)			corporate governance. He/she is experienced and has served as finance executives in public companies for more than three years. He/she also conducts professional training in accordance with laws and regulations. The main responsibilities of the corporate governance supervisor are to supervise the stock affairs unit of the Finance Department to handle matters relating to Board, and Shareholders' meetings in compliance with law, production of the minutes and information disclosure, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law.	BestPractice Principles for TWSE/TPEX Listed Companies.
5. Has Faraday established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company Faraday's official website? Does Faraday appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues?	V		Faraday has set up a designated area on its Faraday's official website to establish transparent, effective, and instant multi-directional communication channels with all stakeholders to gain their trust and support, and immediately grasp their expectations, recommendation and requirements. Recommendations and requirements are used as references and basis for formulating Faraday's future corporate social responsibility and future operational development plans, to realize the value and positive impact of corporate social responsibility. Faraday's stakeholders include employees, shareholders and investors, customers, suppliers and contractors, and government agencies. Please refer to the stakeholder section of Faraday's Faraday's official website for the concerns of various stakeholders , Faraday's communication channels, response methods and frequencies. http://www.faraday-	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			tech.com/tw/content/CSR/StakeholdersEngament)	
6. Has Faraday appointed a professional shareholder services agent to handle matters related to its shareholder meetings?	V		Faraday appointed HORIZON SECURITIES's Stock Affairs Agency Department as the professional stock affairs agency to handle the affairs of the shareholders' meeting.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
7. Information Disclosure (1) Has Faraday established a corporate Faraday's official website to disclose information regarding its financials, business, and corporate governance status?	V		Faraday has established a Faraday's official website (www.faraday-tech.com/tw/) to regularly disclose and update Faraday's financial status, corporate governance and important information about the Group. Other relevant information that should be announced may also be found on the MOPS.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
(2) Does Faraday use other information disclosure channels (e.g., maintaining an English-language Faraday's official website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		Faraday has set up an English Faraday's official website and placed important information such as English financial reports on the official Faraday's official website with dedicated personnel responsible for the collection and disclosure of company information. The Faraday's official website information is available in simplified Chinese, Japanese and Korean as well. Faraday has set up a room for spokesperson system and investor relationship, and disclosed relevant documents and audio-visual files of the corporate briefing session on Faraday's Faraday's official website.	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.
(3) Does Faraday publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines?	V		Faraday publishes and declares the annual financial statements, the first, second, and third quarter financial statements and the monthly operating status as early as possible within the prescribed deadlines. Please refer to the disclosed content on the MOPS (Faraday's official website: https://mops.twse.com.tw/)	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
8. . Has Faraday disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)?	V		<p>1. Employees' rights and interests: Faraday pays great attention to the rights and interests of employees and has always been following the principle of humanized management to give employees full respect and care. All management rules and regulations are in line with or better than the Labor Standards Law, Gender Work Equality Law, Sexual Harassment Prevention Law, and other government regulations. Faraday provides a variety of internal communication mechanisms, such as quarterly labor-management meetings, company-wide colleague meetings, periodic management meetings with employees, etc., so that colleagues' opinions can be fully utilized, and relevant authorities and responsible units can quickly respond to colleagues' opinions to build an unobstructed communication culture and a lively and enlightened working atmosphere. Faraday also provides a diversified welfare system, complete leisure facilities, and health promotion activities that meet the needs of employees. In addition, the "Employee Welfare Committee" has been established to protect the rights and interests of employees, enhance employee welfare, and give employees a better working environment and development space. An employee family day is held annually to care for employees and their relatives. Relevant information about employee rights and employee care, please refer to the Labor-Management Relations in Chapter 5 of the Annual Report and the "Friendly Workplace" and "Salary and Benefits" sections on Faraday's official Faraday's official website.</p> <p>2. Investor relations: Faraday has spokespersons, acting</p>	Conform to the the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies.

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			<p>spokespersons, and common stock transfer agent "HORIZON SECURITIES" to provide shareholders and investors with consultation on company-related issues.</p> <p>3. Supplier relationship: Responsible for the development of a sustainable supply chain and establish long-term partnerships with suppliers in various directions such as quality capabilities, cost leadership capabilities, delivery and supply capabilities, service capabilities, and sustainability.</p> <p>4. The rights of stakeholders: Faraday has set up a section for "Stakeholders" on Faraday Faraday's official website, and has also set up independent mailboxes and special lines to establish transparent, effective, and instant multi-directional communication channels between stakeholders and Faraday and to protect the relevant rights of interested parties.</p> <p>5. Training for Directors: Faraday offers courses in relevant regulations and professional knowledge courses from time to time. All directors and supervisors completed at least 6 hours of training courses in accordance with laws and regulations in 2020.</p> <p>6. Implementation of risk management policies: The risk management policies have been approved by the Board of Directors on July 27, 2021. The policies, organizational structure and related contents has been disclosed on Faraday's official Faraday's official website.</p> <p>7. Implementation of Customer Policy: Improve customer service and relevant work, improve service quality and customer satisfaction, and maintain customer rights and</p>	

Assessment Item	Implementation Status			Deviations from the Corporate Governance BestPractice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary description	
			related business secrets. 8. Directors and Supervisors' responsibility insurance: Faraday regularly insures the Directors and Supervisors' responsibility insurance every year. In the recent period, the Board of Directors has reported important contents such as the insured amount, coverage and insurance rate on February 22, 2021 and the information has been announced on the MOPs.	
<p>9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement. (If Faraday was not included among the companies evaluated for the given recent year, this item does not need to be completed.)</p> <p>The improvement status for the result of 2021 corporate governance evaluation, which include:</p> <p>(1) Faraday has a majority of the Directors (including at least one independent director) and convener of the Audit Committee attend the Shareholders Meeting in person, and records the attendance in the Shareholders Meeting minutes.</p> <p>(2) Faraday has disclosed the discussed matters and resolution results, and Faraday's handling on the members' opinion in annual report.</p> <p>(3) Faraday has made the succession plan for Board members and important managerial officers. The plan is disclosed in Faraday's Faraday's official website or annual report.</p> <p>(4) Faraday has established an approval method for appointment, dismissal, evaluation and review, salary and compensation of internal auditors and report to the board of directors or be submitted by the chief auditor to the chairman, and discloses on Faraday's Faraday's official website.</p> <p>(5) The non-audit fee paid to the CPAs and their accounting firm and its nature have been disclosed on the annual report.</p> <p>(6) Faraday has won SGS Excellent Quality topic by "Catch up with the ESG new wave" in 2021 .</p> <p>Faraday's priority enhancement measures in 2021 includes:</p> <p>(1) An English annual report is expected to be uploaded 18 days before annual shareholders meeting.</p> <p>(2) A specific and clear dividend policy is expected to be disclosed.</p> <p>(3) The linkage between directors and managers' performance evaluation and the remuneration is expected to be disclosed in annual report.</p> <p>(4) Strengthen the disclosure of corporate governance on the Faraday's English Faraday's official website.</p>				

The continuing education of Directors in 2021

Title	Name	Date	Course Name	Organizer	Hours
Chairman	UMC Representative : Chia-Tsung Hung	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Representative of Juristic-Person Director	UMC Representative: Ying-Sheng Shen	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Representative of Juristic-Person Director	Unimicron Representative: Cheng-Li Huang	Sep 1 , 2021	The 13th Taipei Corporate Governance Forum.	FSC	6
		Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Director	Kuo-Yung Wang	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Director	Shih-Chin Lin	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and Unconventional Transactions.	TIDA	3
Director	Wen-Ju Tseng	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Independent Director	Ning-Hai Jin	Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3
Independent Director	Ping-Kuan Luo	Apr 14, 2021	The Board of Directors view on M&A strategies and recipes for enterprise transformation.	TIDA	3
		Apr 27, 2021	How do the Board of Directors review ESG Sustainability Reports?	TIDA	3
		May 7, 2021	In-depth analysis of the substantive meaning of financial reports from the perspective of the chairman.	TIDA	3
		Aug 6, 2021	Practical operation and case analysis of Shareholders' Meeting of Public Company	TIDA	3
		Aug 10, 2021	How do the Board of Directors analyzes the confidence of financial statements and pays close attention to enterprise risk management?	TIDA	3
		Sep 10 , 2021	Preventing and responding to insider trading.	TIDA	3
		Sep 16, 2021	The development trend and coping strategies of fintech in the financial service industry under COVID-19.	TIDA	3
Independent Director	Wan-Fen Zhou	Sep 1, 2021	The 13th Taipei Corporate Governance Forum.	FSC	6
		Sep10, 2021	Preventing and responding to insider ttrading.	TIDA	3
		Oct 22 , 2021	2021 Briefing Session on legal compliance of insider equity transactions.	SFI	3
		Oct 26, 2021	Practical cases and prevention strategies of related person transactions and unconventional transactions.	TIDA	3

(4) Composition, responsibilities and operation of the Compensation and Remuneration

Committee:

The Compensation and Remuneration Committee is designed to assist the Board of Directors with the implementation and evaluation of Faraday's overall compensation and remuneration policies, as well as the remuneration to the Directors and managers.

Information of Compensation and Remuneration Committee Members

Qualifications Name	Professional qualifications and experience	Independence analysis	Number of members who are concurrently members of the compensation and remuneration committees of other public companies
Ning-Hai Jin (Convener)	Mr. Jin has knowledge of the industry, international market perspective, both operating management and academic abilities, business and technology industrial management and corporate governance. He was the General Manager of Aurora Holdings Incorporated and Legal representative of Taiwan Life Insurance Co., Ltd. He is currently the Chairman of Lan-Hai Electro-optical Inc. and Starlevel Media Services Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	Mr. Jin is an independent director and meets the independence criteria, including but not limited to the himself, his spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	0
Bing-Kuan Luo	Mr. Luo has knowledge of the industry, international market perspective, both operating management and academic abilities, abilities in legal, finance, crisis management, and corporate governance. He was the consultant at the Ministry of Economic Affairs and Eastern Taiwan Joint Services Center, Executive Yuan, Vice President and Chairman of Taiwan of HKiNED, and Chief Investment Officer and China Certified M&A Dealmaker of Kai-Da International Strategy Counseling Corp. He is currently the Chairman of Hua-Shuan International Counselling Corp. and TIDA Taiwan, and is not under any circumstances listed in Article 30 of the Company Act.	Mr. Luo is an independent director and meets the independence criteria, including but not limited to himself, his spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	0

Wan-Fen Zhou	Ms. Chou has knowledge of the industry, practical experience, both decision-making and academic abilities, accounting and financial analysis ability, operation management, and practical ability in crisis management. She was the Chief Financial Officer of Dawning Leading Technology Inc., Deputy Manager at UMC, supervisor at Jai-Yon Investment Corp. Ms. Chou is currently the Finance Senior Director at King Yuan Electronics Co., Ltd., and is not under any circumstances listed in Article 30 of the Company Act.	Ms. Zhou is an independent director and meets the independence criteria, including but not limited to herself, her spouse, relative within the second degree of kinship who is not a director, supervisor, or employee of the Company or its affiliates; does not hold company shares; is not a director, supervisor, or employee of an enterprise related to the Company; does not receive remuneration in the past two years for providing business, legal, financial, and accounting services to the Company or its affiliates.	0
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Operation of the Compensation and Remuneration Committee

1. There are a total of 3 members in Faraday's Compensation and Remuneration Committee.
2. Current term of committee members: July 7 2021, to July 6, 2024. Before the re-election of directors on July 7 2021, the Compensation and Remuneration Committee held 1(A) meetings in 2021, attendance status of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ling-Ling, Wu	1	0	100	
Member	Ning-Hai, Jin	1	0	100	
Member	Bing-Kuan Luo	1	0	100	

After the re-election of directors on July 7 2021, the Compensation and Remuneration Committee held 3(A) meetings in 2021, attendance status of which is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Ning-Hai, Jin	3	0	100	
Member	Bing-Kuan Luo	3	0	100	
Member	Wan-Fen Zhou	3	0	100	

Annotations:

- (i) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and Faraday's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
- (ii) Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Board meeting date	Session	Contents of the motion	Result	Faraday's disposal of member opinions
February 23, 2021	8 th session of 4 th term	Proposal for the remuneration distribution of Directors and employees in 2020.	Approved by all Committee Members.	None
July 27, 2021	1 st session of 5 th term	1.Proposal for the remuneration of Directors. 2.Proposal for the remuneration recommendations of managers.	Approved by all Committee Members.	None
October 26, 2021	2 nd session of 5 th term	Proposal for the change and remuneration recommendation of managers.	Approved by all Committee Members.	None
February22, 2022	3 rd session of 5 th term	1. Proposal for the remuneration distribution of Directors and employees in 2021. 2. Proposal for the compensation and remuneration of managers.	Approved by all Committee Members.	None

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		<p>1. In fulfilling corporate social responsibility initiatives, Faraday gives due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance to continuously improve the sustainable performance. In 2019, Faraday established a Corporate Sustainability Commission in charge of developing sustainable corporate strategies and initiatives, with the purpose of strengthening corporate governance, protecting the environment and implementing social responsibility. The general manager acts as the chairman and corporate sustainable development is the supreme guiding principle. It reviews the corporate sustainable performance regularly every six months and reports the annual implementation result to the Board of Directors.</p> <p>2. Five working teams are assigned under the Corporate Sustainability Commission: corporate governance team, proud partner team, sustainable environment team, friendly work place team, and society feedback team to promote and manage corporate social responsibility related work. The team members are composed by relevant department, and the manager of the division</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>level (including) is assigned to be in charge. A general director is assigned to coordinate the promotion of corporate sustainable issues with each team.</p> <p>3. The chairman of the “Corporate Sustainability Commission” shall report to the Board of Directors on the implementation result of sustainable development and future work plan at least once a year. The most recent report to the Board of Directors was on July 27, 2021, including motions of (1) Identify the sustainable issues that require attention and make corresponding action plan (2) Amendment to goals and policies of sustainable issues (3) Supervise and evaluate the implementation of sustainable issues.</p> <p>4. Faraday reports to the Board of Directors regularly (including ESG report). The management also reviews Faraday’s business strategies with the Board and updates the Board on the progress of those strategies, obtaining Board guidance for adjustment when necessary.</p> <p>5. To implement corporate sustainable development strategy, each team has established corporate sustainable promotion index in accordance with its authority and responsibility. The Sustainability Commission meets every half year to discuss previous implementation results of sustainable promotion index and the goal and plan of the next phrase, in order to reach the goal of sustainable development by continuous improvement.</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Summary description									
2. Does the company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<div>1. The disclose information covers the sustainable development performance in the main branches between January and December 2021. The risk assessment boundary is primarily based on Hsinchu branch.</div> <div>2. The Board of Directors had approved the “Risk Management Policy” on April 2021 as the supreme guiding principle for risk management. Faraday conducts risk identification, risk assessment, and risk impact analysis on possible risks in advance, then make and implement crisis coping measures on high-risk impact items. In order to effectively control risk in an acceptable range, the Board and management of Faraday regularly supervise and review risk management policy to continuously improve the risk management mechanism.</div> <div>3. Faraday identifies and induces possible significant risks in its operation from “corporate governance”, “environment”, and “society” in accordance with the materiality principle, while making corresponding management approach and crisis coping measure on all types of risks to minimize the uncertainty of operation.</div> <div>4. Risk management policies or strategies are made after risk assessment:</div> <table><tr><th>Risk aspect</th><th>Risk issue</th><th>Coping strategy</th></tr><tr><td rowspan="2">Corporate Governance</td><td>Strategic risk</td><td>Use diversification investment to cope with price risk of equity securities and other investment.</td></tr><tr><td>Credit risk</td><td>1. Use creditenhancement tools</td></tr></table>	Risk aspect	Risk issue	Coping strategy	Corporate Governance	Strategic risk	Use diversification investment to cope with price risk of equity securities and other investment.	Credit risk	1. Use creditenhancement tools	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Risk aspect	Risk issue	Coping strategy										
Corporate Governance	Strategic risk	Use diversification investment to cope with price risk of equity securities and other investment.										
	Credit risk	1. Use creditenhancement tools										

Evaluation item	Implementation status			Summary description	Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No			
				at appropriate time (such as advance payment) to reduce counterparty credit risk. 2. Follow credit risk policies, procedures, and controls to cope with credit risks.	
			Market risk	1. Manage exchange rate risk by natural hedge and foreign exchange forward contract. Make foreign exchange forward contract in certain currency. 2. Shorten the contract period for investments with low liquidity. 3. Regularly provide information on equity securities portfolio to top management for review and approval.	
			Liquidity risk	1. Maintain financial flexibility with cash, cash equivalents, marketable securities with high liquidity, and bank borrowings. 2. Improve the recovery rate and period on outstanding payment.	
			Information security risk	1. Construct outside-in oriented information security protection measures to avoid	

Evaluation item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons	
	Yes	No	Summary description			
					external attacks such as malicious hacker, virus, and blackmail. 2. Establish protection measures in accordance with confidential level. 3. Establish employees' concept of information security through education training and regular announcement. 4. Regularly evaluate the appropriateness and effectiveness of information security operation. 5. Make project plan for continuous strengthening protection measures to reduce information security risk. 6. Confidential agreement signed by employees. 7. Sign confidential contract when providing sensitive information to the third party vendors or customers to comply with confidentiality.	
			Environment	Climate change	Review international environmental protection trend every year and conduct internal training and promotion to make	

Evaluation item	Implementation status				Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons	
	Yes	No	Summary description			
					employees be aware of the impact of climate change, understand the annual principle direction of environmental protection, and cooperate with the environmental protection policy at work.	
			Society	Supply chain risk	1. Establish supply chain sustainable evaluation system and include carbon, water risk management and material supply emergency procedure in the evaluation items. 2. Globalize the supply chain.	
				Infectious diseases risk	Establish an emergency command center and assign general manager or top manager in the event of a disaster as the commander in chief, and managers in each division as the members to work on disaster reduction.	
3. Environmental Issues (1)Has the Company set an environmental management system designed to industry characteristics?	V		Faraday established environment management system in accordance with the green environmental policy. It conducts greenhouse gas emissions check primarily based on Hsinchu branch in accordance with the operation right of control. The reduction result is tracked and disclosed in the sustainability report and Faraday’s official website. (https://www.faraday-tech.com/tw/content/CSR/CSR_DownloadReport)			Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
(2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact?	V		<p>1. Faraday eradicates all kinds of waste, including water and energy, and continues to improve processes of maintenance, saving, recycling and reusing. It has established restricted substance control standard on product and packaging material, and followed the regulations, protected the earth, and reduced impact on ecological system. Meanwhile, Faraday continues to pay attention to climate change trend and regulation compliance, and saves water and electricity by purchasing energy saving equipment and implementing energy saving policy and measure, such as irregularly promote energy saving and carbon reducing (turn off the computer and monitor after work, security would help to turn off unnecessary lighting and air conditioning while patrolling the office). Products with energy saving labels will be prioritized when purchasing equipment in the future.</p> <p>2. Faraday is the leading research and developing manufacturer of ASIC (Application Specific Integrated Circuit) and IP (intellectual property). Products are manufactured by entrusted outsourcing manufacturer; therefore, most energy consumption is general livelihood needs such as air conditioner, lighting, and server utilization equipment. Electricity is the primary use of energy while other energy consumption is relatively small. The total electricity consumption in 2021 was</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>6,638,927 kWh, which is 198,597 kWh less in comparison with 2020. The decrease in electricity consumption is mainly because some employees work from home due to COVID-19 prevention measure. There was less electricity consumption in the office and more efficiency in electricity usage due to energy saving plan for equipment replacement; therefore, the overall electricity consumption is reduced.</p> <p>3. The energy saving plan continues in 2021. The cooling fins in the cooling tower are replaced to improve the heat dissipation efficiency of the cooling water. It would save up 20,790 kWh per year on air conditioner chiller unit. UPS on the 5th floor is replaced with high efficiency model to save 36,708 kWh per year. In 2021, the total power saving amount was 57,498 kWh, energy saving amount was 206.99 mega joule, and carbon reduction was 29.27 tons CO₂e.</p> <p>4. Since the package waste reduction project was introduced in 2019, it has saved 37,271 paper boxes. The goal for zero usage on one-time paper box was achieved in 2020 and 2021.</p> <p>5. The raw material used in company products was purchased from smeltery certified by the Responsible Minerals Initiative, RMI. None of the metallic mineral source was from high risk areas that were identified by Organization for Economic Cooperation and</p>	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons								
	Yes	No	Summary description									
			Development (OECD). Also, according to customers’ request, the products have met the limit requirement of EU RoHS Directive and REACH requirement. No customer complaint or return was caused by violation against RoHS or REACH.									
(3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them?	V		<div>1. Faraday follows TCFD report structure. Supervised by the Corporate Sustainability Commission under the Board of Directors, the general manager, as a primary member, will review and report the performance to the Board of Directors at least once a year. It allows the Board of Directors and management officers to understand the impact that climate change has made on the company, and also discloses climate related information of four aspects by the Recommendations of the Task Force on Climate-related Financial Disclosures structure published by TCFD: governance, strategy, risk management, metrics and targets.</div> <div>2. Potential risk and opportunity caused by climate change and its coping measures:</div> <table><tr><th>Risk</th><th>Impact</th><th>Opportunity</th><th>Coping measures</th></tr><tr><td>Increased occurrence frequency and severity of typhoon/flood</td><td>Accelerate assets depreciation and increase equipment maintenance cost</td><td>Recycle and reuse</td><td>1. For factory facility, it should pay attention to water pump in the basement and make sure it works well, and</td></tr></table>	Risk	Impact	Opportunity	Coping measures	Increased occurrence frequency and severity of typhoon/flood	Accelerate assets depreciation and increase equipment maintenance cost	Recycle and reuse	1. For factory facility, it should pay attention to water pump in the basement and make sure it works well, and	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Risk	Impact	Opportunity	Coping measures									
Increased occurrence frequency and severity of typhoon/flood	Accelerate assets depreciation and increase equipment maintenance cost	Recycle and reuse	1. For factory facility, it should pay attention to water pump in the basement and make sure it works well, and									

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
						take precaution measures when severe typhoon or heavy rain warnings are lifted. 2. Make plans in advance to replace old equipment to response to equipment with increasing carbon emissions and decreasing efficiency.	
			Average temperature rising	Increase cost on electricity for air conditioner and factory facility	Low-carbon energy transition	1. Propose and implement energy saving plan every year. 2. Promote advanced metering infrastructure to deploy IP and ASIC research and development that are required for advanced metering IC.	
			Water	Affect	Energy	1. Start generator	

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
			rationing (outage) or electricity rationing (outage)	stability of supply chain process and cause customer complaint or operating cost to increase	saving measures, improve water resource efficiency	system. The existing fuel storage can support electricity needs in server room for more than 10 hours. Start generator oil tank supplied by tanker truck, which allows the supply up to days. 2. Establish supply chain sustainable evaluation system and include carbon, water risk management and material supply emergency procedure in the evaluation items.	
			Regulations on greenhouse gas emission	Affected by potential carbon tax and carbon trading system, the operating cost	Participate in carbon market and renewable energy	1. Promote paperless, build smart working environment, and implement digital transformation.	

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description				
				would increase		2. Reusable paper box to replace one-time paper box.	
			Customer’s behavior changed	Customers’ awareness of sustainability is increased and demand for low-carbon products and services is increased. They might switch to service with lower carbon and affect our revenue.	Green operation, low-power consumption on technology development	1. Make green product development plan to research for low-power consumption SoC and deploy new applications such as Internet of Things, artificial intelligence, communication and multimedia to gain business opportunity. 2. Adopt green and non-toxic substance in manufacture process and packaging, and continue to strengthen customer service and competitive advantage.	

Evaluation item	Implementation status						Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons						
	Yes	No	Summary description										
			Negative feedback from stakeholders increased	High carbon emissions and low weather resilience will affect customer trust and company goodwill damage	Improve investors' willingness on long-term investment	1. Respond to green energy policy in many countries and look for new business opportunity. 2. Introduce TCFD structure to improve climate-related financial disclosure and communication with customers and the stakeholders.							
			The detailed description of Faraday's climate change risk and opportunity analysis has been disclosed in the ESG report and Faraday's official website. (https://www.faraday-tech.com/tw/content/CSR/TCFD)										
(4) Did the company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes?	V		1. Faraday adopts operation right of control and conducts greenhouse gas emissions check primarily based on Hsinchu branch. It is divided into two categories as direct discharge (category 1) and indirect discharge (category 2). 2. Greenhouse gas emission from 2020 to 2021 <table><tr><th>Year</th><th>2021</th><th>2020</th></tr><tr><td></td><td></td><td></td></tr></table>				Year	2021	2020				Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
Year	2021	2020											

Evaluation item	Implementation status					Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description			
			Category 1 (Ton CO2e/year)	300.59	60.44	
			Category 2 (Ton CO2e/year)	3,332.74	3,480.30	
			Greenhouse gas emission intensity (Ton CO2e/million dollars)	0.54	0.72	
			Note 1: The total greenhouse gas emission of category 1 and category 2 in 2021 was 3,633.33 ton CO2e. It primarily came from electricity discharge in category 2, which was 91.73% of the total emission.			
			Note 2: Greenhouse gas emission intensity: data scope (category 1 + category 2)/revenue (million dollars)			
			Faraday continues to conduct greenhouse gas emission check and implement management work, and actively promote measures to reduce greenhouse gas emission based on the inspection result. With continuous improvement plan and activity, the Company could reduce the global warming impact on the environment and weather due to greenhouse gas emission and take corporate social responsibility.			
			3. Water consumption statistic from 2020 to 2021			
Unit: m3						
Year	2021	2020				

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons															
	Yes	No	Summary description																
			<div> <div>Externally purchase water consumption</div> <div>17,259</div> <div>21,453</div> </div> <p>Note: Hsinchu is the primary office of Faraday Technology. Water consumption is based in Hsinchu office as statistic boundary.</p> <p>Water used in Faraday 100% comes from Taiwan Water Corporation, which is mostly used for livelihood water and none for manufacturing. The total water consumption in 2021 was 4,194 m3 less than 2020. Faraday continues to promote various water saving measures and propaganda to reduce and control water consumption.</p> <p>4. Industrial waste output and treatment statistics from 2020 to 2021 Unit: Ton</p> <table> <tr> <th>Year</th> <th>2021</th> <th>2020</th> </tr> <tr> <td>Domestic waste</td> <td>14.18</td> <td>16.49</td> </tr> <tr> <td>Recycling</td> <td>8.75</td> <td>8.85</td> </tr> <tr> <td>Hazardous industrial waste</td> <td>0.49</td> <td>0.77</td> </tr> <tr> <td>Total weight</td> <td>23.42</td> <td>26.11</td> </tr> </table> <p>Faraday will keep working on resource saving, waste reducing, recycling and reusing to ease the environmental load, and achieve the goals of waste reduction, recycle and reuse for sustainable resources to keep the earth environmental friendly.</p>	Year	2021	2020	Domestic waste	14.18	16.49	Recycling	8.75	8.85	Hazardous industrial waste	0.49	0.77	Total weight	23.42	26.11	
Year	2021	2020																	
Domestic waste	14.18	16.49																	
Recycling	8.75	8.85																	
Hazardous industrial waste	0.49	0.77																	
Total weight	23.42	26.11																	

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
<p>4. Social Issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p>	V		Faraday always pays attention to human rights and respect international labor human rights. In order to follow local regulations in operating sites around the world, Faraday has established measures regarding to human rights protection and labor policy in accordance with “International Human Rights Law”, key labor standard of the “International Labor Organization Convention”, and “International Labor Office Tripartite Declaration of Principles” and other human rights standards that are internationally recognized, as well as local regulation on labor, gender equality in employment. It also actively implements “Responsible Business Alliance Code of Conduct” and treat all full-time and part-time employees with respect, while prohibiting forced labor, child labor, discrimination, and ensure humane treatment and freedom of association. A total of 698.5 hours of training regarding to human rights policy was held in 2021.	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?	V		Faraday has established “Remuneration Operation Procedures” to explain salary calculation, bonus, holiday bonus, and employee bonus operations, as well as “Performance Appraisal Management Procedure” as a criterion for personnel promotion, salary adjustment and bonus payment. It established remuneration policy to encourage and retain talents, and also motivate employees to boost sales performance and share operating result. It shall also set aside no less than 10% for remuneration of	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			employees from net profit after tax in accordance with the Articles of Incorporation. Faraday provides diversified welfare and plans subsidies with the Employee Welfare Committee, such as travel subsidies, birthday coupons, birth subsidies, wedding/funeral/celebration subsidies, coupon purchase, funds for department activity, regular health checkup that is better than which required by laws and regulations, complete employee insurance, and annual leave that is better than regulations. Faraday implements equal pay for equal work and equal promotion opportunity for both genders. There were 18.24% female managers and 29.27% female employees as of the end of 2021.	
(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?	V		Faraday provides a safe and healthy working environment to improve the quality of products and the enthusiasm of employees. To prevent occupational disasters during the work and to reduce the risk in the working environment, the Company abides local and international regulations on labor safety, health, and social responsibility. Faraday regularly organizes health lectures and conducts health check-up to ensure the safety and health of colleagues. Meanwhile, Faraday has cosign professional nurses and physicians, who conduct regular consultations, analyze the results of health check-up and work-related factors, and conduct hierarchical management and follow-up for specific ethnic groups to prevent potential risks.	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.
(4) Has the Company established effective career development training programs for	V		Faraday has spared no effort in educating profession personnel, and providing perfect assistance in both work and daily life. We	Conform to the Sustainable Development

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
employees?			also offer long-term plans for education and training, on-the-job training, and future career development based on individuals' professions. The plans include: newcomer training, professional training, language training, supervisor training, general training, domestic and foreign education, future career development, etc. In 2021, there were 232 internal trainings (including e-learning): 122 for newcomers, 63 for R&D, 24 for safety and health, 23 for supervisors, and 37 for external training.	Best Practice Principles for TWSE/TPEX Listed Companies.
(5) Does the company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?	V		Faraday implements product safety management in each production link. From raw material management, monitoring of environmental control substance, to the safety of packaging material, everything has to be approved by the Company before use. Faraday also established a standard packaging operation regulation, so that the identifiable production batch on products and packaging and corresponding level of green product can meet the regulation requirement. For information security, Faraday also created an "Information Security Manual" in reference to ISO27001. The content includes control in aspects of organization, technology, and physical environment, such as information security policy, information security organization, assets management, access control, information security regulation to be followed, human resources safety, physical and environmental safety management, introduction and maintenance of information security system, network communication and operation management, reports of	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>unusual event of information security, and operation continuous management.</p> <p>The Information Security Management System keeps the information's confidentiality, integrity, and availability with applied risk management process. With appropriate risk management, it could avoid internal and external threats, reduce information operational risk, and protect business confidentiality and privacy of the business partners.</p> <p>For customers to receive the best service, Faraday has established an eService system. When customers have questions or suggestions on products or service, they could sign in the eService system platform. A dedicated personnel will dispatch to the responsible unit according to the nature of their questions, and get back to the customers of the results. Meanwhile, the eService will automatically send a customer satisfaction questionnaire to check on their satisfaction to provide the best service to the customer.</p>	
(6) Has the company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation?	V		<p>Faraday has established "Outsourcing factory assessment regulations" as screening criteria of suppliers regarding environmental protection, human rights, safety, health, and sustainable development, and as requirement and expectation of aspects in environmental, health, and safety risk, prohibition on child labor, labor management, not jeopardizing basic labor rights, code of ethics, and ethical management.</p> <p>Faraday has followed international standards of ISO9001</p>	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			and ISO14001 to manage its suppliers. In addition, it requests 75% of the suppliers to obtain OHSAS18001 or ISO45001 certification, and asks the suppliers to implement sustainability in daily management by quarterly evaluation and annual audit. All of our suppliers in 2021 have met the following criteria: (1)100% wafer packaging testing suppliers have obtained ISO9000 and ISO14000 certifications. (2)80% wafer packaging testing suppliers have obtained OHSAS 18000.	
5. Does the company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the company obtain third party assurance or certification for the reports above?	V		The “2021 Corporate Social Responsibility Report” prepared by Faraday included Faraday internal and external issues regarding to corporate governance, economy, environment, and society. It drew up the structure of the report and key disclosed information based on materiality analysis to learn about issues that are concerned by stakeholders. Meanwhile, it followed the Core of GRI standards issued by Global Sustainability Standards Board, GSSB, to prepare and disclose the content of the report. To strengthen the accuracy and credibility, the report has been verified by SGS, an external, independent, and credible company, in accordance with Type 1 Moderate Level AA1000 AS (2008) and the Core of GRI Standards. Faraday Technology publishes its Corporate Social Responsibility Report annually and is downloadable on the Corporate Sustainability section on the company’s official	Conform to the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			website.	
6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company's operations: None				
7.Other important information to facilitate better understanding of the company's promotion of sustainable development: (1)Faraday's official website has a dedicated area for Sustainable Development , providing investors and stakeholders with instant access to important information. (2) In response to the occurrence of social catastrophes, we will initiate donations from colleagues from time to time to help disadvantaged groups in society. (3) The company prepares a budget every year, and has a love fundraising mechanism to donate to charities and public welfare organizations. (4) Participate in industry-related activities, share industry experience, and assist enterprise organizations to optimize operation and management, thereby promoting the advantages of sustainable development of domestic industries. (5) Promote campus education and scientific and technological research, through speeches and visits, to understand the evolution of the ASIC design service industry and the importance of innovative technologies, and then encourage students to actively learn and grow, and become a new force in the technology industry in the future. (6) Sponsor the green award selection activities, promote environmental biodiversity and species restoration, and enhance environmental protection concepts. (7) In response to environmental protection and energy saving measures, rainwater recovery devices are installed in the office building for landscape sprinkler irrigation, and water resources are reused.				

(6) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

The internal management measures and implementation status of the Group are in compliance with Faraday Law, the Securities Exchange Law and the local related legal regulations of the various affiliates. The executives and the Directors all fulfill the duty of care as Faraday's manager, and maintain a good communication channel with the external auditor to implement the Integrity Management Principle.

Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policies and programs (1) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	V		Faraday has formulated the "Integrity Management Code" and the "Integrity Management Operating Procedures and Behavior Guidelines" to specifically regulate all personnel of Faraday (including subsidiaries) in the process of engaging in business activities, and shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or commit other dishonest acts that violate integrity, lawlessness, or breach of fiduciary duty, to obtain or maintain benefits. The "Code of Integrity Management" has been approved by Faraday's Board of Directors. Related policies and plans have also been disclosed on Faraday's official Faraday's official website. The integrity management section of Faraday's Faraday's official website: https://www.faraday-ech.com/tw/content/CSR/EthicalManagement	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>The Board of Directors of Faraday perform the duty of care of good managers and supervise Faraday to prevent dishonest behaviors to ensure the implementation of the integrity management policy. In addition, to improve the integrity of Faraday's operations, the audit unit included the compliance of the "Integrity Management Code" into the scope of inspection and regularly reported to the Board of Directors about the deficiencies and improvement measures.</p> <p>Relevant regulations of Faraday's integrity management: https://www.faraday-tech.com/tw/content/CSR/CorporationGovernance Directors who have an interests in themselves or the legal person they represent, which may be harmful to Faraday's interests, shall not participate in the Board of Directors' discussions and voting.</p>	
(2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies?	V		<p>In the "Code of Integrity Management" and "Operating Procedures and Behavior Guidelines for Integrity Management", Faraday aims at preventing bribes, dissuading illegal political contributions, improper charitable donations or sponsorships, providing or accepting unreasonable gifts, entertainment or other improper benefits, infringement of trade secrets, trademark rights, patent rights, copyrights and other intellectual property rights, and engaging in unfair competitive behaviors, products and services directly or</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>indirectly damaging the rights, health and safety of consumers or other interested parties during research and development, procurement, manufacturing, provision or sales.</p> <p>Faraday conducts risk evaluation for the corruption-related issues through self-inspection by related unit and self-assessment by the law compliance unit to effectively prevent and implement Integrity Management. Moreover, the audit unit conducts independent evaluation to ensure the operation of the overall mechanism to jointly manage and prevent the occurrence of dishonest behaviors.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
(3) Does the company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?	V		<p>In the "Guidelines for Integrity Management Operation Procedures and Behaviors", Faraday explicitly regulates the matters that should be paid attention to in the implementation of business. Before establishing business relationships, consider the legality of agents, suppliers, customers, and other business transactions and whether they are involved in fraudulent behavior. We avoid transactions with dishonest behaviors, and clearly state Faraday's</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>Integrity Management policies, expressly refuse to directly or indirectly provide, promise, request or accept any illegitimate benefits in any form. Meanwhile, Faraday has laid down the "Law on Prosecution of Dishonest Behaviors" and established the reporting system, channels hotlines and e-mail for related dishonest behaviors. The whistleblower's identity and the content of the report are kept confidential, or appropriate protective measures are taken in accordance with the law. For reporting cases, if the investigation proves that there is a violation of relevant laws or regulations or Faraday's Integrity Management policies and regulations, the reported person will immediately be prohibited from any business activity. Appropriate actions and measurements will be conducted. If the circumstances are serious, Faraday may dismiss the person and ask for compensation in accordance with laws and Company regulations to protect Faraday's reputation and rights. To ensure that every personnel of Faraday follows the rules, Faraday regularly conducts education, training, and promotion to help them fully understand Faraday's determination, policies, prevention plans, consequences and punishment of dishonest behavior.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement</p>	

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	
2. Ethical Management Practice (1) Does the company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?	V		Faraday evaluates the legality, integrity management policies and record of dishonest behaviors of counter agents, suppliers, customers or other business contacts before establishing any business relationship. The measures help to ensure the counterparties operate fairly and transparently, and will not request, offer or accept bribes. When cosigning with customers and suppliers, Faraday includes the Integrity Policy in the business contract. If any counterparty is found with dishonest behavior, the transaction and cooperation terminate immediately, so as to implement Faraday's Integrity Management Policy. The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate	V		Under the Integrity Management policy set by the Board of Directors, Faraday has set up an "Integrity Management Team" in the Corporate Sustainability Committee. The Team promotes Faraday's integrity	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
management policy and program to prevent unethical conduct and monitor their implementation?			<p>management, anti-corruption, anti-bribery, compliance with laws and regulations, and governance matters. They also directly report its implementation status to the Board of Directors annually.</p> <p>Please refer to Faraday's Faraday's official website for more information:https://www.faraday-tech.com/tw/content/CSR/CorporateSustainability</p> <p>In addition, Integrity Management Team has formulated Faraday's "Code of Integrity Management". The Board of Directors has approved the formulation, amendment, or revocation of the Code. The Board also pays attention and supervises Faraday from any dishonest behavior to ensure the implementation of the Integrity Management.</p>	Companies.
(3) Has the company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?	V		<p>Faraday has set up a policy to avoid conflicts of interest in the "Integrity Management Operating Procedures and Conduct Guidelines". Faraday's Directors, managers, stakeholders and any attendee of the Board Meeting, who has conflict interest to the resolutions, should disclose the information and give up his/her right to vote when the conflicts are in doubt. In addition, the above-mentioned personnel shall withdraw the discussion and shall not vote by proxy for other Directors. The Directors should be self-disciplined and covered others' conflict of interests. During the execution of company business, any personnel of Faraday that finds conflicts with their own interests or the legal persons he/she</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>represents, or may obtain illegitimate benefits for himself/herself, spouses, parents, children or other stakeholders, shall report the matters to the supervisor and responsible units for appropriate guidance. The employees of Faraday shall not use any company resources for business activities outside Faraday, and shall not affect their work performance while participating in business activities outside Faraday.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
(4) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	V		Faraday has a rigorous accounting and internal control system, including paying attention to related party transactions, establishing a bargaining system and a layered authorization review system, etc. If an employee found that any violation of the Integrity Code during business operation, they are responsible to report the incident.	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.
(5) Does the company provide internal and external ethical corporate management training programs on a regular basis?	V		Faraday actively implements the promotion and implementation of the Integrity Management. In addition to requiring all colleagues to sign the Integrity Code, we keep educating and training relevant personnel, conducting legal compliance	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>advocacy, and regularly reviewing various measures to enhance the implementation of Company's Integrity Management. Faraday also conducts education, training, and advocacy of Integrity Management and Integrity Codes for every newcomer to help all colleagues fully understand Faraday's determination, policies, prevention plans and the consequences of violating the Integrity Management policy. In 2020, a total of 677 person-hours were trained educated on the Integrity Management.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Has the company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistleblowers?</p>	V		<p>Faraday has set up a specific reporting system in accordance with the "Code of Integrity Management" and "Integrity Management Operating Procedures and Behavior Guidelines" to actively prevent dishonest behaviors, encourage internal and external personnel to report dishonest or improper behaviors. The audit office is designated to accept reports. The Stakeholder Area on the official Faraday's official website provides</p>	<p>Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>effective communication channel for employees, shareholders, stakeholders, and outsiders. If the report involves Directors or senior executives, the report will be sent to Independent Directors or Supervisors, and establish the whistleblower protection system. The identity and contents of the report are kept confidential or being appropriate protect in accordance with the law. The whistleblower is also protected from improperly punishment. In 2020, a total of 0 external reporting cases were accepted and 0 employees directly reported, and there were no cases of dishonest behavior.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
(2) Has the company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner?	V		<p>Faraday firmly follows Faraday's whistleblowing channels, investigation and processing procedures and whistleblowers' protection measures in the "Procedures for Reporting Illegal Unethical and Dishonest" to ensure the legal rights of relevant personnel. Faraday handles whistleblowing cases promptly, impartially and objectively and in a</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>confidential manner, keeps the identity and contents of the whistleblowers confidentially, and takes appropriate protective measures according to law. If the accused personnel is proved to violate relevant laws and regulations or Faraday's Integrity Management policies and regulations, he/she should immediately stop all the relevant behavior. Faraday may dismiss the violator, and request for compensation through legal procedures to protect Faraday's reputation and rights. Constructive reporting is the act of protecting the rights of employees, Faraday and shareholders. Faraday may offer appropriate rewards to the whistleblower according to the situation.</p> <p>The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
(3) Has the company adopted proper measures to protect whistleblowers from retaliation for filing complaints?	V		<p>As described above, Faraday takes appropriate protective measures for the informant, including but not limited to: the name of the informant or any fact sufficient to identify the person shall not be recorded in the public document without the whistleblower's agreement; the whistleblower's address, telephone, e-mail, or relevant information must be kept strictly</p>	Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>confidential; the investigation and verification should be done without revealing the whistleblower's identity. If the whistleblower is an employee, Faraday guarantees he/she will not be subject to improper disposal due to the whistleblowing. The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
<p>4. Strengthening Information Disclosure</p> <p>Does the company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)?</p>	V		<p>Faraday has disclosed the "Integrity Management Code", "Integrity Management Operation Procedures and Behavior Guidelines" and "Unfaithful Behavior Prosecution Law" and relevant information about Integrity Management. The implementation status in 2020 is as follows: education and training are conducted on the integrity of business activities, the prohibition of dishonest behavior and the harm to the interests of stakeholders, and the confidentiality obligations to Faraday's intellectual property. Faraday promotes the theme of "Implementing the Value of Honesty and Sustainable Development of the Enterprise" in colleague meetings, labor-management meetings, supervisor meetings, new recruit training, internal</p>	<p>Conform to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
			<p>webpages, and intranet. We also remind the colleagues about matters they should pay attention during business operation through summarizing the Integrity Management Code, the Internal Major Information Processing Procedure, and case studies. In addition, Integrity Management is incorporated into employee performance appraisal and human resources policies, while a clear and effective punishment system has been established. There are no corruption or anti-competitive behaviors reported in 2020. The whistleblowing system and whistleblower protection are working perfectly, and none of the dishonest cases were reported by external and internal personnel. The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/CSR/EthicalManagement Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/IR/CorporateGovernance</p>	
5. If the company has adopted its own ethical corporate management best practice principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviations between the principles and their implementation : None.				
6. Other important information to facilitate a better understanding of the status of operation of the company's ethical corporate management policies (e.g., the company's reviewing and amending of its ethical corporate management best practice principles): Relevant regulations of Faraday's integrity management: https://www.faradaytech.com/tw/content/CSR/EthicalManagement				

Evaluation item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary description	
The integrity management area of Faraday's Faraday's official website: https://www.faradaytech.com/tw/content/IR/CorporateGovernance				

- (7) For if Faraday has established corporate governance code and relevant regulations, please inquire as follows: The Group has established relevant regulations on corporate governance in compliance with the 'Corporate Governance Code for Listed Companies', Faraday Faraday's official website is set with a 'Corporate Governance' section for investors to inquire and download.

Corporate Governance area of Faraday's official website:

<https://www.faraday-tech.com/tw/content/CSR/CorporationGovernance>

The integrity management area of Faraday's official website:

<https://www.faradaytech.com/tw/content/CSR/EthicalManagement>

Relevant regulations of Faraday's integrity management:

<https://www.faradaytech.com/tw/content/IR/CorporateGovernance>

- (8) Other important information sufficient for increasing understanding of corporate governance operations:

The operation of Faraday's corporate governance can be inquired at MOPS or Faraday's official website.

<https://www.faraday-tech.com/tw/content/index>

(9) Execution of internal control system

1. Internal Control Statement

Faraday Technology Corporation
Internal Control System Statement

Date: February 22, 2022

The internal control system of Faraday in the year 2021 is based on the results of self-assessment, and is hereby declared as follows:

- I. Faraday is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board of Directors and managers of Faraday. Faraday has established such a system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and asset security, etc.), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with relevant regulations, ruling and laws.
- II. The internal control system has its inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of the achieving the above-mentioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. However, Faraday's internal control system contains self-monitoring mechanisms, and Faraday takes immediate remedial actions against once a deficiency is identified.
- III. Faraday evaluates the design and effectiveness of the internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several sub-items, which can be found in the Regulations.
- IV. Faraday has evaluated the design and effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the results of the evaluation, Faraday believes that Faraday's internal control system (including supervision and management our subsidiaries), on December 31, 2021, has maintained effective, to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of Faraday’s annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public

will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

- VII. This statement was approved by Faraday's Board of Directors on February 22, 2022. with none of the night attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Faraday Technology Corporation

Chairman: Chia-Tseng Hung

President: Kuo-Yung Wang

2.If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: Not applicable.

(10) In the most recent year and until the publication of the annual report, Faraday and its internal personnel punished according to law, and Faraday punished its internal personnel for violating the internal control system, major defects, and relevant improvement: None.

(11) Important resolutions of the shareholders' meeting and the Board of Directors in the most recent year and until publication of the annual report

In 2021 and until publication of the annual report , Faraday held a Shareholders' Meeting, and the important resolutions are as follows:

Date	Important resolutions	Implementation situation																							
July 7,2021	Approval Items 1. Faraday’s 2020 Business Report and Financial Statements. 2. Faraday’s 2020 Distribution of Earnings.	Approved by vote. After approving the proposal for distribution of earnings at Shareholders’ Meeting, Faraday has set August 2, 2021 as the ex-dividend date, and have issued all cash dividends on August 24, 2021. (A cash dividend of 1 dollar per share.)																							
	Director Election To elect nine Directors for the Company's 11th term Board members (including three Independent Directors)	<table><tr><td colspan="2">Elected list</td></tr><tr><td>Title</td><td>Name</td></tr><tr><td>Representative of Juristic-Person Director</td><td>UMC Representative : Chia-Tsung Hung</td></tr><tr><td>Representative of Juristic-Person Director</td><td>UMC Representative: Ying-Sheng Shen</td></tr><tr><td>Representative of Juristic-Person Director</td><td>Unimicron Representative: Zai-Sheng Shen</td></tr><tr><td>Director</td><td>Kuo-Yung Wang</td></tr><tr><td>Director</td><td>Shih-Chin Lin</td></tr><tr><td>Director</td><td>Wen-Ju Tseng</td></tr><tr><td>Independent Director</td><td>Ning-Hai, Jin</td></tr><tr><td>Independent Director</td><td>Bing-kuan, Luo</td></tr><tr><td>Independent Director</td><td>Wan-Fen Zhou</td></tr></table>		Elected list		Title	Name	Representative of Juristic-Person Director	UMC Representative : Chia-Tsung Hung	Representative of Juristic-Person Director	UMC Representative: Ying-Sheng Shen	Representative of Juristic-Person Director	Unimicron Representative: Zai-Sheng Shen	Director	Kuo-Yung Wang	Director	Shih-Chin Lin	Director	Wen-Ju Tseng	Independent Director	Ning-Hai, Jin	Independent Director	Bing-kuan, Luo	Independent Director	Wan-Fen Zhou
	Elected list																								
	Title	Name																							
Representative of Juristic-Person Director	UMC Representative : Chia-Tsung Hung																								
Representative of Juristic-Person Director	UMC Representative: Ying-Sheng Shen																								
Representative of Juristic-Person Director	Unimicron Representative: Zai-Sheng Shen																								
Director	Kuo-Yung Wang																								
Director	Shih-Chin Lin																								
Director	Wen-Ju Tseng																								
Independent Director	Ning-Hai, Jin																								
Independent Director	Bing-kuan, Luo																								
Independent Director	Wan-Fen Zhou																								
	Discussion Items 1. To release the newly elected Directors from non-competition restrictions. 2. To amend the Faraday's Rules for Election of Directors.	Approved by vote. Amended by resolution																							

Faraday held 9 Board Meetings in the most recent year and until publication of the annual report.

Date	Content of important resolutions
Board Meeting on February 23, 2021	<ol style="list-style-type: none"> 1. Passed the 2020 Business Report and Financial Statement. 2. Proposal for annual budget in 2021. 3. Reviewed the remuneration distribution of Directors and employees for 2020. 4. Reviewed the independence of accountants and appointment of accountants to handle various financial statements in 2021 and visa verification of the income tax of profit-making enterprises. 5. Faraday's 2020 internal control system statement. 6. Passed the date and agenda of 2021 Shareholders' Regular Meetings. 7. The period and place for 2021 shareholders' Meeting to accept proposals from shareholders holding more than 1% of the shares. 8. Passed the plan for electing nine Directors for Faraday's 11th Board members (including three Independent Directors). 9. Acceptance of the nomination period and location of Faraday's 11th session of director candidates. 10. Removal of the restriction on non-compete of directors in Article 209 of the Company Act for newly appointed directors after Faraday's re-election.
Board Meeting on March 30, 2021	<ol style="list-style-type: none"> 1. Passed plan for the 2020 surplus distribution. 2. Nominate for the Faraday's 11th Board members. 3. Passed the decision of the appointment of Faraday's new audit supervisor.
Board Meeting on April 27, 2021	Annual renewal of bank credit line.
Board Meeting on June 18, 2021	Proposal to change the date of Faraday's 2021 Shareholders' Meeting.
Board Meeting on July 8, 2021	<ol style="list-style-type: none"> 1. Election of the Chairman of Faraday. 2. Election of members of the 5th Compensation and Remuneration Committee .
Board Meeting on July 27, 2021	<ol style="list-style-type: none"> 1. Faraday's 2021Q2 Financial Statements. 2. Proposal for Faraday's Director Compensation. 3. Proposal for Faraday's managers' remuneration. 4. To amend Faraday's "Corporate Governance Best Practice Principles". 5. To amend Faraday's "Articles of Incorporation".
Board Meeting on October 26, 2021	<ol style="list-style-type: none"> 1. Faraday's 2021Q3 Financial Statements. 2. Annual audit plan for 2022. 3. Annual renewal of bank credit line. 4. Proposal for the change and remuneration of Faraday's managers. 5. To amend Faraday's "Operational Procedures for Loaning of Funds to Others". 6. To amend Faraday's "Operational Procedures for Endorsements/Guarantees". 7. To amend Faraday's "Ethical Corporate Management Best Practice Principles".
Board Meeting on December 24, 2021	Proposal for annual budget in 2022.

Board Meeting on February 22, 2022	<ol style="list-style-type: none"> 1. 2021 Business Report and Financial Statements. 2. Proposal for 2021 profit distribution. 3. 2021 profit distribution for employees and Directors. 4. Proposal for Faraday's managers' remuneration. 5. Proposal for implementation of the audit plan and internal control system validity examination. 6. Faraday regularly evaluates the independence and suitability of CPAs and appointment of CPAs in 2022. 7. Annual renewal of bank credit line. 8. To amend Faraday's "Articles of Incorporation". 9. The date of Faraday's 2022 Shareholders' Meeting, the reasons for the convening and the acceptance of proposals from shareholders holding more than 1% of the shares.
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- (12) If the director or supervisor has had different opinions on the passing of important resolutions in the Board Meeting, with supporting records or written statements of opposing opinions in the most recent year and until the publication of the annual report: None.
- (13) Resignation or dismissal of personnel related to Financial Statements (including Chairman, President, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, Research and Development Supervisor, etc.) in the most recent year and until publication of the annual report:

Position	Name	Date of Office	Date of Dismissal	Reason(s) for Resignation or Dismissal
Internal Audit Supervisor	Wan-Ting Huang	February 13, 2020	March 30, 2021	Position Adjustment

4. Audit fees:

- (1) If the non-audit fees paid by the authorized accountant, the accountant's affiliated office and its related enterprise outweighed one quarter of the audit fee, the amount of the audit and non-audit fees and the non-audit service content shall be disclosed:

Unit: NTD thousand

Accounting Firm	Name of CPA	CPA' Audit Period	Audit Fee	Non-audit Fees	Total	Remark
Ernst & Young	Wan-Ju Chiu, Hsin-Min Hsu	2021	4,695	710	5,405	Non-audit public expense, tax visa and transfer pricing report.

- (2) If the audit firm is replaced and the audit fee paid is lower than the year before the replacement, the amount of the current and previous audit fee and the reason shall be disclosed: Not applicable.
- (3) If the audit fee has decreased by more than 10% compared with the previous year, the amount, proportion and reason for the reduction shall be disclosed: Not applicable.

5. Change of CPAs information:

(1) Information regarding the former CPAs

Date of replacement	February 22, 2022		
Reason for replacement And explanation	Internal Adjustment		
Describe whether the Company terminated or the CPAs terminated or did not accept the engagement	Circumstances	Parties	CPAs
	Terminated the engagement		Not Applicable
	No longer accepted (discontinued) the engagement		Not Applicable
If the CPAs issued an audit report expressing any opinion other than an unqualified opinion during the 2 most recent years, specify the opinion and the reasons	Not Applicable		
Disagreement with the Company?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Other
	No	√	
	Specify details		
Other disclosures (Any matters required to be disclosed under sub-items d to g of Article 10.6.A)	NA		

(2) Information Regarding the Successor CPAs

Name of accounting firm	Ernst & Young Global Limited, Taiwan
Name of CPAs	Yang, Yu-Ni Hsin-Min Hsu
Date of engagement	February 22, 2022
Subjects discussed and results of any consultation with the CPAs prior to the engagement, regarding the accounting treatment of or application of accounting principles to any specified transaction, or the type of audit opinion that might be issued on the company's financial report	Not Applicable
Successor CPAs' written opinion regarding the matters of disagreement between the Company and the former CPAs	Not Applicable

(3)The reply letter from the former CPA regarding the Company's disclosures regarding the matters under Article 10.6.A and 10.6.B(c) of the Regulations: Not Applicable.

6.Faraday's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in charge of its finance and accounting operations holding any positions within Faraday's independent audit firm or its affiliates in the most recent year: None.

7. Equity transfer and pledge changes by Directors, Supervisor, Management and Shareholders with 10% shareholdings or more in the most recent year and up to the date of publication of the annual report change in shareholding by Directors, Management and Shareholders with 10% shareholdings or more:

Unit: Share

Position	Name	2021		2022 (until March 31)	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Juristic-Person Director	United Microelectronics Corporation(Note1)	—	—	—	—
Juristic-Person Director	Unimicron Technology Corp.	—	—	—	—
Representative of the Juristic-Person Director and Chief Strategy Officer	Chia-Tsung, Hung	—	—	—	—
Representative of the Juristic-Person Director	Ying-sheng, Shen	—	—	—	—
Representative of the Juristic-Person Director	Zai-Sheng Shen(Note 2)	—	—	—	—
Representative of the Juristic-Person Director	Zhen-Li Huang	—	—	—	—
Director and President	Kuo-Yung Wang	—	—	—	—
Director and Chief Operating Officer	Shih-Chin Lin	(40,000)	—	—	—
Director and Chief Financial Officer	Wen-Ju Tseng	(30,000)	—	(20,000)	—
Independent Director	Ling-Ling, Wu(Note 3)	—	—	—	—
Independent Director	Ning-Hai, Jin	—	—	—	—
Independent Director	Bing-kuan, Luo	—	—	—	—
Independent Director	Wan-Fen Zhou	—	—	—	—
Senior Vice President	Chien-Ming Chen	(31,000)	—	—	—
Vice President	Jyh-Herng Wang	(21,298)	—	—	—
Vice President	Kun-Cheng Wu(Note 4)	19,000	—	—	—
Associate Vice President	Chih-Shiun Lu	30,000	—	(27,000)	—
Associate Vice President	Rong-Shing Lai	—	—	—	—
Associate Vice President	Cheng-Hsing Chien	(18,000)	—	(2,000)	—
Associate Vice President	Kuo-Hua Lee	—	—	—	—
Associate Vice President	Shu-Hei Liao	—	—	—	—

Note 1: Major shareholders with more than 10% shareholdings.

Note 2: Representative of the Juristic-Person Director, Zai-Sheng Shen, dismissed on July 19,2021.

Note 3: Independent Director, Ling-Ling WU, resigned on July 7, 2021.

Note 4: Vice President, Kun-Cheng Wu, was dismissed on September 6, 2021.

(II) Equity transfer information: None.

(III)Equity pledge information: None.

8. Related party relationship or spouses and second-tier kinship among Faraday's 10 largest Shareholders:

March 26, 2022

Unit: Share

Name	Personal shareholding		Shares hold by spouse, under aged children		shares hold under the name of others		The title or name and relationship amongst top ten major shareholders with relationship or as the spouse, direct kinship according to Article 6 of financial accounting standards		Remarks
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or Name)	Relationship	
United Microelectronics Corporation Representative: Chia-Tsung, Hung	34,240,213 —	13.77% —	Not Applicable		—		None —	None —	
Allianz Global Investors Taiwan Technology Fund	10,500,000	4.22%	Not Applicable				None	None	
New Labor Pension Fund	9,534,000	3.84%	Not Applicable				None	None	
Public Service Pension Fund Supervisory Board	5,945,000	2.39%	Not Applicable				None	None	
Mega Bank In Custody For Allianz Global Investors Taiwan Fund	4,968,000 —	2.00% —	Not Applicable		—		None —	None —	
Fubon Life Insurance Co., Ltd. Representative: Ming-Hsing, Tsai	3,620,000 —	1.46% —	Not Applicable		—		None —	None —	
Allianz Global Investors Taiwan Intelligence Trends Fund	3,547,000	1.43%	Not Applicable				None	None	
Old Labor Pension Fund	3,484,000	1.40%	Not Applicable				None	None	
JPMorgan In Custody For Vanguard Total International Stock Index Fund	2,966,000	1.19%	Not Applicable				None	None	
Deutsche Bank Takes Cares Of Weiscentri's Artificial Intelligence ETF Investment Account	2,752,786	1.11%	Not Applicable				None	None	

9. Shareholdings of Faraday, its Directors, managers and enterprises directly or indirectly controlled by Faraday in the same reinvested enterprise, and the ratio of consolidated shareholdings

March 31st, 2022
Unit: Thousand shares

Transfer investment (Note)	Faraday's investment		Investment of Director, Manager, or under direct or indirect control of businesses		Consolidated investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Faraday Technology Corporation (USA)	118,580(common stock) 2,000 (preferred stock)	100%	—	—	118,580(common stock) 2,000 (preferred stock)	100%
Faraday Technology Japan Corporation	2	99.95%	—	—	2	99.95%
Faraday Technology-B.V.I.	27,489	100%	—	—	27,489	100%
Chi Hong Investment Co., Ltd	62,000	100%	—	—	62,000	100%
Sheng Bang Investment Co., Ltd	22,202	100%	—	—	22,202	100%
Faraday Technology Vietnam Company Limited	—	100%	—	—	—	100%

IV. Capital Raising

1. Capital and shares

(1) Source of capital

i. Capital formation

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
March, 2009	10	420,000	4,200,000	359,303	3,593,029	Transfer of employee stock option certificates	None	Note 1
April, 2009	10	420,000	4,200,000	359,311	3,593,109	Transfer of employee stock option certificates	None	Note 2
May, 2009	10	420,000	4,200,000	359,756	3,597,564	Transfer of employee stock option certificates	None	Note 3
August, 2009	10	420,000	4,200,000	360,607	3,606,071	Transfer of employee stock option certificates	None	Note 4
August, 2009	10	420,000	4,200,000	365,334	3,653,343	Capital increase transferred from surplus	None	Note 5
January, 2010	10	420,000	4,200,000	367,344	3,673,445	Transfer of employee stock option certificates	None	Note 6
April, 2010	10	500,000	5,000,000	369,987	3,699,873	Transfer of employee stock option certificates	None	Note 7
June, 2010	10	500,000	5,000,000	370,447	3,704,473	Transfer of employee stock option certificates	None	Note 8
August, 2010	10	500,000	5,000,000	370,538	3,705,383	Transfer of employee stock option certificates	None	Note 9
January, 2011	10	500,000	5,000,000	371,952	3,719,523	Transfer of employee stock option certificates	None	Note 10
March, 2011	10	500,000	5,000,000	366,952	3,669,523	Decrease in treasury stock	None	Note 11
April, 2011	10	500,000	5,000,000	370,392	3,703,918	Transfer of employee stock option certificates	None	Note 12
May, 2011	10	500,000	5,000,000	376,886	3,768,858	Transfer of employee stock option certificates	None	Note 13
August, 2011	10	500,000	5,000,000	378,236	3,782,358	Transfer of employee stock option certificates	None	Note 14
July, 2011	10	500,000	5,000,000	397,117	3,971,165	Capital increase transferred from capital cumulated	None	Note 15
January, 2012	10	500,000	5,000,000	398,027	3,980,270	Transfer of employee stock option certificates	None	Note 16

Date	Issue price	Approved capital		Paid-in capital		Remarks		
		Number of shares (thousand share)	Amount (NTD thousand)	Number of shares (thousand share)	Amount (NTD thousand)	Source of capital	Offsets of pledged capitals with assets other than cash	Others
April, 2012	10	500,000	5,000,000	398,754	3,987,535	Transfer of employee stock option certificates	None	Note 17
May, 2012	10	500,000	5,000,000	402,310	4,023,098	Transfer of employee stock option certificates	None	Note 18
August, 2012	10	500,000	5,000,000	402,960	4,029,600	Transfer of employee stock option certificates	None	Note 19
January, 2013	10	500,000	5,000,000	403,608	4,036,075	Transfer of employee stock option certificates	None	Note 20
April, 2013	10	500,000	5,000,000	404,246	4,042,459	Transfer of employee stock option certificates	None	Note 21
May, 2013	10	500,000	5,000,000	406,208	4,062,075	Transfer of employee stock option certificates	None	Note 22
August, 2013	10	500,000	5,000,000	406,380	4,063,798	Transfer of employee stock option certificates	None	Note 23
November, 2013	10	500,000	5,000,000	406,893	4,068,930	Transfer of employee stock option certificates	None	Note 24
April, 2014	10	500,000	5,000,000	408,344	4,083,441	Transfer of employee stock option certificates	None	Note 25
May, 2014	10	500,000	5,000,000	411,079	4,110,788	Transfer of employee stock option certificates	None	Note 26
August, 2014	10	500,000	5,000,000	411,470	4,114,703	Transfer of employee stock option certificates	None	Note 27
November, 2014	10	500,000	5,000,000	413,125	4,131,255	Transfer of employee stock option certificates	None	Note 28
March, 2015	10	500,000	5,000,000	414,250	4,142,505	Transfer of employee stock option certificates	None	Note 29
August, 2015	10	500,000	5,000,000	248,550	2,485,503	Cash Refund Capital reduction	None	Note 30

Note 1: Transfer of employee stock option certificates, with 602 thousand shares, has been approved by Hsinchu Science Park Bureau 98.3.20 Yuanshang-zi No. 0980007957.

Note 2: Transfer of employee stock option certificates, with 8 thousand shares, has been approved by Hsinchu Science Park Bureau 98.4.22 Yuanshang-zi No. 0980010023.

Note 3: Transfer of employee stock option certificates, with 445 thousand shares, has been approved by Hsinchu Science Park Bureau 98.5.19 Yuanshang-zi No. 0980013417.

Note 4: Transfer of employee stock option certificates, with 851 thousand shares, has been approved by Hsinchu Science Park Bureau 98.8.20 Yuanshang-zi No. 0980022629.

Note 5: Capital surplus transferred from surplus of NTD \$47,271 thousand from 2009, with 4,727 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 98.7.10 Jinguan-zheng Fa-zi No. 0980034538.

Note 6: Transfer of employee stock option certificates, with 2,010 thousand shares, has been approved by Hsinchu Science Park Bureau 99.1.22 Yuanshang-zi No. 0990001404.

Note 7: Transfer of employee stock option certificates, with 2,643 thousand shares, has been approved by Hsinchu Science Park Bureau 99.4.9 Yuanshang-zi No. 0990009112.

Note 8: Transfer of employee stock option certificates, with 460 thousand shares, has been approved by Hsinchu Science Park

Bureau 99.6.1 Yuanshang-zi No. 0990014595.

Note 9: Transfer of employee stock option certificates, with 91 thousand shares, has been approved by Hsinchu Science Park Bureau 99.8.16 Yuanshang-zi No. 0990023695.

Note 10: Transfer of employee stock option certificates, with 1,414 thousand shares, has been approved by Hsinchu Science Park Bureau 100.1.14 Yuanshang-zi No. 1000001274.

Note 11: Decrease in treasury stock, with 5,000 thousand shares, has been approved by Hsinchu Science Park Bureau 100.3.14 Yuanshang-zi No. 1000007430.

Note 12: Transfer of employee stock option certificates, with 3,440 thousand shares, has been approved by Hsinchu Science Park Bureau 100.4.22 Yuanshang-zi No. 1000010699.

Note 13: Transfer of employee stock option certificates, with 6,494 thousand shares, has been approved by Hsinchu Science Park Bureau 100.5.18 Yuanshang-zi No. 1000013784.

Note 14: Transfer of employee stock option certificates, with 1,350 thousand shares, has been approved by Hsinchu Science Park Bureau 100.8.19 Yuanshang-zi No. 1000024283.

Note 15: Capital surplus transferred to capital of NTD \$188,807 thousand, with 18,881 thousand shares, has been approved by the Financial Supervisory Commission, Executive Yuan 100.7.18 Jinguan-zheng Fa-zi No. 1000033188.

Note 16: Transfer of employee stock option certificates, with 910 thousand shares, has been approved by Hsinchu Science Park Bureau 101.1.17 Yuanshang-zi No. 1010001486.

Note 17: Transfer of employee stock option certificates, with 727 thousand shares, has been approved by Hsinchu Science Park Bureau 101.4.11 Yuanshang-zi No. 1010010460.

Note 18: Transfer of employee stock option certificates, with 3,556 thousand shares, has been approved by Hsinchu Science Park Bureau 101.5.15 Yuanshang-zi No. 1010014163.

Note 19: Transfer of employee stock option certificates, with 650 thousand shares, has been approved by Hsinchu Science Park Bureau 101.8.16 Yuanshang-zi No. 1010025281.

Note 20: Transfer of employee stock option certificates, with 648 thousand shares, has been approved by Hsinchu Science Park Bureau 102.1.16 Yuanshang-zi No. 1020010747.

Note 21: Transfer of employee stock option certificates, with 638 thousand shares, has been approved by Hsinchu Science Park Bureau 102.4.16 Yuanshang-zi No. 1020010896.

Note 22: Transfer of employee stock option certificates, with 1,962 thousand shares, has been approved by Hsinchu Science Park Bureau 102.5.16 Yuanshang-zi No. 1020014150.

Note 23: Transfer of employee stock option certificates, with 172 thousand shares, has been approved by Hsinchu Science Park Bureau 102.8.15 Yuanshang-zi No. 1020024332.

Note 24: Transfer of employee stock option certificates, with 513 thousand shares, has been approved by Hsinchu Science Park Bureau 102.11.15 Yuanshang-zi No. 1020034787.

Note 25: Transfer of employee stock option certificates, with 1,451 thousand shares, has been approved by Hsinchu Science Park Bureau 103.4.1 Chushang-zi No. 1030009307.

Note 26: Transfer of employee stock option certificates, with 2,735 thousand shares, has been approved by Hsinchu Science Park Bureau 103.5.6 Chushang-zi No. 1030012756.

Note 27: Transfer of employee stock option certificates, with 391 thousand shares, has been approved by Hsinchu Science Park Bureau 103.8.13 Chushang-zi No. 1030023635.

Note 28: Transfer of employee stock option certificates, with 1,655 thousand shares, has been approved by Hsinchu Science Park Bureau 103.11.19 Chushang-zi No. 1030033760.

Note 29: Transfer of employee stock option certificates, with 1,125 thousand shares, has been approved by Hsinchu Science Park Bureau 104.3.30 Chushang-zi No. 1040008253.

Note 30: Cash refund capital reduction, with 165,700 thousand shares, has been approved by Hsinchu Science Park Bureau 104.8.4 Chushang-zi No. 1040022281.

ii. Type of shares issued in the recent year and until publication of annual report

(A)

May 31, 2022

Type	Approved share capital			Remarks
	Issued shares	Unissued shares	Total	
Common stock	248,550,313	351,449,687	600,000,000	Stock of listed company

(B) Shareholder structure

March 26, 2022

Shareholder structure Number	Government Agency	Financial Organization	Other Legal Persons	Individual	Foreign Organization and Legal Persons	Total
No of shareholders	5	36	342	49,972	340	50,695
No of Shares held	20,046,000	7,969,164	93,276,814	67,114,122	60,144,213	248,550,313
Shareholding ratio	8.07%	3.21%	37.53%	27.00%	24.20%	100.00%

(C) Dispersion of shares

Common stock

March 26, 2022

Range of no. of shares held	Number of shareholders	Shareholding (shares)	Shareholding (%)
1 to 999	30,646	2,689,700	1.08%
1,000 to 5,000	17,912	28,563,415	11.49%
5,001 to 10,000	1,013	7,747,586	3.12%
10,001 to 15,000	264	3,356,934	1.35%
15,001 to 20,000	176	3,167,677	1.27%
20,001 to 30,000	165	4,270,151	1.72%
30,001 to 40,000	79	2,807,086	1.13%
40,001 to 50,000	56	2,561,211	1.03%
50,001 to 100,000	129	9,263,715	3.73%
100,001 to 200,000	95	13,460,571	5.41%
200,001 to 400,000	69	19,254,804	7.75%
400,001 to 600,000	34	16,791,185	6.76%
600,001 to 800,000	12	8,426,787	3.39%
800,001 to 1,000,000	18	16,133,412	6.49%
1,000,001 or more (please set levels according to actual needs)	27	110,056,079	44.28%
Total	50,695	248,550,313	100.00%

(D)List of major shareholders

March 26, 2022

Name of major shareholder	Shares	Shareholding(shares)	Shareholding (%)
United Microelectronics Corporation		34,240,213	13.77%
Allianz Global Investors Taiwan Technology Fund		10,500,000	4.22%
New Labor Pension Fund		9,534,000	3.84%
Public Service Pension Fund Supervisory Board		5,945,000	2.39%
Mega Bank In Custody For Allianz Global Investors Taiwan Fund		4,968,000	2.00%
Fubon Life Insurance Co., Ltd.		3,620,000	1.46%
Allianz Global Investors Taiwan Intelligence Trends Fund		3,547,000	1.43%
Old Labor Pension Fund		3,484,000	1.40%
JPMORGAN In Custody For Vanguard Total International Stock Index Fund		2,966,000	1.19%
Deutsche Bank Takes Cares Of Weisdentri's Artificial Intelligence ETF Investment Account		2,752,786	1.11%

(E) Price per share, net worth, surplus, dividends and relation information of the last two years

Unit: Unit for weighted average number of shares is Share, the others are all in NTD

Item		Year	2020	2021	2022 (As of March 31)
Price per stock	Highest		61.4	255.5	331.50
	Lowest		29.15	48.3	192.00
	Average		48.06	132.47	255.76
Net asset value for each share	Before distribution		25.32	31.54	32.62
	After distribution		24.32	(Note1)	—
Earnings per share	Number of weighted average shares		248,550,313	248,550,313	248,550,313
	Earnings per share		1.08	4.65	2.70
Dividend per share	Cash dividend		1.0	(Note1)	—
	Stock grants	—	—	—	—
		—	—	—	—
	Accumulated dividends in arrears		—	—	—
Return on investment analysis	Price-earning ratio(Note2)		44.50	28.49	—
	Price to dividend ratio(Note2)		48.06	(Note1)	—
	Cash dividend yield (%) (Note2)		2.08	(Note1)	—

Note 1: Finalized upon resolution of Shareholders' Meeting in 2022.

Note 2: Calculating formulas:

(1) Price-earning ratio = Average annual closing price per share / Earnings per share

(2) Price to dividend ratio = Average annual closing price per share/ Cash dividend per share

(3) Cash dividend yield = Cash dividend per share / Average annual closing price per share

(F) Company dividend policy and execution

1. Dividend policy

Faraday shall set aside no less than 10% as employee remuneration and no more than 2% as director's remuneration based on the current year's profit. However, if Faraday still has accumulated losses, it should make up for it. Employee remuneration may be in cash or stock, and the recipients of cash or stock may include employees of controlled or subordinate companies that meet certain conditions.

The profit status of the current year referred to in Paragraph 1 refers to the profit before tax deducting the distribution of employee remuneration and directors' remuneration in the current year.

The distribution of employee remuneration and directors' remuneration shall be made by the board of directors with the attendance of more than two-thirds of the directors and the approval of more than half of the directors present, and shall be reported to the Shareholders' Meeting.

If Faraday's annual accounts are in surplus, they will be distributed in the following order:

- (1) Withholding taxes.
- (2) Breakeven.
- (3) Deposit 10% of which as statutory surplus reserve.
- (4) Set or revolve special surplus reserves by law.
- (5) The accumulated undistributed surplus in the previous period would act as shareholder bonus.

The shareholder bonus will be distributed by the Shareholders' Meeting, except for the reserved part that will be distributed in subsequent years.

Faraday's policy of dividend distribution shall be based on the current and future investment environment, capital requirements, domestic and international competition and capital budget, etc., taking into account the interests of shareholders, balancing dividends and long-term financial planning of Faraday. Each year, the Board of Directors would draft a distribution proposal and submit which to the Shareholders' Meeting. As the industry of Faraday is currently expanding, Faraday is planning for expansion and increasing capital in the future. The dividend distribution amount of Faraday shall not be less than 50% of the after-tax profit of the current year. The proportion of cash dividends shall not be less than ten percent (10%) of the total dividends.

2. Distribution proposal of dividends in this Shareholders' Meeting

Faraday's 2021 earnings distribution proposal was approved by the 5th meeting of the 11th board of directors on February 22, 2022. The proposal will be submitted to the Shareholders' Meeting for discussion, and will formulate a cash dividend of NTD \$820,216,033 for a dividend of NTD \$3.3 per share.

(G) Effect of proposed stock grant distribution on Faraday's operating performance and earnings per share: Not applicable.

(H) Compensation of employees, Directors and Supervisors

1. The percentage or scope of compensation for employees, Directors and Supervisors stated in Faraday's Articles of Incorporation: According to Faraday's Articles of Incorporation, after deducting the accumulated loss from the surplus, Faraday shall set aside not more than 2% of the remained profit to Directors as remuneration and not less than 10% to employees as compensation. Dividends may issue to employees of subordinate companies that meet certain conditions.
2. The accounting method for difference in actual distributed amounts and the estimated remuneration of employees, Directors and Supervisors, the number of shares compensation:
 - (1) Faraday's Board of Directors distribute the compensation for employees and Directors based on the proposed Article amendments to the regulations, law and regulations, industry level.
 - (2) Basis for calculating share compensation for employees: Not applicable.
 - (3) Accounting treatment for the difference in the actual distributed amount and the estimated amount: If there is any difference between the actual distributed amount and the estimated amount, it will be recorded as a change in accounting estimates.
3. Approval of remuneration distribution by the Board of Directors:
 - (1) Proposed to distribute employees with cash remuneration of NTD \$173,360,833 and Directors with cash remuneration of NTD \$1,928,699 which are of no significant difference from the estimated value of original accounts.
 - (2) Proportion of employee remuneration distributed in stock to the total amount of net profit after tax and employee compensation in current parent company financial statements: Not applicable.
4. The actual distribution of compensation for employees, Directors and Supervisors in the previous year (including the number of shares distributed, amount and share price), the difference between the recognition amount, reasons of which and processing of such situations:

From the accumulated surplus in 2020, a total of NTD \$39,939,533 was distributed as employee's cash compensation, and a total of NTD \$248,087 was distributed as Director's cash compensation, the amounts equal the estimated value.

(I) Buyback of common stock: None.

2. Issuance of corporate bonds: None.
3. Preferred shares: None.
4. Overseas depositary shares: None.
5. Status of employee stock option plan: None.
6. Status of new restricted employee shares: None.
7. Status of new share issuance in connection with mergers and acquisitions: None.
8. Funding plans and implementation
 - (I) Previously issued or privately held securities have not been completed or have been completed in the last three years that the project benefits have not yet been revealed: None.
 - (II) Execution: Not applicable.

V. Operations Overview

1. Business scope

(1) Business Scope

i. Main business content

- (A) Component database for special application integrated circuit design
- (B) Electronic design, automatic software tools for special application integrated circuit design
- (C) Professional services for the design, manufacture and testing of special application integrated circuits and their components
- (D) Design and license services of silicon intellectual property

ii. Proportion of each product

Unit: NTD thousand

Type of main products	2021	
	Revenue	Proportion
ASIC and wafer products	5,613,524	69.43%
Non-recurring engineering	1,783,467	22.06%
Intellectual property components and license fee	688,210	8.51%
Total	8,085,201	100.00%

iii. Main Products and Services

- (A) Non-Recurring Engineering (NRE): Entrusted by customers to develop and design ASIC products. Faraday provides databases of circuit design component and various silicon intellectual property components (SIP) for the design of products, produces circuit diagram for the mask of products, and commissions OEMs for light mask production, wafer production, cutting and product packaging. Faraday's engineering personnel also conducts product testing and quality control before handing over production samples to customers.
- (B) ASIC products: Conducts mass production of ASIC products under customer commission. After completing the client's commissioned design and the sample product has been accepted by the customer, Faraday performs mass production for customers. The final ASIC products are delivered in wafers or packaged and tested ICs to clients.
- (C) Silicon Intellectual Property (SIP): SIP is reusable and special featured component for circuits design. In the increasingly sophisticated ASIC design areas, SIP provides customers (mainly IC design house and system vendors) a convenient and fast solution. Faraday SIP can be authorized to be integrated by the customer or used as an optional component in ASIC design project.

iv. Planned Products and Services

(A) SIP

- (a) Plan to develop 22nm embedded high voltage (eHV) process memory compiler.
- (b) Plan to develop 28nm Gigabit Ethernet PHY.

- (c) Plan to develop 22nm LPDDR3/DDR3/DDR4 PHY.
- (B) SoC verification platform: Plan to develop 14nm SoCreative!™ 6th FinFET SoC verification platform.
- (C) NRE: Plans to develop embedded secure digital IP solutions for ASIC.

(2) Industry Overview

(i) Industry status and development

In recent years, Taiwan's wafer industry has been developing intensively. The division of the industry has become more specialized. Each production process are involved by many individual manufacturers. The vertical division of labor is clear and profession making Taiwan's wafer industry structure more complete.

(ii) The relationship between the upper, middle and lower reaches of the industry

Job distribution of each stream in Taiwan's IC industry

Structure	Steps	Manufacturing process
Upstream	Design services and design	Logic design, circuit design, graphic design
Midstream	Production of masks and wafers	Oxidation, mask standardisation, etching, impurity diffusion, ion implantation, chemical vapor deposition, metal sputtering, wafer inspection
Downstream	Packaging and testing	Cutting, placement, wire bonding, molding, testing

(iii) Development trend of the products

IP product is on system level integration, which is SoC (System-on-chip). SoC integrates arithmetic unit IP, memory unit IP, and other digital and analog IP. SoC products can be divided into two types - Application Specific Standard Product ASSP and Application Specific Integrated Circuit (ASIC).

(iv) Competitive Status

There are two major trends for ASIC design service company, one that can satisfy the needs for massive computation and broadband communication of high performance cloud computing and advanced artificial intelligence server which drives continuous evolving in advanced process. Global Unichip Corp. from the country provides relevant design service. The other provides independent semiconductor intellectual property that focus on design service of system platform to meet the needs of niche applications. Faraday Technology is the later that provides independent development semiconductor intellectual property and physical chip verification platform. After accumulated years of experiences, it stored up a large number of know-how on design service for specific applications to provide enhanced service as well as

customer engagement.

(4) Technology and R&D Overview

(i) Research and development expenses

Unit: NTD thousand

	2021	2022 (As of March 31)
Research and development expenses (A)	2,036,866	603,923
Operating revenue (B)	8,085,201	3,206,845
(A)/(B)	25.19%	18.83%

(ii) Successfully developed technologies or products

- (A) Supply Samsung 14nm LPDDR4/4X PHY IP and control subsystem, and chip on the physical SoC platform verification is complete.
- (B) Launched MIPI D-PHY 2.5Gbps and completed verification on Samsung 14nm process platform.
- (C) V-by-One was launched and verified on Samsung's 14nm process platform.
- (D) Launched 16Gbps high-availability programmable SerDes PHY IP on UMC 28HPC+ process platform.

(4) Long-term and short-term business development plans

Short-term: Expand the penetration of ASIC product with existing customers on the basis of massive production of ASIC and recurrent income from SIP authorization, and also expand to system company that requires IIoT and AIoT ASIC applications. Accept new ASIC cases that have high possibility for massive production, niche, and characteristics of long product life cycle.

Long-term: Continue to accumulate the Company's own silicon intellectual property development capabilities, advance the component database to FinFET process, and upgrade the system-level IP subsystem as an important foundation to enhance the technical strength, integration of software and hardware, and development of SoC system platform. Provide existing customer from 40/28/22 nm and advance to FinFET process. Provide a more valuable ASIC service and product by integration of SIP sales and ASIC.

2. Overview of the market and production and sales status

(1) Market analysis

i. Main product (service) sales (provided) regions

Faraday provides ASIC services and IP licensing service products of Silicon Intellectual Property, the first ASIC provider in Asia business. The sales area covers Taiwan, mainland

China, Asia Pacific, Europe and the United States, etc. The market in each region has grown significantly in recent years.

ii. Market share

Compared with other competitors, Faraday Technology has very high market share on niche ASIC products of 28/40/55/90 nm.

iii. Situation of market supply and demand, and growth in the future

(A) NRE

New development cases of 40/28/22 nm and SoC products are increasing by years. Technology with high complexity and the number of IP adopted has promoted the NRE growth.

(B) ASIC

With the booming ASIC market and trends of artificial intelligence, IoT, and Industry 4.0, the system, the system factory has boosted the needs for customized chips. Faraday Technology has successfully push the ASIC design cases into massive production stage and continues to boost ASIC sales growth based on IP and design service of system platform and solutions for various applications.

(C) SIP component

According to reports of the market survey organization, Dataquest, the average annual compound growth rate of IP in recent years has maintained to be above double-digits levels, which is higher than the growth rate of the global semiconductor market, reflecting upon the importance of SIP in the design and development of ICs.

The IP development strategy of Faraday and ASIC sales complement each other. It promotes successful massive production of ASIC, as well as expanding sales for wafer foundry and IC design company.

iv. Competing for a niche

(A) High self-made component rate

The implementation of technology is the core concept that Faraday has always adhered to in order to provide customers immediate and proper design services, and to continue developing new components.

Continue to develop standard component libraries for 28nm, 22nm, 14nm and more advanced processes. In addition, Faraday make all-out effort in the component development of advanced products such as reduced instruction set central processing units, digital signal processors, mixed-signal products, high-speed communication interfaces,

embedded memory, and system-on-chips.

Faraday is the world's third largest developer of complete process component libraries. With the evolution of the process, it continues to develop standard component libraries, and has accumulated many high-performance IP and excellent R&D talents through complete development experience.

(B) Complete component design and verification process

In the ASIC design services industry, providing a quick and accurate design and verification process is one of the prerequisites. The component database developed by Faraday has undergone a complete silicon verification process. Faraday only provides verified components database in order to provide customers quick and accurate design services and help the customers to launch products in the shortest time.

(C) Provide system-level design solutions

Electronic products are becoming more and more diverse, the lead time of each product is shortened, and the rapid time-to-market is the basic requirement to maintain competitiveness. Faraday's rich silicon intelligence library, IP subsystem (sub-system), SoC development platform, etc., are the best resources to quickly realize system-level chip design. Assist customers to complete chip design in the shortest time, effectively improve the probability of first-cut-work, and ensure that their systems can be quickly integrated to help customers seize the best time to market.

(D) Complete R&D team

Since its establishment, Faraday has been oriented to develop its own technology. Over the years, it has owned many experienced ASIC design and development talents, including mixed-signal/analog IP research and development, SoC design integration, back-end design, wafer production verification, etc. The level of the R&D team formed by it goes hand in hand with advanced international manufacturers to provide global IC designers and system manufacturers with comprehensive design resources and services.

(E) Positioning neutral

Faraday's main business is ASIC design services and SIP silicon intellectual property authorization, so it does not produce its own brand IC products. We assist customers to formulate specifications, develop, manufacture, package, test and finally provide IC products to customers, adopt an absolutely neutral industrial position, and fully protect customers' business-related secrets, so customers can use the design services provided by Faraday with confidence resource.

(F) Overseas research and development center

Faraday has established overseas research and development center in China, America, India, and Vietnam to recruit more research and development talents and strengthen development capacity.

(G) Operating mode of recurring revenue

The recurring revenue from ASIC massive production and SIP authorization has become the majority of the operating income. It has the following characteristic: no spending on resources, continuity of no spending on resources and long product life cycle, revenue stability from wide and niche customer application, no need to collect NRE and no inventory risk.

v. Advantages, disadvantages and counter measures of Faraday's future development

(A) Advantages

(a) ASIC profession has gradually gained recognition from the market and its potential customers (IDM, system manufacturers)

In the past, IDM manufacturers or large-scale system factories designed integrated circuits based on their own resources and talents. However, with the trend of company structure simplification, asset thinning and specialization, as well as how the ASIC professional ability is gradually gaining recognition from the market, these vendors begin to focus more on their own niche or product development. The design and manufacture of some major IC components have been outsourced to ASIC design services companies for quick development and achievement of the market niche.

(b) Complete R&D team and experienced ASIC design and development

Since Faraday established, Faraday has long considered the research and development of its own technology as its main goal of operation. Throughout the years, Faraday has accumulated outstanding R&D talents in various fields of ASIC, thereby holding rich and professional development experience. Therefore, based on the technology-leading R&D team, Faraday has a high component self-manufacturing rate and a complete component verification process to provide customers with complete and high-quality design services.

(c) System level IC design and service

In order to reduce risks, accelerate design integration and enable fast introduction to markets, system-level chip design and service capabilities are undoubtedly the mainstream of the current market, and the core component database plays a pivotal role in reducing design complexity and improving timeliness. The rich SIP databases, IP sub-systems and SoC development platforms provided by Faraday are the best resources for quickly implementing system-level chip design, thereby helping customers to complete chip design in the shortest time, and effectively improve the first-cut-work rate, ensuring that its system can be quickly integrated to help customers seize the best time for launching the products.

(d) Upstream and downstream industries of the semiconductor industry are closely related

to one another, bringing clustering effect that enable speedy provision of services. The semiconductor upstream and downstream industries are roughly divided into IC design industry, wafer foundries, cutting and packaging factories and test factories. However, due to the development of a unique vertical division of the industry in Taiwan, with companies mainly established at Hsinchu Science Park, Faraday has a well-established and systematic supply chain management strategy, close and in-depth cooperation with upstream and downstream companies, which help Faraday to provide rapid and quality service.

(2) Disadvantages and counter measures

(i). Rise of professional labor costs

Since the resources of ASIC design services come from a strong R&D team, high-tech talent is crucial for Faraday to operate successfully. In recent years, due to the booming development of the IC industry, and the cost of employee dividends, the professional labor cost has increased, and Faraday has to pay a high labor cost for the cohesiveness of professional talents. The counter measures are as follows:

- (A) Improve proportion of high value-added products, such as the core components required for systematic single-chip, technical capabilities and experience at system level.
- (B) Develop a database based on more advanced processes, enhance core technology competitiveness and advantages, and strive for cooperation opportunities with more customers.
- (C) Expand the layout of overseas R&D bases and enrich the human resources of R&D and engineering units.

(ii). With ASIC design services becoming the trend of the market, more competitors enter the market

As IC design becomes more and more complex, especially when it comes to the design of system-on-a-chip and embedded memory, ASIC design services and IP licensing are becoming an indispensable business. Coupled with changes in industry supply and demand, the potential customer's demand for customized design from IDM/system vendors will undoubtedly attract more competitors to the market. Faraday's countermeasures are to develop higher-level design techniques and strengthen system-level services, providing customers with fast and accurate services. Meanwhile, Faraday will strive to develop niche applications, to adjust product/customer composition, to increase added value, and to develop international markets.

(iii). Semiconductor production capacity supply and demand issues

ASIC mass production is based on the order-to-order production model, and customer orders are long-term orders that are less affected by the economic boom. Based on this order, Faraday Technology can plan wafer manufacturing and packaging and testing capacity as soon as possible; when production capacity is tight, real-time dynamic adjustment to satisfy customer needs.

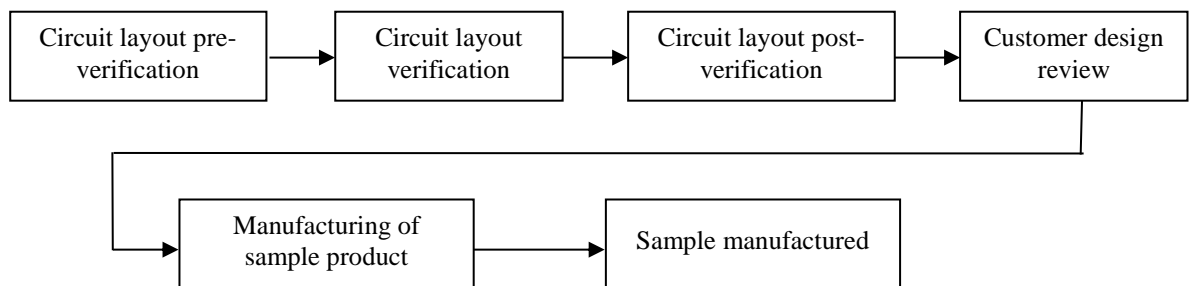
(2) Important use of main products and production process

(i).Important use of main products

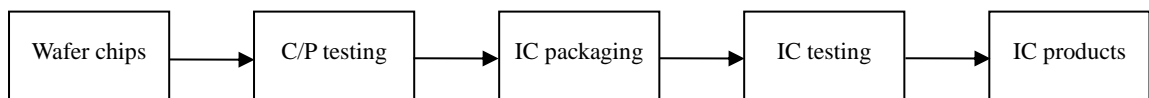
Faraday Technology mainly provides the required technical services during the design and production of ASIC products. ASIC products can be used for variety purposes, such as: applications for web communications, multimedia, computer storage and peripherals, consumer electronics, AIoT, etc.

(ii).Production process of main products

The first phase is non-recurring engineering (NRE) based on client commissions, and production of sample products for shipments. The production process of which is as follows:



The second phase is to enter mass production of products verified by the customer. The production process of which is as follows:



(3) Supply of main raw materials

The main raw materials of Faraday are wafers. The main supplier is United Microelectronics Corporation, a professional wafer foundry. Due to the long-term strategic alliance cooperation, the supply of raw materials is stable.

(4) Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years

(i).Major Suppliers with over 10% total purchases of the last two fiscal years

Unit: NT\$ thousands

	2020				2021				2022(As of March 31)			
Items	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer	Name	Amount	Percentage of net annual purchase (%)	Relation with issuer
1	UMC	1,223,562	56.93%	Major shareholder holding more than 10% of shares	UMC	2,056,531	69.84%	Major shareholder holding more than 10% of shares	UMC	851,646	68.16%	Major shareholder holding more than 10% of shares
2	Supplier A	600,597	27.94%	Other Related Party	Supplier B	605,828	20.57%	Other Related Party	Supplier B	251,696	20.14%	Other Related Party
	Others	325,223	15.13%		Others	282,311	9.59%		Others	146,161	11.70%	
	Net Purchase	2,149,382	100.00%		Net Purchase	2,944,670	100.00%		Net Purchase	1,249,503	100.00%	

Note: The major supplier is foundry. The raw materials purchased from foundry are wafers. Faraday maintains good cooperative relations with the third-party manufacturers, and there is no shortage or interruption for the material supply.

(ii).Major Customers with over 10% net sales of the last two fiscal years

Unit: NT\$ thousands

	2020				2021				2022(As of March 31)			
Items	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer	Name	Amount	Percentage of net annual sales (%)	Relation with issuer
1	UMC	584,602	10.64%	Major shareholder holding more than 10% of shares	UMC	582,441	7.20%	Major shareholder holding more than 10% of shares	UMC	148,453	4.63%	Major shareholder holding more than 10% of shares
2	Customer A	697,757	12.70%	None								
	Others	4,212,948	76.66%		Others	7,502,760	92.80%		Others	3,058,392	95.37%	
	Net Sales	5,495,307	100.00%		Net Sales	8,085,201	100.00%		Net Sales	3,206,845	100.00%	

Note: Changes in sales amount and proportions are mainly due to changes in customer demand for products.

(5) Production Quantities and Value over the Past Two Year

Unit: NT\$ thousands

Production QTY and Value Major Products		Year	2020		2021	
		Quantity	Value	Quantity	Value	
ASIC Products (thousands chip)			70,215	1,702,163	142,703	3,026,946
Wafer Products (wafer)			32,869	674,520	14,391	530,471
NRE			99	235,172	114	541,160
Total				2,611,855		4,098,578

(6) Sales Quantities and Value over the Past Two Year

Unit: NT\$ thousands

Sales QTY and Amount \ Year		2020				2021			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		QTY	Amount	QTY	Amount	QTY	Amount	QTY	Amount
Main Products									
ASIC Products (thousands chip)		18,228	430,306	54,953	2,174,704	34,138	810,508	110,498	3,960,088
Wafer Products (wafer)		2,997	111,958	33,578	874,755	7,211	310,839	9,658	532,089
NRE		27	56,750	115	1,008,210	26	169,882	109	1,239,714
Intellectual Property Components and License Fee		71	662,613	29	176,011	70	718,682	37	343,399
Total			1,261,627		4,233,680		2,009,911		6,075,290

3. Employee Statistics for the Most Recent 2 Fiscal Years up to the Annual Report Publication Date

Year		2020	2021	2022 (Until to March 31)
Number of Employees (Note)	Engineer/Administrative	543	539	529
	Management	54	53	54
	Total	597	592	583
Average age		39.4	39.6	39.6
Average years of service		7.7	7.6	7.8
Education (%)	Ph. D.	2.01%	2.03%	2.06%
	Masters	70.18%	67.90%	67.24%
	Bachelor's Degree	27.47%	29.73%	30.36%
	Senior High School	0.34%	0.34%	0.34%
	Below Senior High School	0%	0%	0%

Note: The number of employees is mainly based on Faraday's headquarters in Hsinchu.

4. Environmental Protection Expenditure Information

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

explanation of the facts of why it cannot be made shall be provided: None.

5.Labor Relations

- (1) Faraday's employee welfare measures, further education, training, retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures:

As the world's leading high-tech R&D company, talents are not only Faraday's assets, but also the foundation of Faraday's sustainable development. Faraday Technology's emphasis on talents is fully reflected in the workplace environment and conditions provided by Faraday. Faraday is committed to ensuring a safe and healthy working environment, respecting employees, assisting employees in work-life balance, and providing good salary and benefits. Faraday has been continuously selected as a constituent stock of the "Taiwan High Salary 100 Index" by the Taiwan Stock Exchange. In addition to attracting and retaining talents with high-level salaries and benefits, it also pays special attention to the physical and mental health and personal growth of colleagues to expect substantial development for employees in Faraday. In addition, harmonious labor-management relations also help Faraday's long-term stable development. The various internal communication mechanisms of Faraday Technology allow colleagues to fully express their opinions, while relevant authority and responsibility units would quickly respond to their opinions, constructing a good and unimpeded communication culture, and a lively and enlightened working atmosphere.

A.Talent Development and Training

Faraday has always spared no effort to cultivate talents and provide comprehensive assistance in both work and life. At the same time, based on individual professionals, there are long-term cultivation plans for on-the-job training and future career development in education and training. For instance:

- a. Newcomer Training: Faraday makes customized training plans for individuals according to job requirements and professional experience, through general education courses, e-course, OJT training, quality document reading, and instructor system to help newcomers quickly adapt to the organizational culture and internal processes. In addition, Faraday assigned seniors to guide each newcomer and help them familiarize the environment and work content. The mentor and supervisor are required to arrange the newcomer for training and meetings with supervisors of all levels and the human resources department within three months of registration in accordance with the Newcomer Guide. The learning and adapting status of the newcomer should be recorded. In addition, each newcomer receives a customized "Newcomer Manual" on registration. The supervisor sets up professional training plan in accordance with the newcomers' duties and conducts the training within the first 6 months of registration. Relevant courses include: company introduction, work safety training, work process, and cross-departmental professional training
- b. Professional Training: Every year, Faraday plans a variety of inter-departmental professional training, and often holds technical exchange meetings, in which employees can learn content various professional and technical contents. Each department also has its own database and regular department meetings. Employees can share and exchange work experience and professional knowledge with their supervisors and colleagues.

- c. **Language Training:** Faraday has set up a "Technical Document Center" to provide guidance on writing English technical documents, papers, and patents. Through language training and technical English document writing, employees gradually improve their language skills.
- d. **Supervisor Training:** Faraday arranges a series of management skills training for supervisors based on each person's duty. It also guides new supervisors to families Faraday's management rules and regulations, cultivates abilities and qualities necessary for supervisor, coaches on conducting professional interviews, effective selection, education and retention, leadership, communication and motivation, handling employee errors and conflicts. Faraday helps the supervisors to improve and develop management skills and leadership through professional training courses, senior supervisor coaching, reading clubs, etc.
- e. **General Training:** In addition to professional, language, and supervisor training, Faraday also conducts trainings for internal operating system, project system, management rules and regulations, technical document production, and fire fighting training, etc.
- f. **Domestic and Foreign Training:** Faraday provides multiple training channels and encourages employees to participate in domestic and foreign training. Employees can participate in trainings and seminars at home and abroad based on their own expertise and job contents to enhance the technical level of individuals and Faraday.
- g. **Future Career Development:** Faraday is committed to the cultivation and inheritance of talents, in line with the talent growth and performance development system, formulates individual career development plans. The mentorship/coaching learning system (Mentor Program) support the consolidation of Faraday's competitiveness. The department head makes suitable talent development plans for individuals based on their functional core expertise, work performance and learning potential, in accordance with Faraday's and department's future development and direction. and through a complete and diverse training mechanism and work instruction. The employees are expected to fully exhibit their abilities and kept learning through the multiple trainings and resources Faraday provides.

B.Diversified Welfare and Subsidies

Faraday provides diversified welfare and subsidies, with detailed welfare planning and budgeting every year, such as domestic and foreign travel subsidies, birthday coupons, birth/wedding subsidies, funeral/celebration subsidies, coupon purchase, regular health checkup that is better than which required by laws and regulations, and perfect employee insurance. The insurance includes life insurance, accident insurance, medical insurance, cancer insurance and other family group insurance systems. The Welfare Committee also organizes diversified activities on a regular basis to help employees relax, maintain both physical and mental health, and relieve potential work pressure.

C.Considerate Services and Facilities

Faraday is one of the most beautiful companies in the park, which provides a warm and cozy working environment for employees to focus on and enjoy their work. We believe that a productive enterprise cannot run without healthy and happy employees. In

addition to provide a safe and hygienic working environment for all colleagues, Faraday also provides a LOHAS working environment, from the perspective of employees, upholds the spirit of fusion of welfare, vitality and public welfare, and allows colleagues to work and relax through diversified activity designs to accumulate creativity and energy. Faraday offers multi-functional fitness center and sport field, stress relief lounge, art gallery, cozy cafe, roof garden, and free parking spaces for cars and scooters. We also runs diverse clubs, and holds outdoor concerts, executive service day, family day, Lohas lectures, etc., enriching the concept of work-life balance through various activities.

D.Retirement System

Faraday Technology has formulated the "Labor Retirement Measures of Faraday Technology Co., Ltd." in accordance with the "Labor Standards Law" and the "Labor Pension Regulations". For employees who choose the new system of labor pension, Faraday pays 6% of the employee's monthly wages to the individual's labor pension account in accordance with the Labor Pension Regulations. If the employee meets the conditions of the "Old Labor Pension System" or the "New Labor Pension System with Old System of Seniority Retained", Faraday pays 2% of the employee's monthly wages to the Special Account of Labor Retirement Reserve Supervision Committee of Faraday Technology Co., Ltd at Bank of Taiwan. For employee who meets the retirement qualifications under the Labor Standards Law, the pension payment is based on the length of employment and the average monthly salary at the time of retirement, and two basis will be given for each employed year. However, for person who is employed for more than 15 years, a basis is given for each employed year, with a maximum of forty-five basis limitation.

(2)Faraday's losses due to employer/employee disputes within the most recent year through the printing date of this annual report: None.

(3)Estimated amount and corresponding measures for the loss of labor disputes at present and in the future.

Faraday always values the employees' welfare, provides superior working environment, and emphasizes the communication with employees, so that the relationship between labor and management is harmonious. Therefore, Faraday has no major labor disputes within the most recent year through the printing date of this annual report.

6.Information security risk management

(1) Information security risk management structure

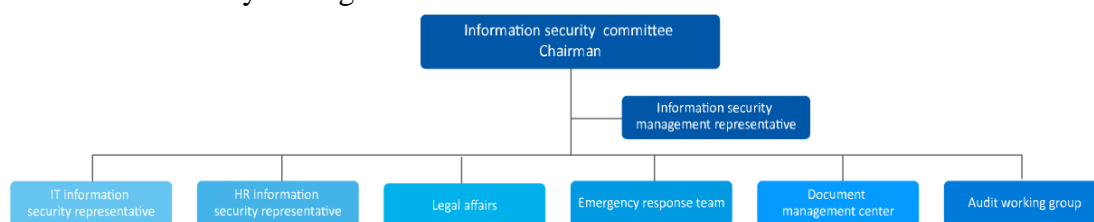
A.Organizational structure for risk management

Faraday's organizational structure for risk management includes the Board of Directors, Audit Committee, Audit Room, and management. The Board of Directors is the top decision unit of risk management in Faraday Technology, and is in charge of determining the Company's risk management policy, structure, establishing risk management culture, and ultimate responsibility for overall risk management.

The Audit committee is composed of the entire number of independent directors and meets once a quarter. It performs fair presentation of the Company's financial reports, election, independence, and performance of the CPAs, effective implementation of internal control, laws and regulations compliance, and control existing or potential risks. The Audit unit performs audit business independently and honestly and provides appropriate suggestions for revision. Through relevant risk management mechanism and business continuity management procedure, it ensures top managements can quickly grasp the situation and adopt instant and effective coping measures to reduce the risk impact on operation and related stakeholders in case of an emergency.

B. Information Security Management Committee

Faraday has established a cross-department and cross-function Information Security Committee in 2019 with the general director acts as the chairman. The vice president of operations is assigned as the representative of information security management. The committee leads the information department and information security teams and be responsible to establish and promote for the creation, implementation, and continuous improvement of the Information Security Management System, as well as reports the implementation result and improvement of the Information Security Management System to the top management. The organizational chart of the Information Security Management Committee is as follow:



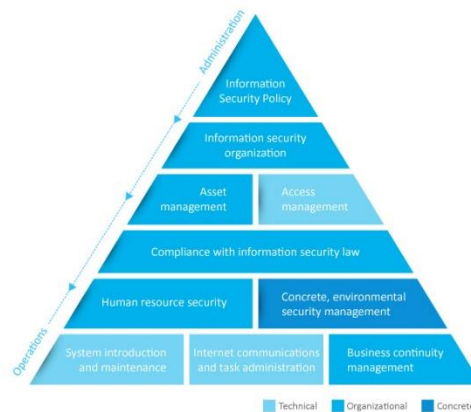
(2)Information security policy

A. The general manager has stipulated the “Information Security Manual” to commit the implementation of Information security control, protection of business partner and operation confidentiality, reduction Information security risk, and consolidation of sustainable operation.

B. Operation confidentiality and customer privacy protection

Faraday values the security and privacy of the business partners (including customers, suppliers, agents, employees, etc.) and operation-related information assets. Faraday has established control procedures for confidential document and information security and patent management related procedure, which explicitly stipulates how to protect the confidential document of Faraday and its business partners, including commercial

secrets, intellectual property rights, and customer privacy, and ensure these confidential documents are well-protected. It also established the “Information Security Manual” in reference to ISO27001. The content includes control in aspects of organization, technology, and physical environment, such as information security policy, information security organization, assets management, access control, information security regulation to be followed, human resources safety, physical and environmental safety management, introduction and maintenance of information security system, network communication and operation management, reports of unusual event of information security, and operation continuous management. It adopts PDCA (Plan, Do, Check, Action) cycle operation pattern to establish, implement, maintain, and improve Information Security Management System (ISMS). The Information Security Management System keeps the information’s confidentiality, integrity, and availability with applied risk management process. With appropriate risk management, it could avoid internal and external threats, reduce information operational risk, and protect business confidentiality and privacy of the business partners.



(3) Specific management plan and resource invested in Information security management

A. Information security promotion

As a leader in ASIC design service and IP research and development, Faraday takes Information Security Management System very seriously from the beginning. It has devoted sufficient human resource and hardware facility for enforcement rules in confidentiality and regulation promotion, information grading system establishment, confidentiality system establishment for business partners, information protection technology and management, and information security incident analysis and forecast to implement the securest and most rigorous information security protection. There has been no compliant on invading customer privacy or losing customer data.



B. Information security management mechanism

Faraday prevents external hacker attacks and internal confidentiality disclosure through establishing information security control mechanism and having external experts to perform information security diagnostic. Also, it reports to information security representative on recent external information security event in a bi-weekly meeting and continues to check and strengthen information security protection of internal system. It implements data protection on personal data, internal confidentiality, customer and supplier information through the establishment of information security protection network security system on software and hardware information control, which includes internet and personal information appliances such as desktop, laptop, tablet, and smartphone.

C. Information security education training

In order to promote employees' awareness and cognition on information security, Faraday has established the "Operating Procedure of Employee Education training" for management reference.

Information security cognitive propaganda: promote employees' awareness of information security through announcements of information related to information security in various channels.

Information security education training: (i) In order to learn Faraday's information security policy and requirement, new employees shall sign the employee professional ethics service agreement on registration, as well as receive education training on information security. (ii) Courses about information security policy and case promotion are held on new employee registration and regularly every year. A total of 2,078 man-hours was held in 2021. Through constant training to promote employees' information security awareness and internalize in operation, Faraday is able to implement the securest and most rigorous information security protection.

D. Drill on information security social engineering

In order to promote employees' protection awareness of social engineering mail, four social engineering drills were conducted on all employees in 2021. Additional training was done for those who did not pass the drill to strengthen their awareness and cognition.

E. Information security audit mechanism

Information security audit team regularly conduct internal training on information security to verify the implementation of information security management. Corrective measures are adopted for continuous implementation of Faraday's information security management.

(4) Information security risk and coping measures

A. Information security risk

Faraday has established full protection measures on network and computer related information security, but it does not guarantee the computer systems that control or maintain business operation, accounting, and other important business function can completely avoid any internet attack that could paralyze the system from the third party. These internet attacks have illegally invaded Faraday's internal network system and damaged the operation and goodwill. Faraday continues to review and evaluate the information security regulations and procedures to ensure its appropriateness and effectiveness; however, it does not guarantee Faraday would not be affected by the

new risks and attacks that are constantly rolling out in this ever-changing information security threat. Internet attack might also try to steal Faraday's intellectual property, trade secret, and other confidential information such as customers or other stakeholders' proprietary information and employees' personal information.

B. Coping measures

- (a) Construct outside-in oriented information security protection measures to avoid external attacks such as malicious hacker, virus, and blackmail.
- (b) Establish protection measures in accordance with confidential level.
- (c) Establish employees' concept of information security through education training and regular announcement.
- (d) Regularly evaluate the appropriateness and effectiveness of information security operation.
- (e) Make project plan for continuous strengthening protection measures to reduce information security risk.
- (f) Confidential agreement signed by employees.
- (g) Sign confidential contract when providing sensitive information to the third party vendors or customers to comply with confidentiality
- (h) Regularly perform information security diagnostic on overall information environment to avoid hacker invasion through identified loopholes that are not patched on schedule.

C. Regularly perform social engineering drill to enhance employees' sensitivity of phishing email to avoid hacker invasion by mail.

7. Important Contracts

Contract Property	Affiliated Person	Start/Expiration date of Contract	Content	Restrictions
Technical Authorization	Company A	2021.2.18-2026.2.17	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company B	2021.3.11-2026.2.26	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company C	2021.4.20-2026.4.19	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company D	2021.5.4-2026.5.3	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company E	2021.5.30-2026.5.29	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company F	2021.7.27-2026.7.26	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company G	2021.8.13-2026.8.12	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company H	2021.9.7-2026.9.6	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company I	2021.10.6-2026.10.5	License Agreement	Both parties should fulfill confidentiality duty
Technical Authorization	Company J	2021.12.17-2026.12.16	License Agreement	Both parties should fulfill confidentiality duty

VI. Financial Status

1. Condensed Balance Sheet and Consolidated Income Statement for the Last Five Years, the Names of the CPAs and Their Audit Opinions

(1) Condensed Balance Sheet and Comprehensive Income Statement (IFRSs)

A. Condensed Balance Sheet—Consolidate

Unit: NT\$ thousands

Year		2017	2018	2019	2020	2021	As of March 31, 2022
Items							
Current assets		4,475,142	4,393,723	5,022,750	4,702,256	7,392,154	9,242,951
Property, plant and equipment		533,571	575,858	576,808	539,322	517,870	509,489
Intangible assets		434,816	691,470	550,567	259,256	505,049	455,028
Other assets		1,492,572	1,153,668	1,551,903	2,698,322	3,621,432	3,357,905
Total assets		6,936,101	6,814,719	7,702,028	8,199,156	12,036,505	13,565,373
Current liabilities	Before distribution	1,355,366	1,766,178	2,079,109	1,614,085	3,505,683	4,659,970
	After distribution	2,026,452	1,965,018	2,352,514	1,862,635	(Note1)	—
Non-current liabilities		50,545	237,180	360,179	244,077	375,523	420,043
Total liabilities	Before distribution	1,405,911	2,003,358	2,439,288	1,858,162	3,881,206	5,080,013
	After distribution	2,076,997	2,202,198	2,712,693	2,106,712	(Note1)	—
Equity attributable to shareholders of the parent company		5,530,190	4,796,379	5,203,716	6,293,937	7,839,972	8,107,435
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		598,879	626,596	724,895	724,574	705,700	705,700
Retained earnings	Before distribution	2,446,668	2,196,490	2,363,027	2,371,011	3,278,832	3,948,769
	After distribution	1,775,582	1,997,650	2,089,622	2,122,461	(Note1)	—
Other equity		(860)	(512,210)	(369,709)	712,849	1,369,937	967,463
Treasury stock		—	—	—	—	—	—
Non-controlling interest		—	14,982	59,024	47,057	315,327	377,925
Total equity	Before distribution	5,530,190	4,811,361	5,262,740	6,340,994	8,155,299	8,485,360
	After distribution	4,859,104	4,612,521	4,989,335	6,092,444	(Note1)	—

Note1: Earnings Distribution of 2021 has not been approved by the Shareholders' Meeting.

Note2: The above financial data of 2017 to 2021 were audited by CPAs; Financial data of 2022Q1 was reviewed by CPAs.

B. Condensed Comprehensive Income Statement—Consolidated

Unit: NT\$ thousands

Year Items	2017	2018	2019	2020	2021	As of March 31,2022
Operating revenue	5,342,609	4,904,658	5,306,351	5,495,307	8,085,201	3,206,845
Gross profit	2,648,187	2,604,877	2,799,542	2,599,626	4,089,929	1,593,185
Operating profit/loss	314,694	283,008	398,300	149,112	1,402,056	735,502
Non-operating income and expenses	16,096	33,001	18,555	164,123	100,123	111,061
Income before tax	330,790	316,009	416,855	313,235	1,502,179	846,563
Net income from continuing operations	260,419	261,151	336,245	255,997	1,290,048	712,792
Profit/Loss from discontinued operations	575,494	—	—	—	—	—
Net income	835,913	261,151	336,245	255,997	1,290,048	712,792
Other current comprehensive income	(22,965)	(164,958)	159,498	1,095,393	658,253	(393,485)
Total current comprehensive income	812,948	96,193	495,743	1,351,390	1,948,301	319,307
Net income attributable to stockholders of the parent	835,913	263,228	347,877	268,446	1,155,930	669,937
Net income attributable to non-controlling interests	—	(2,077)	(11,632)	(12,449)	134,118	42,855
Total comprehensive income attributable to stockholders of the parent	812,948	98,270	507,878	1,363,947	1,813,459	267,463
Total comprehensive income attributable to non-controlling interests	—	(2,077)	(12,135)	(12,557)	134,842	51,844
Earnings per share	3.40	1.06	1.40	1.08	4.65	2.7

Note : The above financial data of 2017 to 2021 were audited by CPAs ; Financial data of 2022Q1 was reviewed by CPAs.

C. Condensed Balance Sheet—Parent Company Only

Unit: NT\$ thousands

Year		2017	2018	2019	2020	2021
Items						
Current assets		3,326,345	2,830,492	3,219,878	3,010,644	4,420,122
Property, plant and equipment		514,025	556,836	561,903	521,190	494,527
Intangible assets		420,850	682,681	518,209	233,937	441,312
Other assets		2,576,456	2,427,987	2,946,760	3,968,630	5,318,126
Total assets		6,837,676	6,497,996	7,246,750	7,734,401	10,674,087
Current liabilities	Before distribution	1,258,200	1,471,934	1,719,831	1,215,528	2,468,405
	After distribution	1,929,286	1,670,774	1,993,236	1,464,078	(Note1)
Non-current liabilities		49,286	229,683	323,203	224,936	365,710
Total liabilities	Before distribution	1,307,486	1,701,617	2,043,034	1,440,464	2,834,115
	After distribution	1,978,572	1,900,457	2,316,439	1,689,014	(Note1)
Capital stock		2,485,503	2,485,503	2,485,503	2,485,503	2,485,503
Capital surplus		598,879	626,596	724,895	724,574	705,700
Retained earnings	Before distribution	2,446,668	2,196,490	2,363,027	2,371,011	3,278,832
	After distribution	1,775,582	1,997,650	2,089,622	2,122,461	(Note1)
Other equity		(860)	(512,210)	(369,709)	712,849	1,369,937
Treasury stock		—	—	—	—	—
Total equity	Before distribution	5,530,190	4,796,379	5,203,716	6,293,937	7,839,972
	After distribution	4,859,104	4,597,539	4,930,311	6,045,387	(Note1)

Note1 : Earnings distribution of 2021 has not been approved by the Shareholders' Meeting.

Note2 : The above financial data of 2017 to 2021 were audited by CPAs.

D. Condensed Comprehensive Income Statement— Parent Company Only

Unit: NT\$ thousands

Year Items	2017	2018	2019	2020	2021
Operating revenue	4,996,865	4,323,744	4,646,362	4,925,300	6,710,159
Gross profit	2,330,177	2,042,756	2,235,255	2,110,720	2,834,633
Operating profit	318,335	100,531	347,816	204,637	722,762
Non-operating income and expenses	(33,745)	178,664	42,464	91,816	599,676
Income before tax	284,590	279,195	390,280	296,453	1,322,438
Net income from continuing operations	251,563	263,228	347,877	268,446	1,155,930
Profit/Loss from discontinued operations	584,350	—	—	—	—
Net income (loss)	835,913	263,228	347,877	268,446	1,155,930
Other comprehensive income (loss)	(22,965)	(164,958)	160,001	1,095,501	657,529
Total comprehensive income (loss)	812,948	98,270	507,878	1,363,947	1,813,459
Earnings per share	3.40	1.06	1.40	1.08	4.65

Note: The above financial data of 2017 to 2021 were audited by CPAs.

(2) Auditors' Name and Opinions from 2017 to 2021:

A. Auditors' Name and Opinions from 2017 to 2021

Year	CPA	Audit Opinion
2017	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2019	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2019	Wan-Ju Chiu, Shao-Pin Kuo	An Unqualified Opinion with Other Matter paragraph
2020	Wan-Ju Chiu, Kuo, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph
2021	Wan-Ju Chiu, Kuo, Hsin-Min Hsu	An Unqualified Opinion with Other Matter paragraph

B. Instructions for replacing CPAs in the most recent five years

In order to comply with the reorganization of the internal organization of Ernst & Young, Wan-Ju Chiu and CPA Hsin-Min Hsu will take over to audit financial statements from 2020Q1.

2. Financial Analysis of the Last Five Years:

(1) Financial Analysis – Based on IFRS

A. Financial Ratio Analysis - Consolidated

Analyze Items		Year					
		2017	2018	2019	2020	2021	As of March 31,2022
Financial structure (%)	Liability to asset ratio	20.27	29.40	31.67	22.66	32.25	37.45
	Long-term Fund to Property, Plant and Equipment Ratio	1,045.92	876.70	974.83	1,220.99	1,647.29	1,747.91
Solvency (%)	Current ratio	330.18	248.77	241.58	291.33	210.86	198.35
	Quick ratio	291.17	210.46	203.80	249.93	168.20	157.30
	Times Interest Earned (Times)	—	—	56.21	48.55	257.21	538.16
Operating performance analysis	Accounts receivable turnover (times)	6.19	6.19	6.10	7.1	9.92	11.78
	Average collection period	58.96	58.96	59.83	51.40	36.79	30.98
	Inventory turnover (times)	5.06	4.46	4.07	5.10	4.39	4.27
	Accounts payable turnover (times)	5.38	3.40	2.65	3.36	3.96	4.09
	Average days in sales	72.13	81.83	89.68	71.56	83.14	85.48
	Property, plant and equipment turnover (times)	9.85	8.84	9.21	9.85	15.30	24.97
	Total assets turnover (times)	0.81	0.71	0.73	0.69	0.80	1.00
Profitability analysis	Return on assets (%)	3.94	3.80	4.72	3.29	12.80	5.58
	Return on equity (%)	5.01	5.05	6.68	4.41	17.80	8.57
	Pre-tax income to paid-in capital (%)	13.31	12.71	16.77	12.60	60.44	34.06
	Net profit ratio (%)	4.87	5.32	6.34	4.66	15.96	22.23
	Earnings per share (NT\$)	3.40	1.06	1.40	1.08	4.65	2.70
Cash flow	Cash flow ratio (%)	93.50	17.09	41.06	43.41	71.48	21.86
	Cash flow adequacy ratio (%)	83.89	54.78	65.40	73.54	108.06	117.26
	Cash reinvestment ratio (%)	19.00	(8.06)	12.96	6.73	27.69	11.94
Leverage	Operating leverage	7.91	7.39	6.22	14.66	2.65	2.01
	Financial leverage	1.00	1.00	1.02	1.05	1.00	1.00

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

1. The increase in the liabilities to assets ratio is due to the increase in contract liabilities and accounts payable.
2. The increase in the ratio of long-term fund to property, plant and equipment is due to the increase in unappropriated earnings and other equity.
3. The decrease in current ratio and quick ratio is due to the increase in current liabilities.
4. The increase in times interest earned is due to the increase in net profit after tax.
5. The increase in the accounts receivable turnover is due to the increase in sales revenue.
6. The decrease in average collection period is due to the increase in accounts receivable turnover.
7. The increases in property, plant and equipment turnover is due to the increase in net profit after tax.
8. The increases in return on assets, return on equity, pre-tax income to paid-in capital, net profit ratio, and earnings per share are due to the increase in net profit after tax.
9. The increase in cash flow ration, cash flow adequacy ratio and cash reinvestment ratio are mainly due to the increase in net cash inflow from operating activities during the current period.
10. The decrease in operating leverage is due to the increase in operating income.

B. Financial Ratio Analysis - Parent Company Only

Analyze Items		Year				
		2017	2018	2019	2020	2021
Financial structure (%)	Liability to asset ratio	19.12	26.19	28.19	18.62	26.55
	Long-term fund to property, plant and equipment ratio	1085.45	902.61	983.61	1,250.77	1,659.30
Solvency (%)	Current ratio	264.37	192.30	187.22	247.68	179.07
	Quick ratio	225.32	148.55	143.07	199.25	123.46
	Times interest earned (Times)	—	—	82.67	65.66	295.14
Operating performance analysis	Accounts receivable turnover (times)	6.24	7.69	7.36	6.81	7.91
	Average collection period	58.49	47.46	49.59	53.59	46.14
	Inventory turnover (times)	5.01	4.46	4.00	5.24	4.65
	Accounts payable turnover (times)	5.44	3.41	2.63	3.17	3.75
	Average days in sales	72.85	81.83	91.25	69.65	78.49
	Property, plant and equipment turnover (times)	9.53	8.08	8.31	9.09	13.21
	Total assets turnover (times)	0.77	0.65	0.68	0.66	0.73
Profitability analysis	Return on assets (%)	3.87	3.95	5.12	3.63	12.60
	Return on equity (%)	4.84	5.10	6.96	4.67	16.36
	Pre-tax income to paid-in capital (%)	11.45	11.23	15.70	11.93	53.21
	Net profit ratio (%)	5.03	6.09	7.49	5.45	17.23
	Earnings per share (NT\$)	3.40	1.06	1.40	1.08	4.65
Cash flow	Cash flow ratio (%)	112.31	18.86	27.47	23.39	55.06
	Cash flow adequacy ratio (%)	91.95	58.56	60.27	57.87	77.46
	Cash reinvestment ratio (%)	21.74	(8.66)	5.46	0.17	14.09
Leverage	Operating leverage	6.71	15.45	5.79	8.67	3.40
	Financial leverage	1.00	1.00	1.01	1.02	1.01

If the financial ratio has changed by 20% in the most recent two years, the explanation is as follows:

1. The increase in the liabilities to assets ratio is due to the increase in contract liabilities and accounts payable.
2. The increase in the ratio of long-term fund to property, plant and equipment ratio is due to the increase in unappropriated earnings and other equity.
3. The decrease in current ratio and quick ratio is due to the increase in current liabilities.
4. The increase in times interest earned is due to the increase in net profit after tax.
5. The increases in property, plant and equipment turnover is due to the increase in net profit after tax.
6. The increases in return on assets, return on equity, pre-tax income to paid-in capital, net profit ratio, and earnings per share are due to the increase in net profit after tax.
7. The increase in cash flow ration, cash flow adequacy ratio and cash reinvestment ratio are mainly due to the increase in net cash inflow from operating activities during the current period.
8. The decrease in operating leverage is due to the increase in operating income.

Note 1: The above financial data of 2017 to 2021 were audited by CPAs.

Note 2: The 2021Q1 financial statements have been reviewed by CPAs up to the date of the report publication.

Note 3: The calculation formulas are as follows:

1. Financial structure

(1) Liability to asset ratio = Total liability / Total asset

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Total equity + Non-current liability)

/ Net property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory - Pre-paid expense) / Current liabilities.
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance analysis

- (1) Accounts receivable turnover (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations)
- (2) Average collection period = 365 / Accounts receivable turnover
- (3) Inventory turnover = Cost of goods sold / Average inventory
- (4) Accounts payable turnover (including bills payable resulting from accounts payable and business operations) = Cost of goods sold / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations)
- (5) Average days in sales = 365 / Inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Net average value of PP&E
- (7) Total assets turnover = Net sales / Average total assets

4. Profitability analysis

- (1) Return on assets (ROA) = (Net income + Interest expenses * (1 - Effective tax rate)) / Average total assets
- (2) Return on equity (ROE) = Net income / Average shareholders' equity
- (3) Net profit before tax accounted for paid-in capital ratio = Net profit before tax / Paid-in capital
- (4) Net profit ratio = Profit or loss after tax / Net sales.
- (5) Earnings per share = (Net income - Preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
- (2) Cash flow adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital)

6. Leverage

- (1) Operating leverage = (Net sales - Variable cost) / Income from operations
- (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

3. Audit Committee's Review Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared and submitted to us Faraday's 2021 Business Report, Consolidated and Individual Financial Statements, and proposal for earnings distribution. Financial Statements were audited by Ernst & Young and they issued an audited report accordingly. We, as the Audit Committee of Faraday, have reviewed the Business Report, Financial Statements, and proposal for earnings distribution and do not find any discrepancies. According to Article 14 of the Securities and Exchange Act and Article 219 of Faraday Act, we hereby submit this report.

Submitted to:

Faraday's 2022 Annual Shareholders' Meeting

Chairperson of the Audit Committee: Bing-Kuan Luo

February 22, 2022

4. Latest annual financial report

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Group amounted to NT\$8,085,201 thousand for the year ended December 31, 2021, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$5,613,524 thousand, NT\$1,783,467 thousand and NT\$688,210 thousand, constituting 69.43%, 22.06% and 8.51% of consolidated net sales, respectively. Revenue is the main operating activity of the Group. The sales includes application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details of transactions including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Group's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (17) and Note 6 (15).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, whose statements reflect total assets of NT\$820,526 thousand and NT\$636,588 thousand, constituting 6.82% and 7.76% of total consolidated assets as of December 31, 2021 and 2020, respectively, and total operating revenues of NT\$1,520,178 thousand and NT\$956,439 thousand, constituting 18.80% and 17.40% of consolidated operating revenues for the years ended December 31, 2021 and 2020, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

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

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

Others

We have audited and expressed an unqualified opinion including an Other Matter Paragraph on the parent company only financial statements of Faraday Technology Corporation as of and for the years ended December 31, 2021 and 2020.

/s/Chiu, Wan-Ju

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan

February 22, 2022

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2021 and December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2021	December 31, 2020			December 31, 2021	December 31, 2020
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$ 4,763,080	\$ 3,048,331	Financial liabilities at fair value through profit or loss, current	4, 6(2)	\$ -	\$ 1,504
Financial assets at fair value through profit or loss, current	4, 6(2)	26,296	23,497	Contract liabilities, current	4, 6(15), 7	1,310,720	476,604
Contract assets, current	4, 6(15), 6(16)	33,288	137,475	Notes payable		3	3
Notes receivable, net	6(16)	4,030	1,360	Accounts payable		844,644	481,775
Accounts receivable, net	4, 6(4), 6(16)	780,987	559,524	Accounts payable - related parties	7	527,278	162,940
Accounts receivable - related parties, net	4, 6(4), 6(16), 7	153,567	130,254	Payables on equipment		553	-
Other receivables, net		77,662	113,986	Other payables	6(12)	622,115	392,146
Inventories, net	4, 5, 6(5)	1,320,690	500,634	Current tax liabilities	4, 6(21)	171,166	50,343
Other current assets	6(6), 7	191,142	181,234	Lease liabilities, current	4, 6(17), 12	18,353	32,575
Costs to fulfill a contract, current	6(15)	41,412	5,961	Other current liabilities		10,851	16,195
Total current assets		<u>7,392,154</u>	<u>4,702,256</u>	Total current liabilities		<u>3,505,683</u>	<u>1,614,085</u>
Non-current assets				Non-current liabilities			
Financial assets at fair value through other comprehensive income, non-current	4, 6(3)	2,915,438	2,245,962	Deferred tax liabilities	4, 6(21)	8,594	6,810
Financial assets measured at amortized cost, non-current	4, 6(8), 8	189,382	16,433	Lease liabilities, non-current	4, 6(17), 12	200,594	209,836
Property, plant and equipment	4, 6(9)	517,870	539,322	Long-term payables	6(12)	161,247	16,321
Right-of-use assets	4, 6(17)	211,436	234,275	Long-term deferred revenue		-	2,715
Intangible assets	4, 6(10)	505,049	259,256	Defined benefit liabilities, non-current	4, 6(13)	5,088	8,395
Deferred tax assets	4, 6(21)	26,305	48,775	Total non-current liabilities		<u>375,523</u>	<u>244,077</u>
Refundable deposits		115,021	11,430	Total liabilities		<u>3,881,206</u>	<u>1,858,162</u>
Other non-current assets		163,850	141,447	Equity attributable to the parent company			
Total non-current assets		<u>4,644,351</u>	<u>3,496,900</u>	Capital	6(14)		
				Common stock		2,485,503	2,485,503
				Additional paid-in capital	6(14)	705,700	724,574
				Retained earnings	6(14)		
				Legal reserve		1,551,782	1,510,216
				Special reserve		-	369,710
				Unappropriated earnings		1,727,050	491,085
				Other components of equity		1,369,937	712,849
				Equity attributable to the parent company	6(14)	<u>7,839,972</u>	<u>6,293,937</u>
				Non-controlling interests	6(14)	<u>315,327</u>	<u>47,057</u>
				Total equity		<u>8,155,299</u>	<u>6,340,994</u>
Total assets		<u>\$ 12,036,505</u>	<u>\$ 8,199,156</u>	Total liabilities and equity		<u>\$ 12,036,505</u>	<u>\$ 8,199,156</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31,	
		2021	2020
Net sales	4, 6(15), 7	\$ 8,085,201	\$ 5,495,307
Operating costs	6(5), 6(18), 7	(3,995,272)	(2,895,681)
Gross profit		4,089,929	2,599,626
Operating expenses	6(10), 6(18), 7		
Selling expenses		(359,836)	(288,482)
Administrative expenses		(366,465)	(278,475)
Research and development expenses		(2,036,866)	(1,853,828)
Expected credit gains (losses)	6(16)	75,294	(29,729)
Total operating expenses		(2,687,873)	(2,450,514)
Operating income		1,402,056	149,112
Non-operating income and expenses			
Interest income	6(19)	12,618	10,818
Other income	6(19)	104,348	33,506
Other gains and losses	6(19)	(10,980)	149,977
Finance costs	6(19)	(5,863)	(6,587)
Share of profit or loss of associates and joint ventures accounted for using equity method	6(7)	-	(23,591)
Total non-operating income and expenses		100,123	164,123
Income from continuing operations before income tax		1,502,179	313,235
Income tax expense	4, 6(21)	(212,131)	(57,238)
Net income		1,290,048	255,997
Other comprehensive income	4, 6(20)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		551	16,178
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income		669,476	1,110,692
Income tax relating to items that will not be reclassified to profit or loss		(110)	(3,235)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(11,664)	(28,242)
Other comprehensive income (net of income tax)		658,253	1,095,393
Total comprehensive income		<u>\$ 1,948,301</u>	<u>\$ 1,351,390</u>
Net income attributable to:			
Stockholders of the parent	6(22)	\$ 1,155,930	\$ 268,446
Non-controlling interests	6(14)	134,118	(12,449)
		<u>\$ 1,290,048</u>	<u>\$ 255,997</u>
Comprehensive income (loss) attributable to:			
Stockholders of the parent		\$ 1,813,459	\$ 1,363,947
Non-controlling interests		134,842	(12,557)
		<u>\$ 1,948,301</u>	<u>\$ 1,351,390</u>
Earnings per share (NTD)	6(22)		
Earnings per share-basic		<u>\$ 4.65</u>	<u>\$ 1.08</u>
Earnings per share-diluted		<u>\$ 4.64</u>	<u>\$ 1.08</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	Equity Attributable to the Parent Company								Non-Controlling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Components of Equity		Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income			
Balance as of January 1, 2020	\$ 2,485,503	\$ 724,895	\$ 1,473,678	\$ 512,210	\$ 377,139	\$ (85,537)	\$ (284,172)	\$ 5,203,716	\$ 59,024	\$ 5,262,740
Appropriation and distribution of 2019 retained earnings										
Legal reserve	-	-	36,538	-	(36,538)	-	-	-	-	-
Cash dividends	-	-	-	-	(273,405)	-	-	(273,405)	-	(273,405)
Special reserved	-	-	-	(142,500)	142,500	-	-	-	-	-
Net income in 2020	-	-	-	-	268,446	-	-	268,446	(12,449)	255,997
Other comprehensive income (loss) in 2020	-	-	-	-	12,943	(28,134)	1,110,692	1,095,501	(108)	1,095,393
Total comprehensive income (loss) in 2020	-	-	-	-	281,389	(28,134)	1,110,692	1,363,947	(12,557)	1,351,390
Disposal of investments accounted for using equity method	-	(1,531)	-	-	-	-	-	(1,531)	-	(1,531)
Change in subsidiaries' ownership	-	1,210	-	-	-	-	-	1,210	590	1,800
Balance as of December 31, 2020	<u>\$ 2,485,503</u>	<u>\$ 724,574</u>	<u>\$ 1,510,216</u>	<u>\$ 369,710</u>	<u>\$ 491,085</u>	<u>\$ (113,671)</u>	<u>\$ 826,520</u>	<u>\$ 6,293,937</u>	<u>\$ 47,057</u>	<u>\$ 6,340,994</u>
Balance as of January 1, 2021	\$ 2,485,503	\$ 724,574	\$ 1,510,216	\$ 369,710	\$ 491,085	\$ (113,671)	\$ 826,520	\$ 6,293,937	\$ 47,057	\$ 6,340,994
Appropriation and distribution of 2020 retained earnings										
Legal reserve	-	-	41,566	-	(41,566)	-	-	-	-	-
Cash dividends	-	-	-	-	(248,550)	-	-	(248,550)	-	(248,550)
Special reserved	-	-	-	(369,710)	369,710	-	-	-	-	-
Net income in 2021	-	-	-	-	1,155,930	-	-	1,155,930	134,118	1,290,048
Other comprehensive income (loss) in 2021	-	-	-	-	441	(12,388)	669,476	657,529	724	658,253
Total comprehensive income (loss) in 2021	-	-	-	-	1,156,371	(12,388)	669,476	1,813,459	134,842	1,948,301
Change in subsidiaries' ownership	-	(18,874)	-	-	-	-	-	(18,874)	133,428	114,554
Balance as of December 31, 2021	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,551,782</u>	<u>\$ -</u>	<u>\$ 1,727,050</u>	<u>\$ (126,059)</u>	<u>\$ 1,495,996</u>	<u>\$ 7,839,972</u>	<u>\$ 315,327</u>	<u>\$ 8,155,299</u>

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

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2021	2020		2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$ 1,502,179	\$ 313,235	Acquisition of financial assets measured at amortized cost	\$ (173,822)	\$ -
Adjustments for non-cash gain or loss:			Proceeds from principal of financial assets measured at amortized cost upon maturity	873	15,333
Depreciation	100,139	101,499	Proceeds from disposal of investments accounted for using equity method	24,203	209,489
Amortization	304,915	332,344	Acquisition of property, plant and equipment	(40,551)	(33,106)
Expected credit (gain) loss	(75,294)	29,729	Disposal of property, plant and equipment	84	60
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(4,303)	23	Refundable deposits	(103,591)	(4,008)
Interest expense	5,863	6,587	Acquisition of intangible assets	(295,546)	(277,554)
Interest income	(12,618)	(10,818)	Net cash used in investing activities	(588,350)	(89,786)
Dividend income	(69,730)	-			
Share-based payment expenses	26,674	1,800	Cash flows from financing activities:		
Share of loss of associates and joint ventures accounted for using equity method	-	23,591	Cash payments for the principal portion of the lease liability	(39,165)	(34,812)
Loss on disposal of property, plant and equipment	-	564	Cash dividends	(248,550)	(273,405)
Gain on disposal of investments	-	(172,487)	Change in non-controlling interests (increase in subsidiary's capital by cash)	87,880	-
Others	(16)	(3,097)	Net cash used in financing activities	(199,835)	(308,217)
Changes in operating assets and liabilities:			Effect of exchange rate changes on cash and cash equivalents	(2,916)	(30,420)
Contract assets	98,124	379,892			
Notes receivable	(2,670)	3,080	Net increase in cash and cash equivalents	1,714,749	272,276
Accounts receivable	(140,106)	92,939	Cash and cash equivalents at beginning of period	3,048,331	2,776,055
Accounts receivable - related parties	(23,313)	40,671	Cash and cash equivalents at end of period	\$ 4,763,080	\$ 3,048,331
Other receivables	12,274	(36,658)			
Inventories	(820,056)	133,920			
Prepayments	(59,642)	(162,379)			
Other current assets	19,825	9,431			
Cost to fulfill a contract	(35,451)	(5,961)			
Contract liabilities	834,116	173,580			
Notes payables	-	(1)			
Accounts payable	362,869	(340,713)			
Accounts payable - related parties	364,338	(95,492)			
Other payables	111,874	(24,185)			
Other current liabilities	(8,059)	(364)			
Defined benefit liabilities	(2,866)	(281)			
Cash generated from operations	2,489,066	790,449			
Interest received	12,465	11,499			
Dividend received	69,730	-			
Interest paid	(5,863)	(6,587)			
Income tax paid	(59,548)	(94,662)			
Net cash provided by operating activities	\$ 2,505,850	\$ 700,699			

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

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company's shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The consolidated financial statements of the Company and its subsidiaries (the "Group") for the years ended December 31, 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 22, 2022.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The above-mentioned amendments that are applicable for annual periods beginning on or after January 1, 2022 have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Group.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC (“TIFRS”).

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Company voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of	
			December 31, 2021	December 31, 2020
The Company	Faraday Technology Corporation (USA)	Sales representative in America	100.00%	100.00%
The Company	Faraday Technology Japan Corporation	Sales representative in Japan	99.95%	99.95%
The Company	Faraday Technology – B.V.I. (B.V.I.)	General investing	100.00%	100.00%
The Company	Faraday Technology Vietnam Company Limited	IC designing service	100.00%	100.00%
The Company	Chih-Hung Investment Corporation (Chih-Hung)	General investing	100.00%	100.00%
The Company	Sheng Bang Investment Corporation (Sheng Bang)	General investing	100.00%	100.00%
Chih-Hung	Grain Media Inc.	IC designing, marketing and customer service	19.42%	19.42%
Chih-Hung	Innopower Technology Corporation (Innopower)	Silicon Intellectual Property designing	100.00%	100.00%
Chih-Hung	FaradayTek Solutions India Private Limited	IC designing service	1.00%	1.00%
Sheng Bang	Grain Media Inc.	IC designing, marketing and customer service	80.58%	80.58%
Sheng Bang	FaradayTek Solutions India Private Limited	IC designing service	99.00%	99.00%
Innopower	Bright Capital Group Limited (BCGL)	General investing	100.00%	100.00%
BCGL	Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	100.00%	100.00%

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			As of	
			December 31, 2021	December 31, 2020
B.V.I.	Faraday Technology Corporation	General investing	100.00%	100.00%
	— Mauritius (Mauritius)			
B.V.I.	GrainTech Electronics Limited	IC designing, marketing and customer service	100.00%	100.00%
B.V.I.	Faraday Technology Corporation (Samoa)	General investing	100.00%	100.00%
B.V.I.	Artery Technology Corporation	General investing	60.87%	67.20%
Samoa	United Business Service Corporation	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Faraday Technology China Corporation	IC designing, marketing and customer service	100.00%	100.00%
Mauritius	Grain Media Technology (Shenzhen) Co., Ltd. (Note)	IC designing, marketing and customer service	100.00%	100.00%
Cayman	Artery Technology Company	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	United Creative Solution Corporation	IC designing, marketing and customer service	100.00%	100.00%
United Business Service Corporation	Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	100.00%	100.00%

Notes: Grain Media Technology (Shenzhen) Co., Ltd. filed for liquidation during the year ended December 31, 2018. The liquidation procedures are still in progress as of the report date.

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- (b) when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve 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.

All other liabilities are classified as non-current.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of six months or less).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (1) the Group's business model for managing the financial assets and
- (2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (2) 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.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (1) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (2) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

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The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

D. Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS 15 and not within the scope of inventories.

(12) Investments accounted for using equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

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When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 "*Impairment of Assets*". In determining the value in use of the investment, the Group estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 "*Impairment of Assets*".

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Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(13) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *“Property, plant and equipment”*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

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The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximising the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liabilities for all leases which the Group is the lessee of those lease contracts.

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At the commencement date, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liabilities on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liabilities by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liabilities;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment and the practical expedient has been applied to such rent concessions.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software
Useful lives	2 - 10 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired

(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Group outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Group is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Group's sale of goods is from 30 to 60 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Group has the obligation to transfer the goods subsequently. Accordingly, the Group recognized the consideration received in advance from customers under contract liabilities.

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Rendering of services

The Group provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Group are collected throughout the contract periods. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. The Group measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is arised.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Group's intellectual property as it exist throughout the license period, the Group uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Group's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Group recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Group has the obligation to provide the services to access or use the Group's intellectual property subsequently. Accordingly, the Group recognizes payments received in advance as contract liabilities.

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(18) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

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The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(20) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

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Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6(5) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2021	December 31, 2020
Cash		
Cash on hand	\$387	\$431
Checking and savings	2,975,234	1,636,071
Time deposits	1,787,459	1,341,829
Cash equivalents-Commercial paper with repurchase agreements	-	70,000
Total	<u>\$ 4,763,080</u>	<u>\$ 3,048,331</u>

(2) Financial assets and liabilities at fair value through profit or loss

	As of	
	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	\$1,424	\$-
Funds	<u>24,872</u>	<u>23,497</u>
Total	<u>\$26,296</u>	<u>\$23,497</u>
Current	<u>\$26,296</u>	<u>\$23,497</u>

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	As of	
	December 31, 2021	December 31, 2020
Financial liabilities mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	\$-	\$1,504
Current	\$-	\$1,504

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	As of	
	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	\$2,915,438	\$2,245,962

The Group classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Group recognized dividend income in the amount of NT\$69,730 thousand for the year ended December 31, 2021, which was all related to investments held at the end of the reporting period.

(4) Accounts receivable, net and accounts receivable - related parties, net

	As of	
	December 31, 2021	December 31, 2020
Accounts receivable	\$807,095	\$666,989
Subtotal (gross carrying amount)	807,095	666,989
Less : Allowance for doubtful accounts	(26,108)	(107,465)
Subtotal	780,987	559,524
Accounts receivable - related parties, net	153,567	130,254
Subtotal (gross carrying amount)	153,567	130,254
Total	\$934,554	\$689,778

Accounts receivable were not pledged.

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Accounts receivable are generally on 30 - 60 day terms from the date of monthly closing. The gross carrying amount of accounts receivable was amounted to NT\$960,662 thousand, and NT\$797,243 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(16) for more details on impairment of accounts receivable, and Note 12 for credit risk disclosure.

(5) Inventories

	As of	
	December 31, 2021	December 31, 2020
Work in process	\$750,171	\$351,411
Finished goods	570,519	149,223
Total	\$1,320,690	\$500,634

The cost of inventories recognized in expenses amounted to NT\$3,995,272 thousand and NT\$2,895,681 thousand for the years ended December 31, 2021 and 2020, respectively, including the reversal gain of NT\$2,860 thousand and loss on scrap of inventories of NT\$5,689 thousand, and inventory valuation loss of NT\$6,863 thousand and loss on scrap of inventories of NT\$20,337 thousand for the years ended December 31, 2021 and 2020, respectively.

No inventories were pledged.

(6) Other current assets

	As of	
	December 31, 2021	December 31, 2020
Prepayments	\$147,103	\$109,864
Prepaid expenses	21,968	50,844
Prepayment in advance	5,824	1,564
Others	16,247	18,962
Total	\$191,142	\$181,234

The prepayments were primarily attributable to several agreements which the Group entered into for certain software license and silicon intellectual property license.

(7) Investments accounted for using equity method

There were no investments accounted for using equity method as of December 31, 2021, and December 31, 2020.

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The Group disposed shares of Fresco Logic Inc. with proceeds amounting to NT\$235,479 thousand (recognized as other receivables NT\$25,990 thousand) and recognized a gain on disposal of investment in the amount of NT\$172,487 thousand during the three-month period ended June 30, 2020. The Group received NT\$24,203 thousand and recognized foreign exchange loss in the amount of NT\$1,787 thousand during the three-month period ended June 30, 2021.

The Group's investment in Fresco Logic Inc. was not individually material. The aggregated financial information based on the Group's share of Fresco Logic Inc. is as follows:

	For the year ended December 31, 2020
Net loss from continuing operations	\$(23,591)
Other comprehensive income (post-tax)	-
Total comprehensive income	<u>\$(23,591)</u>

(8) Financial assets measured at amortized cost, non-current

	As of	
	December 31, 2021	December 31, 2020
Time deposits	\$173,800	\$-
Others	15,582	16,433
Total	<u>\$189,382</u>	<u>\$16,433</u>

Financial assets measured at amortized cost include time deposits with original maturities more than six months and security deposits.

(9) Property, plant and equipment

	As of	
	December 31, 2021	December 31, 2020
Property, plant and equipment for own use	<u>\$517,870</u>	<u>\$539,322</u>

	Office						
	Land	Buildings and facilities	Machinery	Computer equipment	furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2021	\$33,576	\$580,809	\$40,676	\$164,811	\$22,133	\$1,555	\$843,560
Additions	-	5,535	22,234	9,808	3,227	300	41,104
Disposals	-	-	-	-	(62)	(84)	(146)
Exchange effect	-	(860)	-	(98)	(275)	(13)	(1,246)
As of December 31, 2021	<u>\$33,576</u>	<u>\$585,484</u>	<u>\$62,910</u>	<u>\$174,521</u>	<u>\$25,023</u>	<u>\$1,758</u>	<u>\$883,272</u>

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		Buildings		Computer	Office	Miscellaneous	
	Land	and facilities	Machinery	equipment	furniture and fixtures	equipment	Total
Cost:							
As of January 1, 2020	\$33,576	\$577,055	\$40,858	\$177,244	\$24,179	\$1,615	\$854,527
Additions	-	8,033	5,375	15,037	1,096	-	29,541
Disposals	-	(4,087)	(5,557)	(26,900)	(2,943)	-	(39,487)
Exchange effect	-	(192)	-	(570)	(199)	(60)	(1,021)
As of December 31, 2020	<u>\$33,576</u>	<u>\$580,809</u>	<u>\$40,676</u>	<u>\$164,811</u>	<u>\$22,133</u>	<u>\$1,555</u>	<u>\$843,560</u>
Depreciation and impairment:							
As of January 1, 2021	\$-	\$181,473	\$15,262	\$88,710	\$17,874	\$919	\$304,238
Additions	-	14,609	7,803	36,986	2,033	212	61,643
Exchange effect	-	(97)	-	(95)	(276)	(11)	(479)
As of December 31, 2021	<u>\$-</u>	<u>\$195,985</u>	<u>\$23,065</u>	<u>\$125,601</u>	<u>\$19,631</u>	<u>\$1,120</u>	<u>\$365,402</u>
As of January 1, 2020	\$-	\$170,775	\$14,187	\$74,093	\$17,957	\$707	\$277,719
Additions	-	14,567	6,632	42,033	2,631	261	66,124
Disposals	-	(3,846)	(5,557)	(26,900)	(2,560)	-	(38,863)
Exchange effect	-	(23)	-	(516)	(154)	(49)	(742)
As of December 31, 2020	<u>\$-</u>	<u>\$181,473</u>	<u>\$15,262</u>	<u>\$88,710</u>	<u>\$17,874</u>	<u>\$919</u>	<u>\$304,238</u>
Net carrying amount as of:							
December 31, 2021	<u>\$33,576</u>	<u>\$389,499</u>	<u>\$39,845</u>	<u>\$48,920</u>	<u>\$5,392</u>	<u>\$638</u>	<u>\$517,870</u>
December 31, 2020	<u>\$33,576</u>	<u>\$399,336</u>	<u>\$25,414</u>	<u>\$76,101</u>	<u>\$4,259</u>	<u>\$636</u>	<u>\$539,322</u>

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

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(10) Intangible assets

	Software	
	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cost</u>		
Beginning balance	\$964,196	\$1,143,349
Addition — acquired separately	558,567	45,680
Decrease — derecognition	(637,830)	(216,755)
Exchange effect	(8,288)	(8,078)
Ending balance	\$876,645	\$964,196
<u>Accumulated Amortization</u>		
Beginning balance	\$704,940	\$592,782
Amortization	304,915	332,344
Decrease — derecognition	(637,830)	(216,755)
Exchange effect	(429)	(3,431)
Ending balance	\$371,596	\$704,940
Net carrying amount as of:		
December 31, 2021	\$505,049	
December 31, 2020	\$259,256	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2021	2020
Selling expenses	\$60	\$-
Administrative expenses	302	86
Research and development expenses	304,553	332,258
Total	\$304,915	\$332,344

(11) Short-term loans

The Group's credit limit from short-term loans was NT\$891,750 thousand and NT\$1,302,250 thousand as of December 31, 2021 and 2020, respectively, and all of which was unused.

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(12) Long-term payables

The payables were primarily attributable to several agreements which the Group entered into for certain software license. As of December 31, 2021 and 2020, payments for future years are as follows :

Year of payment	As of	
	December 31, 2021	December 31, 2020
2021	\$-	93,154
2022	323,396	15,810
2023	115,715	511
2024	45,532	-
Subtotal	484,643	109,475
Less: Current portion (Recognized as other payables)	(323,396)	(93,154)
Total	\$161,247	\$16,321

(13) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China would contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$52,628 thousand and NT\$50,922 thousand, respectively.

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Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$3,549 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefits plan obligation as of December 31, 2021 and 2020, are 12 years and 13 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$763	\$6,540
Net interest expense	26	145
Total	<u>\$789</u>	<u>\$6,685</u>

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Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	\$139,999	\$138,912	\$143,847
Plan assets at fair value	(134,911)	(130,517)	(122,228)
Non-current liabilities -Defined benefit liabilities recognized on the consolidated balance sheets	\$5,088	\$8,395	\$21,619

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2020	\$143,847	\$(122,228)	\$21,619
Current period service costs	6,540	-	6,540
Net interest expense (income)	1,069	(924)	145
Subtotal	151,456	(123,152)	28,304
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	9,886	-	9,886
Experience adjustments	(22,430)	-	(22,430)
Remeasurements of defined benefit asset	-	(3,634)	(3,634)
Subtotal	(12,544)	(3,634)	(16,178)
Contributions by employer	-	(3,731)	(3,731)
As of December 31, 2020	\$138,912	\$(130,517)	\$8,395
Current period service costs	763	-	763
Net interest expense (income)	533	(507)	26
Subtotal	140,208	(131,024)	9,184
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	1,357	-	1,357
Remeasurements of defined benefit asset	-	(2,382)	(2,382)
Subtotal	1,831	(2,382)	(551)
Benefits paid	(2,040)	2,040	-
Contributions by employer	-	(3,545)	(3,545)
As of December 31, 2021	\$139,999	\$(134,911)	\$5,088

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2021	December 31, 2020
Discount rate	0.5010%	0.3833%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as of December 31, 2021 and 2020 is as shown below:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$4,020	\$-	\$4,218
Discount rate decrease by 0.25%	4,177	-	4,389	-
Expected rate of salary increase by 0.5%	8,152	-	8,565	-
Expected rate of salary decrease by 0.5%	-	7,637	-	8,006

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equity

A. Capital stock

The Company's authorized capital was NT\$6,000,000 thousand, divided into 600,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options) as of December 31, 2021 and 2020, each at a par value of NT\$10.

The Company's issued capital was NT\$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2021 and 2020. Each share has one voting right and a right to receive dividends.

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B. Additional paid-in capital

	As of	
	December 31, 2021	December 31, 2020
Premiums in excess of par	\$594,782	\$594,782
Change in subsidiaries' ownership	108,352	127,226
Employee stock option and others	2,566	2,566
Total	<u>\$705,700</u>	<u>\$724,574</u>

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Reserve for tax payments;
- b. Offset accumulated losses in previous years, if any;
- c. Legal reserve, which is 10% of leftover profits.
- d. Allocation or reverse of special reserves as required by law or government authorities;
- e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

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According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on February 22, 2022 and July 7, 2021, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$115,637	\$41,566	\$-	\$-
Reversal of special reserve	-	369,710	-	-
Common stock-cash dividend	820,216	248,550	3.3	1.0

Please refer to Note 6(18) for more details on employees’ compensations and the remunerations to directors and supervisors.

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D. Non-controlling interests

	For the years ended December 31,	
	2021	2020
Beginning balance	\$47,057	\$59,024
Gains (losses) attributable to non-controlling interests	134,118	(12,449)
Other comprehensive income (losses), attributable to non-controlling interests, net of tax:		
Exchange differences on translation of foreign operations	724	(108)
Change in subsidiaries' ownership	133,428	590
Ending balance	\$315,327	\$47,057

(15) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2021 and 2020 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Sale of goods	\$5,613,524	\$3,597,175
Rendering of services	1,783,467	1,438,969
Silicon intellectual property license	688,210	459,163
Total	\$8,085,201	\$5,495,307

	For the years ended December 31,	
	2021	2020
Revenue recognition point:		
At a point in time	\$6,242,702	\$4,004,602
Over time	1,842,499	1,490,705
Total	\$8,085,201	\$5,495,307

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Rendering of services	\$33,288	\$137,475	\$517,367

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The significant changes in the Group's balances of contract assets for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to accounts receivable	\$127,363	\$481,732
Change in the progress of completion	12,624	120,882
Exchange rate changes	16,615	(19,042)
Impairment	(6,063)	-

B. Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sales of goods	\$769,005	\$296,266	\$161,139
Rendering of services	541,480	177,463	141,623
Silicon intellectual property license	235	2,875	262
Total	<u>\$1,310,720</u>	<u>\$476,604</u>	<u>\$303,024</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$452,292	\$274,726
Increase in receipts in advance during the period (netting the amount incurred and transferred to revenue during the same period)	1,286,408	448,306

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2021 and December 31, 2020, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amount of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license is NT\$2,616,885 thousand and NT\$1,513,112 thousand, respectively. The Group will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

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D. Assets recognized from costs to fulfill a contract

	As of	
	December 31, 2021	December 31, 2020
Costs to fulfill a contract, current	\$ 41,412	\$ 5,961

The costs to fulfill a contract are the costs incurred by the Group for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

For the years ended December 31, 2021 and 2020 amortization expenses amounted to NT\$15,265 thousand and NT\$9,283 thousand are recognized as operating costs, respectively.

(16) Expected credit gains (losses)

	For the years ended December 31,	
	2021	2020
Operating expenses – Expected credit gains (losses)		
Contract Assets	\$(6,063)	\$-
Accounts receivable	81,357	(29,729)
Total	\$75,294	\$(29,729)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Group's loss allowance as of December 31, 2021 and 2020 are as follows:

- i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	As of	
	December 31, 2021	December 31, 2020
Gross carrying amount	\$48,490	\$146,614
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	(15,202)	(9,139)
Carry amount	\$33,288	\$137,475

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- ii. the Group considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

2021.12.31

Group 1	Not yet due (note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$787,094	\$42,505	\$16,135	\$60	\$-	\$25,185	\$870,979
Expected credit loss rates	-%	-%	2%	10%	50%	100%	
Lifetime expected credit losses	-	-	323	6	-	25,185	25,514
Subtotal	\$787,094	\$42,505	\$15,812	\$54	\$-	\$-	\$845,465

Group 2	Not yet due (note)	Overdue							Total
		<=120 days	121-150 days	151-180 days	181-210 days	211-270 days	271-300 days	>=301 days	
Gross carrying amount	\$35,042	\$28,989	\$-	\$29,682	\$-	\$-	\$-	\$-	\$93,713
Expected credit loss rates	-%	-%	2%	2%	10%	50%	80%	100%	
Lifetime expected credit losses	-	-	-	594	-	-	-	-	594
Subtotal	\$35,042	\$28,989	\$-	\$29,088	\$-	\$-	\$-	\$-	\$93,119
Carrying amount									<u>\$938,584</u>

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2020.12.31

Group 1	Not yet due (note)	Overdue					Total
		<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$529,047	\$78,439	\$7,389	\$-	\$6,592	\$92,137	\$713,604
Expected credit loss rates	-%	-%	2%	10%	50%	100%	
Lifetime expected credit losses	-	-	147	-	3,296	92,137	95,580
Subtotal	\$529,047	\$78,439	\$7,242	\$-	\$3,296	\$-	\$618,024

Group 2	Not yet due (note)	Overdue						Total
		<=120 days	121-150 days	151-180 days	181-270 days	271-300 days	>=301 days	
Gross carrying amount	\$24,256	\$19,511	\$-	\$21,827	\$19,405	\$-	\$-	\$84,999
Expected credit loss rates	-%	-%	2%	10%	50%	80%	100%	
Lifetime expected credit losses	-	-	-	2,183	9,702	-	-	11,885
Subtotal	\$24,256	\$19,511	\$-	\$19,644	\$9,703	\$-	\$-	\$73,114
Carrying amount								\$691,138

Note: All of the Group's notes receivable are not yet due.

The movements in the provision for impairment of contract assets and accounts receivable during the years ended December 31, 2021 and 2020 are as follows:

	Contract Assets	Accounts receivable
As of January 1, 2021	\$9,139	\$107,465
Increase (reversal) for the current period	6,063	(81,357)
As of December 31, 2021	\$15,202	\$26,108
As of January 1, 2020	\$9,139	\$81,433
Increase for the current period	-	29,729
Write-off due to uncollectibility	-	(3,697)
As of December 31, 2020	\$9,139	\$107,465

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(17) leases

The Group as lessee

The Group leases various properties, including real estate such as land and buildings, transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Group are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2021	December 31, 2020
Land	\$186,207	\$191,527
Buildings and facilities	22,461	42,044
Transportation equipment	2,759	583
Office equipment	9	121
Total	\$211,436	\$234,275

During the years ended December 31, 2021 and 2020, the additions to right-of-use assets of the Group amounted to NT\$16,146 thousand and NT\$19,978 thousand, respectively.

Due to certain lease contracts were terminated early, the Group's right-of-use asset decreased by NT\$4,294 thousand, lease liabilities decreased by NT\$4,050 thousand and loss of revision of lease contracts amounted to NT\$244 thousand during the year ended December 31, 2020.

(b) Lease liabilities

	As of	
	December 31, 2021	December 31, 2020
Lease liabilities	\$218,947	\$242,411
Lease liabilities-current	\$18,353	\$32,575
Lease liabilities-noncurrent	200,594	209,836
Total	\$218,947	\$242,411

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Please refer to Note 6 (19) for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12 (5) for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2021	2020
Land	\$5,320	\$5,320
Buildings and facilities	31,911	28,778
Transportation equipment	1,154	1,166
Office equipment	111	111
Total	\$38,496	\$35,375

C. Income and costs relating to leasing activities

	For the years ended December 31	
	2021	2020
The expense relating to short-term leases	\$2,496	\$4,667

For the rent concession arising as a direct consequence of the covid-19 pandemic, the Group recognized NT\$2,334 thousand as reduction in rental expenses for the year ended December 31, 2020 to reflect changes in lease payments that arise from such rent concessions to which the Group has applied the practical expedient.

D. Cash outflow relating to leasing activities

During the year ended December 31, 2021 and December 31, 2020, the Group's total cash outflow for leases amounted to NT\$47,037 thousand and NT\$45,942 thousand, respectively.

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E. Other information relating to leasing activities

Extension option

Some of the Group's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with period covered by an option to extend the lease if the Group is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group. After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- (18) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2021 and 2020:

	For the years ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$53,997	\$1,654,459	\$1,708,456	\$42,436	\$1,368,606	\$1,411,042
Labor and health insurance	3,645	112,472	116,117	3,249	95,972	99,221
Pension	2,147	51,270	53,417	2,372	55,235	57,607
Others	1,106	31,536	32,642	1,066	30,006	31,072
Depreciation	1,036	99,103	100,139	913	100,586	101,499
Amortization	-	304,915	304,915	-	332,344	332,344

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$173,361 thousand and NT\$1,290 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$173,361 thousand and NT\$1,290 thousand for the year ended December 31, 2021.

Actual employees' compensation and remuneration to directors for the year ended December 31, 2020 was NT\$39,970 thousand and NT\$248 thousand, respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2020.

(19) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$12,618	\$10,818

B. Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$69,730	\$-
Others	34,618	33,506
Total	\$104,348	\$33,506

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Losses on disposal of property, plant and equipment	\$-	\$(564)
Gains on disposal of investments	-	172,487
Foreign exchange gains (losses)	9,429	(9,118)
Gains (losses) on financial assets at fair value through profit or loss	4,304	(23)
Others	(24,713)	(12,805)
Total	\$(10,980)	\$149,977

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D. Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense on lease liabilities	\$5,863	\$6,587

(20) Components of other comprehensive income

For the year ended December 31, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$551	\$-	\$551	\$(110)	\$441
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	669,476	-	669,476	-	669,476
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(11,664)	-	(11,664)	-	(11,664)
Total of other comprehensive income	\$658,363	\$-	\$658,363	\$(110)	\$658,253

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For the year ended December 31, 2020

		Reclassification	Other	Income tax relating to	Other
	Arising during	adjustments	comprehensive	components	comprehensive
	the period	during the period	income, before tax	of other	income,
				comprehensive income	net of tax
Items that will not be reclassified					
subsequently to profit or loss:					
Remeasurements of defined benefit					
plans	\$16,178	\$-	\$16,178	\$(3,235)	\$12,943
Unrealized gains from equity					
instruments investments measured					
at fair value through other					
comprehensive income	1,110,692	-	1,110,692	-	1,110,692
Items that may be reclassified					
subsequently to profit or loss:					
Exchange differences on translation					
of foreign operations	(28,242)	-	(28,242)	-	(28,242)
Total of other comprehensive					
income	\$1,098,628	\$-	\$1,098,628	\$(3,235)	\$1,095,393

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(21) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31	
	2021	2020
Current income tax expense:		
Current income tax payable	\$189,366	\$71,367
Adjustments in respect of current income tax of prior periods	(2,604)	(4,751)
Deferred tax expense (income):		
Deferred tax income (expense) related to origination and reversal of temporary differences	24,144	(8,896)
Others	1,225	(482)
Total income tax expense	<u>\$212,131</u>	<u>\$57,238</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2021	2020
Deferred tax expense:		
Remeasurements of defined benefit plans	<u>\$110</u>	<u>\$3,235</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2021	2020
Accounting profit before tax from continuing operations	<u>\$1,502,179</u>	<u>\$313,235</u>
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	\$304,128	\$77,681
Tax effect of revenues exempted from taxation	(11,100)	-
Tax effect of deferred tax assets/liabilities	(93,897)	(32,898)
Surtax on undistributed retained earnings	-	6,315
Adjustments in respect of current income tax of prior periods	(2,604)	(4,751)
Tax effect of withholding tax under other tax jurisdiction	24,698	10,445
Tax credits	(11,000)	-
Others	1,906	446
Total income tax expense recognized in profit or loss	<u>\$212,131</u>	<u>\$57,238</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

		Deferred tax	Deferred tax		
		income	income		
		(expense)	(expense)		
	Beginning	(expense)	recognized in		Ending
	balance as of	recognized	other		balance as of
	January 1,	in profit or	comprehensive	Exchange	December 31,
	2021	loss	income	differences	2021
Temporary differences					
Unrealized exchange loss	\$5,882	\$(5,101)	\$-	\$-	\$781
Unrealized exchange gain	(6,810)	(1,301)	-	-	(8,111)
Unrealized loss (gain) from sales	755	(953)	-	-	(198)
Unrealized allowance for inventory valuation and obsolescence losses	11,203	(572)	-	-	10,631
Revaluations of financial assets (liabilities) at fair value through profit or loss	301	(586)	-	-	(285)
Defined benefit liabilities, non-current	1,679	(551)	(110)	-	1,018
Unrealized bad debt expense	19,720	(17,720)	-	-	2,000
Depreciation difference for tax purposes	44	302	-	-	346
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	1,238	2,338	-	-	3,576
Deferred tax expense		<u>\$(24,144)</u>	<u>\$(110)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$41,965</u>				<u>\$17,711</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$48,775</u>				<u>\$26,305</u>
Deferred tax liabilities	<u>\$(6,810)</u>				<u>\$(8,594)</u>

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For the year ended December 31, 2020

		Deferred tax income	Deferred tax income	Deferred tax income	
	Beginning balance as of January 1, 2020	(expense) recognized in profit or loss	recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2020
Temporary differences					
Unrealized exchange loss	\$2,832	\$3,050	\$-	\$-	\$5,882
Unrealized exchange gain	(5,419)	(1,391)	-	-	(6,810)
Unrealized loss from sales	122	633	-	-	755
Unrealized allowance for inventory valuation and obsolescence losses	9,830	1,373	-	-	11,203
Revaluations of financial assets (liabilities) at fair value through profit or loss	(41)	342	-	-	301
Defined benefit liabilities, non- current	4,324	590	(3,235)	-	1,679
Unrealized bad debt expense	14,517	5,203	-	-	19,720
Depreciation difference for tax purposes	892	(848)	-	-	44
Impairment loss on financial assets	7,953	-	-	-	7,953
Others	1,294	(56)	-	-	1,238
Deferred tax expense		<u>\$8,896</u>	<u>\$(3,235)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$36,304</u>				<u>\$41,965</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$41,764</u>				<u>\$48,775</u>
Deferred tax liabilities	<u>\$(5,460)</u>				<u>\$(6,810)</u>

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The following table contains information of the unused tax losses of the Group:

Year	Accumulated loss	Unutilized accumulated loss as of		Expiration Year
		December 31, 2021	December 31, 2020	
2010	\$3,103	\$1,186	\$1,186	2020
2011	50,902	35,412	35,412	2021
2012	5,752	5,752	5,752	2022
2013	8,763	8,763	8,763	2023
2015	66,089	66,089	66,089	2025
2016	11,777	11,537	11,537	2026
2017	19,544	19,544	19,544	2027
2018	14,435	14,435	14,435	2028
2019	479	479	479	2029
2020	29,301	29,301	-	2030
		<u>\$192,498</u>	<u>\$163,197</u>	

Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that were not recognized amounted to NT\$201,313 thousand and NT\$159,273 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT\$76,243 thousand and NT\$58,928 thousand, respectively.

The assessment of income tax returns

As of December 31, 2021, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019
Chih Hung Investment Co.	Assessed and approved up to 2019
Sheng Bang Investment Co.	Assessed and approved up to 2019
Grain Media Inc.	Assessed and approved up to 2019
Innopower Technology Corporation	Assessed and approved up to 2019
Artery Technology Company	Assessed and approved up to 2019

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(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	<u>\$1,155,930</u>	<u>\$268,446</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,550</u>	<u>248,550</u>
Basic earnings per share (NT\$)	<u>\$4.65</u>	<u>\$1.08</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	<u>\$1,155,930</u>	<u>\$268,446</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,550</u>	<u>248,550</u>
Effect of dilution:		
Employee compensation (in thousands)	<u>827</u>	<u>886</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>249,377</u>	<u>249,436</u>
Diluted earnings per share (NT\$)	<u>\$4.64</u>	<u>\$1.08</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

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7. Related Party Transactions

Information of the related parties that had transactions with the Group during the financial reporting years is as follows:

Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc. (Note)	Associates
United Semiconductor Japan Co., Ltd.	Other related parties
HeJian Technology (Suzhou) Co., Ltd.	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties

Note : The Group disposed of Fresco Logic Inc. in June 2020, which ceased to be a related party since that day.

Significant transactions with the related parties

(1) Sales

	For the years ended	
	December 31	
	2021	2020
United Microelectronics Corporation	\$582,441	\$584,602
Other related parties	46,083	36,196
Associates	-	15,158
Total	<u>\$628,524</u>	<u>\$635,956</u>

The Group's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

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(2) Purchases

	For the years ended December 31	
	2021	2020
United Microelectronics Corporation	\$2,056,531	\$1,223,562
United Semiconductor (Xiamen) Co., Ltd.	605,828	210,369
HeJian Technology (Suzhou) Co., Ltd.	71,933	600,597
Other related parties	6,380	6,780
Total	<u>\$2,740,672</u>	<u>\$2,041,308</u>

The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Research expenses, other

	For the years ended December 31	
	2021	2020
Entity with joint control or significant influence over the Company	\$15,092	\$14,359
Other related parties	14,817	-
Total	<u>\$29,909</u>	<u>\$14,359</u>

The payment terms from the related party suppliers are 45~60 days.

(4) Research and development expense, testing expense

	For the years ended December 31	
	2021	2020
Entity with joint control or significant influence over the Company	\$3,957	\$2,484
Other related parties	288	-
Total	<u>\$4,245</u>	<u>\$2,484</u>

The payment terms from the related party suppliers are 45~60 days.

(5) Accounts receivable - related parties, net

	As of	
	December 31, 2021	December 31, 2020
United Microelectronics Corporation	<u>\$153,567</u>	<u>\$130,254</u>

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(6) Other current assets

	As of	
	December 31, 2021	December 31, 2020
Entity with joint control or significant influence over the Company	\$647	\$263
Other related parties	839	3,679
Total	<u>\$1,486</u>	<u>\$3,942</u>

(7) Contractual liabilities, current

	As of	
	December 31, 2021	December 31, 2020
Entity with joint control or significant influence over the Company	<u>\$-</u>	<u>\$427</u>

(8) Accounts payable - related parties

	As of	
	December 31, 2021	December 31, 2020
United Microelectronics Corporation	\$314,642	\$113,330
United Semiconductor (Xiamen) Co., Ltd.	200,717	49,094
HeJian Technology (Suzhou) Co., Ltd.	11,038	132
Other related parties	881	384
Total	<u>\$527,278</u>	<u>\$162,940</u>

(9) Key management personnel compensation

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$111,215	\$83,073
Post-employment benefits	1,323	1,307
Total	<u>\$112,538</u>	<u>\$84,380</u>

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8. Assets Pledged As Collateral

The Group's assets pledged as collateral were as follows:

Assets pledged for security	Carrying amount		Secured liabilities
	2021.12.31	2020.12.31	
Financial assets measured at amortized cost	\$15,050	\$15,028	Custom clearance deposit
Financial assets measured at amortized cost	532	1,405	Office rental deposit
Total	<u>\$15,582</u>	<u>\$16,433</u>	

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	As of,	
	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss	\$26,296	\$23,497
Financial assets at fair value through other comprehensive income	2,915,438	2,245,962
Financial assets measured at amortized cost (Note)	<u>6,083,342</u>	<u>3,880,887</u>
Total	<u>\$9,025,076</u>	<u>\$6,150,346</u>

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Financial liabilities

	As of	
	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss:		
Financial liabilities mandatorily measured at fair value through profit or loss	\$-	\$1,504
Financial liabilities at amortized cost:		
Payables (including related parties)	1,371,925	644,718
Other payables	622,668	392,146
Long-term payables	161,247	16,321
Lease liabilities	218,947	242,411
Total	<u>\$2,374,787</u>	<u>\$1,297,100</u>

Note : Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivable, refundable deposit and financial assets measured at amortized cost, non-current.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk exposures.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2021 and 2020 would decrease / increase by NT\$43,622 thousand and NT\$10,709 thousand, respectively.

When NTD strengthens/weakens against RMB by 10%, the profit for the years ended December 31, 2021 and 2020 would decrease / increase by NT\$226,922 thousand and NT\$118,690 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Group's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Group's unlisted equity securities and other investment are classified under financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification.

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Reports on the equity portfolio are submitted to the Group's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivable and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2021 and 2020, top ten customers represented 48% and 58% of the contract assets and accounts receivable of the Group, respectively. The credit concentration risk of other contract assets and accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Group are described as follows:

				Carrying amount	
				As of	
Level of credit risk	Indicator	Measurement method for expected credit losses	Loss rate	December 31, 2021	December 31, 2020
Simplified method (Note)	Not applicable	Lifetime expected credit losses	0%~100%	\$1,013,182	\$945,217

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Note: The Group adopted simplified method (lifetime expected credit loss) to measure credit risk.
It includes contract assets, notes receivable and accounts receivable.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31, 2021					
Payables (including related parties)	\$1,371,925	\$-	\$-	\$-	\$1,371,925
Other payables	622,668	-	-	-	622,668
Long-term payables	-	161,247	-	-	161,247
Lease liabilities	20,454	28,000	15,909	238,635	302,998
As of December 31, 2020					
Payables (including related parties)	\$644,718	\$-	\$-	\$-	\$644,718
Other payables	392,146	-	-	-	392,146
Long-term payables	-	16,321	-	-	16,321
Lease liabilities	33,240	30,865	19,152	246,589	329,846

Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31, 2021					
Inflows	\$69,831	\$-	\$-	\$-	\$69,831
Outflows	(68,407)	-	-	-	(68,407)
Net	<u>\$1,424</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,424</u>

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	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of December 31, 2020					
Inflows	\$21,494	\$-	\$-	\$-	\$21,494
Outflows	(22,998)	-	-	-	(22,998)
Net	<u><u>\$(1,504)</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$(1,504)</u></u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2021:

	<u>Lease liabilities</u>
As of January 1, 2021	\$242,411
Additions	16,146
Cash flows	(39,165)
Revision of lease contracts	363
Exchange rate changes	<u>(808)</u>
As of December 31, 2021	<u><u>\$218,947</u></u>

Reconciliation of liabilities for year ended December 31, 2020:

	<u>Lease liabilities</u>
As of January 1, 2020	\$265,341
Additions	19,561
Cash flows	(34,812)
Revision of lease contracts	(4,050)
Rent concessions	(2,334)
Exchange rate changes	<u>(1,295)</u>
As of December 31, 2020	<u><u>\$242,411</u></u>

(7) Fair values of financial instruments

a. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

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- i. The carrying amount of cash and cash equivalents, notes receivable and accounts receivable, other receivables, accounts payable and other payables approximate their fair value due to their short maturities.
 - ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.
 - iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.
 - iv. The financial assets measured at amortized cost, long-term payables and lease liabilities are determined by discounted cash flow analysis. The Group estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.
 - v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.
- b. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instruments

The Group's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2021 and 2020 is as follows:

Forward currency contracts

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

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Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2021</u>		
Forward currency contract	Sell foreign currency USD 12,000 thousand	From 2021.11.30 to 2022.01.20
Forward currency contract	Sell foreign currency RMB 8,000 thousand	From 2021.12.07 to 2022.01.18
<u>As of December 31, 2020</u>		
Forward currency contract	Sell foreign currency USD 5,000 thousand	From 2020.12.07 to 2021.01.25
Forward currency contract	Sell foreign currency RMB 5,000 thousand	From 2020.12.23 to 2021.01.28

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

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As of December 31, 2021 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$1,424	\$-	\$1,424
Funds	-	-	24,872	24,872
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,915,438	2,915,438

As of December 31, 2020 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Funds	\$-	\$-	\$23,497	\$23,497
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,245,962	2,245,962
<u>Financial liabilities at fair value:</u>				
Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$1,504	\$-	\$1,504

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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Movements of fair value measurement in Level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets			
			At fair value through	
	At fair value through profit		other comprehensive	
	or loss		income	
	Stocks	Funds	Stocks	Total
As of as at January 1, 2021	\$-	\$23,497	\$2,245,962	\$2,269,459
Total gains and losses recognized for the year ended December 31, 2021:				
Amount recognized in profit or loss ("other gains or losses")	-	1,375	-	1,375
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	669,476	669,476
As of December 31, 2021	\$-	\$24,872	\$2,915,438	\$2,940,310

	Assets			
			At fair value through	
	At fair value through profit		other comprehensive	
	or loss		income	
	Stocks	Funds	Stocks	Total
As of January 1, 2020	\$-	\$21,812	\$1,135,270	\$1,157,082
Total gains and losses recognized for the year ended December 31, 2020:				
Amount recognized in profit or loss ("other gains or losses")	-	1,685	-	1,685
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	-	-	1,110,692	1,110,692
As of December 31, 2020	\$-	\$23,497	\$2,245,962	\$2,269,459

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Recognized as profit (loss) above, the gain from financial assets still held by the Group as of December 31, 2021 and 2020 was NT\$1,375 thousand and NT\$1,685 thousand, respectively.

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$2,814 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	27%~40%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$797 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT\$287,933 thousand

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As of December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
At fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	15%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$2,471 thousand
Preferred Stocks	Option pricing model	Discount for lack of marketability	28%~36%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$1,112 thousand
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Group's equity by NT\$209,613 thousand
Preferred Stocks	Market approach	Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease/ increase in the Group's equity by NT\$11,400 thousand

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

- (c) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

December 31, 2021

None.

December 31, 2020

None.

- (10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$58,278	27.67	\$1,612,547
RMB	524,456	4.345	2,278,764
<u>Financial liabilities</u>			
Monetary items:			
USD	42,513	27.67	1,176,331
RMB	2,196	4.345	9,542

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	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$32,409	28.09	\$910,359
RMB	285,810	4.317	1,233,844
<u>Financial liabilities</u>			
Monetary items:			
USD	28,596	28.09	803,272
RMB	10,875	4.317	46,949

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of functional currencies within the Group, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain (loss) was NT\$9,429 thousand and NT\$(9,118) thousand for the years ended December 31, 2021 and 2020, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Group for the year ended December 31, 2021:

(a) Financing provided to others for the year ended December 31, 2021: None.

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- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: None.
 - (c) Securities held as of December 31, 2021: Please refer to Attachment 1.
 - (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
 - (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
 - (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
 - (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: Please refer to Attachment 2.
 - (h) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: Please refer to Attachment 3.
 - (i) Financial instruments and derivative transactions: Please refer to Note 12.
 - (j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.
- (2) Information on investees
- Information on investees which significant influenced or controlled by the Group: Please refer to Attachment 5.
- (3) Information on investments in Mainland China
- (a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2021:

- i. Purchases amount and percentage, and related ending balance and percentage of payables: None.
- ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.
- iii. Property transaction amount and occurred gain (loss): None.
- iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
- v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
- vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

(4) Major shareholder information

Please refer to Attachment 7.

14. Segment information

(1) General Information

The products of the Company and its subsidiaries are all related to integrated circuit design products and the chief operating decision maker reviews the Group's operating results as a whole to make decisions about resources to be allocated and assess its performance; therefore, the Group is considered a single segment. The preparation basis of the segment is the same with the preparation of this financial statements, and the policies are the same with those mentioned in Note 4, Summary of Significant Accounting Policies.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(2) Geographical information

a. Revenue from external customers

	For the years ended December 31	
	2021	2020
China	\$3,859,833	\$2,868,703
Taiwan	2,009,911	1,261,627
Japan	712,652	491,853
United States	357,283	267,309
Others	1,145,522	605,815
Total	\$8,085,201	\$5,495,307

The revenue information above is based on the locations of the customers.

b. Non-current assets

	As of	
	December 31, 2021	December 31, 2020
Taiwan	\$946,324	\$755,325
Others	76,595	43,253
Total	\$1,022,919	\$798,578

c. Major customers information

Individual customers accounting for at least 10% of net sales for the years ended December 31, 2021 and 2020 were as follows:

	For the years ended December 31	
	2021	2020
Customer A	\$145,585	\$697,757
Customer B	582,441	584,602
	\$728,026	\$1,282,359

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 FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
 (Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2021) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	194,944,689	\$2,670,986	12.12%	\$2,670,986	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,500,000	104,821	5.00%	104,821	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Preferred stock	Aviocomm Ltd.	-	Financial assets at fair value through profit or loss, non-current	14,600,000				
Common Stock				1,714,285	\$-	12.60%	\$-	-
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, non-current	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, non-current	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	28,140	9.53%	28,140	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, non-current	1,200,000	7,969	4.64%	7,969	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, non-current	44,312,575	-	7.76%	-	-
Preferred stock	Floadia	-	Financial assets at fair value through other comprehensive income, non-current	1,818	-	8.70%	-	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	69,692	15.00%	69,692	-

Sheng Bang Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated	-	Financial assets at fair value through profit or loss, current	10,000	\$24,872	-	\$24,872	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	23,722	19.67%	23,722	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, non-current	-	10,108	8.50%	10,108	-

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021)

Faraday Technology Corporation

Counter-party	Relationship	Transactions					Notes and accounts receivable (payable)		
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Details of non-arm's length transaction	Balance	Percentage of total receivables (payable)	Note
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	\$1,983,024	67.34%	Month-end 60 days	-	\$259,900	18.94%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	581,422	7.19%	Month-end 60 days	-	153,291	16.33%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	514,389	17.47%	Month-end 60 days	-	200,717	14.63%	-

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 3 (Related party transactions for receivables of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	\$153,291	4.11	\$-	\$-	\$114,653	\$-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.

Note 2: The capital stock is the parent's capital stock.

FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	\$739,108	Note 4	9.14%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expenses	66,246	According to the contract	0.82%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	90,469	Month-end 60 days	0.75%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	331	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payable	5,641	Month-end 60 days	0.05%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	569,144	Note 4	7.04%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	92,366	Month-end 60 days	0.77%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract Assets	15,827	According to the contract	0.13%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract liabilities	19,839	According to the contract	0.16%
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expenses	23,659	According to the contract	0.29%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	418,255	Note 5	5.17%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Other income	283	According to the contract	-
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	55,175	Month-end 60 days	0.46%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	54,110	Note 5	0.67%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract Assets	21,118	According to the contract	0.18%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	598	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payable	133	Month-end 60 days	-

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	\$35,082	According to the contract	0.29%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	4,219	Note 5	0.05%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Accounts receivable	1,695	Month-end 60 days	0.01%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Sales	439,079	Note 5	5.43%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Administrative expenses	999	According to the contract	0.01%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract Assets	13,202	According to the contract	0.11%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	45,051	Month-end 60 days	0.37%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Sales	55,292	Note 5	0.68%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts receivable	55,207	Month-end 60 days	0.46%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payable	5	Month-end 60 days	-
0	Faraday Technology Corporation	Innower Technology Corporation	1	Sales	222,273	Note 5	2.75%
0	Faraday Technology Corporation	Innower Technology Corporation	1	Accounts receivable	84,331	Month-end 60 days	0.70%
0	Faraday Technology Corporation	Innower Technology Corporation	1	Other receivables	31,154	Month-end 60 days	0.26%
0	Faraday Technology Corporation	Innower Technology Corporation	1	Other payables	302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	120,447	Note 5	1.49%
0	Faraday Technology Corporation	Artery Technology Company	1	Other income	3,826	According to the contract	0.05%

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Artery Technology Company	1	Research expenses	\$5,533	According to the contract	0.07%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	27,284	Month-end 60 days	0.23%
0	Faraday Technology Corporation	Artery Technology Company	1	Other payables	5,533	Month-end 60 days	0.05%
0	Faraday Technology Corporation	Artery Technology Company	1	Contract liabilities	20,756	According to the contract	0.17%
0	Faraday Technology Corporation	United Business Service Corporation	1	Sales	30,675	Note 5	0.38%
0	Faraday Technology Corporation	United Business Service Corporation	1	Accounts receivable	30,680	Month-end 60 days	0.25%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expenses	41,357	According to the contract	0.51%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Other current assets	10,305	Month-end 60 days	0.09%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Accounts payable	8,849	Month-end 60 days	0.07%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	22,001	Note 5	0.27%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	25,689	Note 5	0.32%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Accounts receivable	27,174	Month-end 60 days	0.23%
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	1,081	Note 5	0.01%
2	United Business Service Corporation	United Creative Solution Corporation	3	Sales	1,905	Note 5	0.02%
3	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Sales	3,386	Note 5	0.04%
3	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Research expenses	752	According to the contract	0.01%

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 5 (Related information of investee companies as of December 31, 2021)

Faraday Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation (USA)	USA	Sales representative in America	\$436,907	\$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	\$437,715	\$33,617	\$31,841
Faraday Technology - B.V.I	British Virgin Islands	General investing	855,770	706,792	Common stock 27,489 thousand shares	100.00%	781,052	343,554	343,677
Faraday Technology Japan Corporation	Japan Tokyo	Sales representative in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	97,586	25,492	25,480
Chih-Hung Investment Corporation	Taiwan	General Investing	620,000	620,000	Common stock 62,000 thousand shares	100.00%	557,452	128,060	128,060
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	201,710	1,812	1,812
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	13,741	1,512	1,512

Chih-Hung Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$1,456	\$1,456	Common stock 146 thousand shares	19.42%	\$1,129	\$(69)	\$(13)
Innopower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 14,942 thousand shares	100.00%	337,206	129,781	129,781
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	72	304	3

Sheng Bang Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$6,044	\$6,044	Common stock 604 thousand shares	80.58%	\$4,685	\$(69)	\$(56)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	7,150	304	301

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2021)

Innopower Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Bright Capital Group Limited	Samoa	General investing	\$68,593	\$68,593	Common stock 2,301 thousand shares	100.00%	\$362,168	\$124,710	\$124,710

Faraday Technology - B.V.I

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD \$12,859,205	USD \$12,859,205	Common stock 12,804 thousand shares	100.00%	\$115,281	\$47,576	\$47,576
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	4,929	(133)	(133)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	173,096	34,508	34,508
Artery Technology Corporation	Cayman	General investing	USD 9,809,000	USD 4,460,000	Common stock 31,149 thousand shares	60.87%	490,517	395,747	261,629

Artery Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Artery Technology Company	Taiwan	IC designing, marketing and customer service	\$171,141	\$25,897	Common stock 17,114 thousand shares	60.87%	105,107	4,666	2,510

Note 1: USD are expressed in dollars.

Note 2: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Company; therefore, the Group's share of profit or loss of Artery Technology Company is 60.87%.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2021)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2021	Unit: New Taiwan Dollars in thousands, USD and RMB in dollars
					Outflow	Inflow						Accumulated inward remittance of earnings as of December 31, 2021
Faraday Technology China Corporation	IC designing, marketing and customer service	\$166,020 (USD 6,000,000)	Note 1 Note 3	\$166,020 (USD 6,000,000)		\$-	\$166,020 (USD 6,000,000)	\$48,056	100.00%	\$48,056	\$113,238	\$-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	160,486 (USD 5,800,000)	Note 4	160,486 (USD 5,800,000)	-	-	160,486 (USD 5,800,000)	124,710	100.00%	124,710	362,168	-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	110,703 (USD 4,000,814)	Note 1 Note 5	110,703 (USD 4,000,814)	-	-	110,703 (USD 4,000,814)	(451)	100.00%	(451)	-	-
United Business Service Corporation	IC designing, marketing and customer service	130,350 (RMB 30,000,000)	Note 1 Note 6	130,350 (RMB 30,000,000)	-	-	130,350 (RMB 30,000,000)	34,508	100.00%	34,508	173,094	-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	330,933 (USD 11,960,000)	Note 1 Note 7 Note 8	123,408 (USD 4,460,000)	42,441 (USD 1,533,815)	-	165,849 (USD 5,993,815)	393,940	60.87%	261,000	369,620	-
United Creative Solution Corporation	IC designing, marketing and customer service	21,725 (RMB 5,000,000)		-	-	-	-	17,950	100.00%	17,950	42,097	-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	4,345 (RMB 1,000,000)		-	-	-	-	(1)	100.00%	(1)	4,344	-

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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ATTACHMENT 6 (Investment in Mainland China as of December 31, 2021)

Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$733,523 (Note 2) (USD 26,509,696)	\$820,295 (Note 2) (USD 29,645,650)	\$4,703,983

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2021.

Note 3: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Bright Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand , and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 7,033 thousand , and the Company had remitted USD 5,994 thousand for the investment.

Note 8: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Corporation, Ltd. ; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 60.87%.

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FARADAY TECHNOLOGY CORPORATION AND SUBSIDIARIESNOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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ATTACHMENT 7 (The information of main shareholders)

Name of major shareholders	Number of ordinary shares	
	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%
Fubon Life Insurance Co., Ltd.	12,463,000	5.01%

Explanation : If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

5. Faraday's individual financial report of the most recent year audited by CPAs

Independent Auditors' Report Originally Issued in Chinese

To Faraday Technology Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Faraday Technology Corporation (the "Company") as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together "the parent company only financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of 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 Parent Company Only 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, 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 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Net sales recognized by the Company amounted to NT\$6,710,159 thousand for the year ended December 31, 2021, including sale of goods, rendering of services and silicon intellectual property license in the amount of NT\$4,729,306 thousand, NT\$1,341,146 thousand and NT\$639,707 thousand, constituting 70.48%, 19.99% and 9.53% of net sales, respectively. Revenue is the main operating activity of the Company. The sales include application-specific integrated circuit (ASIC) products, and the services include non-recurring engineering (NRE) and silicon intellectual property license (IP). Revenue includes different sources such as sale of goods and services provided and judgement is exercised to determine the performance obligations and when those were satisfied. As a result, we determined the matter to be a key audit matter.

Our audit procedures included (but not limited to), assessing the appropriateness of the accounting policies of revenue recognition for sales of goods, rendering of services and silicon intellectual property license, testing the operating effectiveness of internal controls established by management for sale of goods, rendering of services and silicon intellectual property license, performing analytical procedures of gross margin by product, selecting samples to perform test of details including identification of performance obligations in contracts and verification of when performance obligations were satisfied, reviewing significant service agreements for terms of contracts, project milestones and relevant communication information with the Company's customers for service provided, and inspect evidence of client acceptance for deliverables and inspect shipping documents and invoices to verify proper cut-off of revenue, etc.. We also assessed the adequacy of accounting policy and disclosures of operating revenues. Please refer to Note 4 (16) and Note 6 (14).

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain subsidiaries, associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors. These subsidiaries, associates and joint ventures under equity method amounted to NT\$535,301 thousand and NT\$495,153 thousand, representing 5.01% and 6.40% of total assets as of December 31, 2021 and 2020, respectively. The related shares of profits from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$57,321 thousand and NT\$16,261 thousand, represented 4.33% and 5.49% of the net income before tax for the years ended December 31, 2021 and 2020, respectively, and the related shares of other comprehensive income from the subsidiaries, associates and joint ventures under the equity method amounted to NT\$(17,173) thousand and NT\$(29,589) thousand, representing (2.61)% and (2.70)% of the other comprehensive income, for the years ended December 31, 2021 and 2020, respectively.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 parent company only financial statements.

As part of an audit in accordance with 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 parent company only 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 auditor's 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 parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

/s/Chiu, Wan-Ju

/s/Hsu, Hsin-Min

Ernst & Young, Taiwan
February 22, 2022

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

The accompanying parent company only financial statements are intended only to present the financial position, results of operations 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS

As of December 31, 2021 and December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Assets	Note	As of		Liabilities and Equity	Note	As of	
		December 31, 2021	December 31, 2020			December 31, 2021	December 31, 2020
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	\$ 1,885,398	\$ 1,244,061	Financial liabilities at fair value through profit or loss, current	4, 6(2)	\$ -	\$ 1,504
Financial assets at fair value through profit or loss, current	4, 6(2)	1,424	-	Contract liabilities, current	4, 6(14), 7	472,744	100,939
Contract assets, current	4, 6(14), 6(15), 7	75,630	315,431	Accounts payable		836,084	524,377
Notes receivable, net	6(15)	4,030	1,360	Accounts payable - related parties	7	487,166	217,535
Accounts receivable, net	4, 6(4), 6(15)	349,213	291,649	Payables on equipment		553	5,644
Accounts receivable - related parties, net	4, 6(4), 6(15), 7	635,549	415,584	Other payables	6(11), 7	524,795	317,487
Other receivables, net	7	71,415	150,616	Current tax liabilities	4, 6(20)	132,979	31,182
Inventories, net	4, 5, 6(5)	1,208,411	457,603	Lease liabilities, current	4, 6(16), 12	5,972	5,432
Other current assets	6(6), 7	168,232	132,365	Other current liabilities		8,112	11,428
Costs to fulfil a contract, current	6(14)	20,820	1,975	Total current liabilities		2,468,405	1,215,528
Total current assets		4,420,122	3,010,644				
Non-current assets				Non-current liabilities			
Financial assets at fair value through other comprehensive income, non-current	4, 6(3)	2,775,807	2,012,742	Deferred tax liabilities	4, 6(20)	8,475	6,133
Financial assets measured at amortized cost, non-current	8	15,050	15,028	Lease liabilities, non-current	4, 6(16), 12	190,900	194,087
Investments accounted for using the equity method	4, 6(7)	2,089,256	1,560,664	Long-term payables	6(11)	161,247	16,321
Property, plant and equipment	4, 6(8)	494,527	521,190	Defined benefit liabilities, non-current	4, 6(12)	5,088	8,395
Right-of-use assets	4, 6(16)	191,222	195,650	Total non-current liabilities		365,710	224,936
Intangible assets	4, 6(9)	441,312	233,937	Total liabilities		2,834,115	1,440,464
Deferred tax assets	4, 6(20)	17,243	41,676	Equity attributable to the parent company			
Refundable deposits		67,034	1,423	Capital	6(13)		
Other non-current assets		162,514	141,447	Common stock		2,485,503	2,485,503
Total non-current assets		6,253,965	4,723,757	Additional paid-in capital	6(13)	705,700	724,574
				Retained earnings	6(13)		
				Legal reserve		1,551,782	1,510,216
				Special reserve		-	369,710
				Unappropriated earnings		1,727,050	491,085
				Other components of equity		1,369,937	712,849
				Equity attributable to the parent company		7,839,972	6,293,937
Total assets		<u>\$ 10,674,087</u>	<u>\$ 7,734,401</u>	Total liabilities and equity		<u>\$ 10,674,087</u>	<u>\$ 7,734,401</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars, except for earnings per share)

	Note	For the years ended December 31,	
		2021	2020
Net sales	4, 6(14), 7	\$ 6,710,159	\$ 4,925,300
Operating costs	6(5), 6(17), 7	(3,875,526)	(2,814,580)
Gross profit		2,834,633	2,110,720
Unrealized gross profit on sales		(994)	(3,772)
Gross profit, net		2,833,639	2,106,948
Operating expenses	6(9), 6(17), 7		
Selling expenses		(151,186)	(130,004)
Administrative expenses		(294,891)	(224,244)
Research and development expenses		(1,671,155)	(1,587,471)
Expected credit gain	6(15)	6,355	39,408
Total operating expenses		(2,110,877)	(1,902,311)
Operating income		722,762	204,637
Non-operating income and expenses			
Interest income	6(18)	2,824	3,679
Other income	6(18)	75,993	7,346
Other gains and losses	6(18)	(7,027)	(18,747)
Finance costs	6(18)	(4,496)	(4,585)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(7)	532,382	104,123
Total non-operating income and expenses		599,676	91,816
Income from continuing operations before income tax		1,322,438	296,453
Income tax expense	4, 6(20)	(166,508)	(28,007)
Net income		\$ 1,155,930	\$ 268,446
Other comprehensive income	4, 6(19)		
Item that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans		551	16,178
Unrealized gain from equity investment measured at fair value through other comprehensive income		763,065	1,117,032
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method that will not be reclassified to profit or loss		(93,589)	(6,340)
Income tax relating to items that will not be reclassified to profit or loss		(110)	(3,235)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(12,388)	(28,134)
Other comprehensive income (net of income tax)		657,529	1,095,501
Total comprehensive income		\$ 1,813,459	\$ 1,363,947
Earnings per share (NTD)	6(21)		
Earnings per share-basic			
Earnings per share-basic		\$ 4.65	\$ 1.08
Earnings per share-diluted			
Earnings per share-diluted		\$ 4.64	\$ 1.08

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

FARADAY TECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income	
Balance as of January 1, 2020	\$ 2,485,503	\$ 724,895	\$ 1,473,678	\$ 512,210	\$ 377,139	\$ (85,537)	\$ (284,172)	\$ 5,203,716
Appropriation and distribution of 2019 retained earnings								
Legal reserve	-	-	36,538	-	(36,538)	-	-	-
Cash dividends	-	-	-	-	(273,405)	-	-	(273,405)
Special reserved	-	-	-	(142,500)	142,500	-	-	-
Net income in 2020	-	-	-	-	268,446	-	-	268,446
Other comprehensive income (loss) in 2020	-	-	-	-	12,943	(28,134)	1,110,692	1,095,501
Total comprehensive income (loss) in 2020	-	-	-	-	281,389	(28,134)	1,110,692	1,363,947
Change in subsidiaries' ownership	-	(321)	-	-	-	-	-	(321)
Balance as of December 31, 2020	<u>\$ 2,485,503</u>	<u>\$ 724,574</u>	<u>\$ 1,510,216</u>	<u>\$ 369,710</u>	<u>\$ 491,085</u>	<u>\$ (113,671)</u>	<u>\$ 826,520</u>	<u>\$ 6,293,937</u>
Balance as of January 1, 2021	\$ 2,485,503	\$ 724,574	\$ 1,510,216	\$ 369,710	\$ 491,085	\$ (113,671)	\$ 826,520	\$ 6,293,937
Appropriation and distribution of 2020 retained earnings								
Legal reserve	-	-	41,566	-	(41,566)	-	-	-
Cash dividends	-	-	-	-	(248,550)	-	-	(248,550)
Special reserved	-	-	-	(369,710)	369,710	-	-	-
Net income in 2021	-	-	-	-	1,155,930	-	-	1,155,930
Other comprehensive income (loss) in 2021	-	-	-	-	441	(12,388)	669,476	657,529
Total comprehensive income (loss) in 2021	-	-	-	-	1,156,371	(12,388)	669,476	1,813,459
Change in subsidiaries' ownership	-	(18,874)	-	-	-	-	-	(18,874)
Balance as of December 31, 2021	<u>\$ 2,485,503</u>	<u>\$ 705,700</u>	<u>\$ 1,551,782</u>	<u>\$ -</u>	<u>\$ 1,727,050</u>	<u>\$ (126,059)</u>	<u>\$ 1,495,996</u>	<u>\$ 7,839,972</u>

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

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

Description	For the years ended December 31,		Description	For the years ended December 31,	
	2021	2020		2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$ 1,322,438	\$ 296,453	Acquisition of financial assets measured at amortized cost	\$ (22)	\$ -
Adjustments for non-cash gain or loss:			Proceeds from principal of financial assets measured at amortized cost upon maturity	-	15,237
Depreciation	63,174	67,543	Acquisition of investments accounted for using equity method	(149,596)	-
Amortization	249,553	317,467	Proceeds from capital return of investments accounted for using the equity method	-	290,000
Expected credit gain	(6,355)	(39,408)	Acquisition of property, plant and equipment	(33,908)	(16,981)
(Gain) loss on financial assets and liabilities at fair value through profit or loss	(2,928)	1,708	Disposal of property, plant and equipment	63	-
Interest expense	4,496	4,585	Refundable deposits	(65,611)	217
Interest income	(2,824)	(3,679)	Acquisition of intangible assets	(222,695)	(269,686)
Dividend income	(69,730)	-	Net cash (used in) provide by investing activities	(471,769)	18,787
Share of gain of subsidiaries, associates and joint ventures accounted for using equity method	(532,382)	(104,123)			
Changes in operating assets and liabilities:			Cash flows form financing activities:		
Contract assets	245,897	105,603	Cash payments for principal portion of the lease liabilities	(5,976)	(6,563)
Notes receivable	(2,670)	386	Cash dividends	(248,550)	(273,405)
Accounts receivable	(57,305)	29,275	Net cash used in financing activities	(254,526)	(279,968)
Accounts receivable - related parties	(219,965)	38,820	Effect of exchange rate changes on cash and cash equivalents	8,510	4,617
Other receivables	79,354	(33,816)			
Inventories	(750,808)	159,992	Net increase in cash and cash equivalents	641,337	27,692
Prepayment for purchases	(58,306)	(162,379)	Cash and cash equivalents at beginning of period	1,244,061	1,216,369
Other current assets	1,372	(1,904)	Cash and cash equivalents at end of period	\$ 1,885,398	\$ 1,244,061
Cost to fulfill a contract	(18,845)	(1,975)			
Contract liabilities	371,805	(7,017)			
Accounts payable	311,707	(293,028)			
Accounts payable - related parties	269,631	3,021			
Other payables	109,489	(43,531)			
Other current liabilities	2,561	4,418			
Defined benefit liabilities	(2,866)	(281)			
Cash generated from operations	1,306,493	338,130			
Interest received	2,671	4,360			
Dividend received	92,390	-			
Interest paid	(4,496)	(4,585)			
Income tax paid	(37,936)	(53,649)			
Net cash provided by operating activities	\$ 1,359,122	\$ 284,256			

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

English Translation of Financial Statements Originally Issued in Chinese
FARADAY TECHNOLOGY CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and Organization

Faraday Technology Corporation (the "Company") was incorporated on June 10, 1993. The Company is a leading fabless ASIC vendor and silicon intellectual property and system platform provider, with products and services of ASIC/SoC Design Services, ASIC/SoC Production Turnkey Services, and ASIC EDA tools.

The Company's shares are listed on the Taiwan Stock Exchange. The address of its registered office and principal place of business is No. 5, Li-Hsin III Road, Hsinchu Science Park, Taiwan.

2. Date and Procedures of Authorization of Financial Statements for Issue

The parent company only financial statements for the years ended December 31, 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of Directors' meeting on February 22, 2022.

3. Newly Issued or Revised Standards and Interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2021. The adoption of these new standards and amendments had no material impact on the Company.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

English Translation of Parent Company Only Financial Statements Originally Issued in Chinese

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The above-mentioned amendments that are applicable for annual periods beginning on or after January 1, 2022, have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

The above-mentioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, and the local effective dates are to be determined by FSC. The above-mentioned standards and interpretations have no material impact on the Company.

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Basis of Preparation

According to article 21 of the Regulations, the profit or loss and other comprehensive income presented in the parent company only financial reports will be the same as the allocations of profit or loss and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, the investments in subsidiaries will be disclosed under "Investments accounted for using the equity method" in the parent company only financial report and change in value will be adjusted.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3) Foreign currency transactions

The Company's parent company only financial statements are presented in New Taiwan Dollars (NTD).

Transactions in foreign currencies are initially recorded by the Company at its functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of financial statements in foreign currency

Each foreign operation of the Company determines its function currency upon its primary economic environment and items included in the financial statements of each operation are measured using that functional currency. The assets and liabilities of foreign operations are translated into New Taiwan Dollars at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. On the partial disposal of foreign operations that result in a loss of control, loss of significant influence or joint control but retain partial equity is considering as disposal.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint venture that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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(5) Current and non-current distinction

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Company holds the asset primarily for the purpose of trading
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in its normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve 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.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with original maturities of six months or less).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

FARADAY TECHNOLOGY CORPORATION

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A. Financial instruments: Recognition and Measurement

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (1) the Company's business model for managing the financial assets and
- (2) the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as notes receivable, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (1) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (2) 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (1) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

FARADAY TECHNOLOGY CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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- (2) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (2) 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.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- (1) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (2) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (3) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

B. Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)
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The loss allowance is measures as follow:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

C. Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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D. Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

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- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

E. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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(8) Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of net investments in foreign operations, which is recognized in equity.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials — Actual purchase cost on weighted-average cost basis.

Finished goods and work in progress — Cost of direct materials and manufacturing overheads on weighted-average cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of service is accounted in accordance with IFRS15 and not within the scope of inventories.

(11) Investments accounted for using equity method

According to article 21 of the Regulations, the investments in subsidiaries will be disclosed under “Investments accounted for using the equity method” and change in value will be adjusted to comply. The profit or loss and other comprehensive income presented in parent company only financial reports will be the same as the allocations of profit or loss and other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports will be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. The difference of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under “investments accounted for using the equity method,” “share of profit of subsidiaries and associates accounted for using the equity method” and “share of other comprehensive income of subsidiaries and associates accounted for using the equity method.”

The Company's investment in associates is accounted for using equity method. An associate is an equity over which the Company has significant influence.

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Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a prorata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a prorata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint

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venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 “*Impairment of Assets*”. In determining the value in use of the investment, the Company estimates:

- (1) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (2) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 “*Impairment of Assets*” .

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “*Property, plant and equipment*”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and facilities	6 - 51	Years (including buildings 51 years, facilities 6-16 years)
Machinery	6	Years
Computer equipment	4	Years
Office furniture and fixtures	6	Years
Miscellaneous equipment	4	Years

After initial recognition, an item of property, plant and equipment and any significant component is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate, and such changes are treated as changes in accounting estimates.

(13) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

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Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liabilities for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liabilities on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liabilities by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liabilities;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software
Useful lives	2~3 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired externally

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 "*Impairment of Assets*" may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Revenue recognition

The Company's revenue arising from contracts with customers are primarily related to sale of goods, rendering of services and silicon intellectual property license. The accounting policies are explained as follow:

Sale of goods

The Company outsource its manufacturing and sells goods. Sales are recognized when the goods are delivered to the customers and control of the goods is transferred to the customer. The main product of the Company is Application Specific Integrated Circuit (ASIC) and revenue is recognized based on the consideration stated in the contract.

The credit period for the Company's sale of goods is from 30 to 60 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly; therefore, there is no significant financing component to the contract. For some of the contracts, part of the consideration was received from customers before transferring a promised good to a customer, and the Company has the obligation to transfer the goods subsequently. Accordingly, the Company recognized the consideration received in advance from customers under contract liabilities.

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NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS (Continued)

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Rendering of services

The Company provides design services, and recognized by reference to the stage of completion in accordance with contracts with customers.

Most of the contractual considerations of the Company are collected throughout the contract periods. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. The Company measures the loss allowance of its contract assets at an amount equal to lifetime expected credit losses according to IFRS9. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component is aroused.

Silicon intellectual property license

Revenue from silicon intellectual property license is recognized by reference to its nature. When the nature of silicon intellectual property license provides a right to access the Company's intellectual property as it exist throughout the license period, the Company uses straight-line method to recognize revenue during the license period. If the nature of license is not above-mentioned, the license provides a right to use the Company's intellectual property as it existed at a point in time at which the license was granted. Accordingly, the Company recognizes revenue when the license is granted.

Some royalties are determined based on sales of goods. Because the license is a necessary part of goods, the license and goods are combined as a performance obligation. Since the license is the predominant item to which the royalty relates, revenue is recognized when sales of goods occur.

For some silicon intellectual property license contracts, part of the consideration is received from customers upon signing the contract, and the Company has the obligation to provide the services to access or use the Company's intellectual property subsequently. Accordingly, the Company recognizes payments received in advance as contract liabilities.

(17) Post-employment benefits

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore fund assets are not included in the Company's financial statements.

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For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Remeasurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(18) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities 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.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's parent company only financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventories

Estimates of net realisable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 (5) for more details.

6. Contents of Significant Accounts

(1) Cash and cash equivalents

	As of	
	December 31, 2021	December 31, 2020
Cash		
Cash on hand	\$200	\$200
Checking and savings	1,075,498	112,531
Time deposits	809,700	1,061,330
Cash equivalents-Commercial paper with repurchase agreements	-	70,000
Total	<u>\$1,885,398</u>	<u>\$1,244,061</u>

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(2) Financial assets and liabilities at fair value through profit or loss

	As of	
	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	\$1,424	\$-
Current	\$1,424	\$-
	As of	
	December 31, 2021	December 31, 2020
Financial liabilities mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	\$-	\$1,504
Current	\$-	\$1,504

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets at fair value through other comprehensive income

	As of	
	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies stocks	\$2,775,807	\$2,012,742

The Company classified certain of its financial assets as financial assets at fair value through other comprehensive income which were not pledged.

For equity instrument investments measured at fair value through other comprehensive income, the Company recognized dividend income in the amount of NT\$69,730 thousand for the year ended December 31, 2021, which was all related to investments held at the end of the reporting period.

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(4) Accounts receivable, net and accounts receivable - related parties, net

	As of	
	December 31, 2021	December 31, 2020
Accounts receivable	\$353,606	\$296,301
Subtotal (gross carrying amount)	353,606	296,301
Less : Allowance for doubtful accounts	(4,393)	(4,652)
Subtotal	349,213	291,649
Accounts receivable - related parties, net	635,549	415,584
Subtotal (gross carrying amount)	635,549	415,584
Total	\$984,762	\$707,233

Accounts receivable were not pledged.

Accounts receivable are generally on 30 - 60 day terms from the date of monthly closing. The gross carrying amount of accounts receivable was amounted to NT\$989,155 thousand, and NT\$711,885 thousand as of December 31, 2021 and 2020, respectively. Please refer to Note 6(15) for more details on impairment of accounts receivable, and Note 12 for credit risk disclosures.

(5) Inventories

	As of	
	December 31, 2021	December 31, 2020
Work in process	\$740,270	\$343,751
Finished goods	468,141	113,852
Total	\$1,208,411	\$457,603

The cost of inventories recognized in expenses amounted to NT\$3,875,526 thousand and NT\$2,814,580 thousand for the years ended December 31, 2021 and 2020, respectively, including the reversal gain (loss) of NT\$2,860 thousand and NT\$(6,863) thousand, and loss on scrap of inventories of NT\$5,689 thousand and NT\$20,337 thousand for the years ended December 31, 2021 and 2020, respectively.

No inventories were pledged.

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(6) Other current assets

	As of	
	December 31, 2021	December 31, 2020
Prepayments	\$147,103	\$109,864
Prepaid expenses	17,236	21,200
Others	3,893	1,301
Total	<u>\$168,232</u>	<u>\$132,365</u>

The prepayments were primarily attributable to several agreements which the Company entered into for certain software license and silicon intellectual property license.

(7) Investments accounted for using the equity method

	As of			
	December 31, 2021		December 31, 2020	
Investee company	Amount	Percentage of Ownership or Voting Rights	Amount	Percentage of Ownership or Voting Rights
Faraday Technology Corporation (USA)	\$437,715	100.00%	\$412,413	100.00%
Faraday Technology – B.V.I.	781,052	100.00%	308,279	100.00%
Faraday Technology Japan Corporation	97,586	99.95%	82,740	99.95%
Chih-Hung Investment Corporation	557,452	100.00%	552,815	100.00%
Sheng Bang Investment Corporation	201,710	100.00%	192,188	100.00%
Faraday Technology Vietnam Company Limited	13,741	100.00%	12,229	100.00%
Total	<u>\$2,089,256</u>		<u>\$1,560,664</u>	

1. The investments in subsidiaries are presented as investments accounted for using the equity method in the parent company only financial report with necessary adjustments.
2. The Company increased its investment in Faraday – B.V.I by acquiring its shares with NT\$149,596 thousand during the year ended December 31, 2021.
3. The Company received cash dividend amounted to NT\$22,660 thousand from Chih-Hung Investment Corporation during the year ended December 31, 2021.

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(8) Property, plant and equipment

Property, plant and equipment for own use	As of						
	December 31, 2021				December 31, 2020		
	\$494,527				\$521,190		
					Office		
	Land	Buildings and facilities	Machinery	Computer equipment	furniture and fixtures	Miscellaneous equipment	Total
Cost:							
As of January 1, 2021	\$33,576	\$562,550	\$40,676	\$152,262	\$261	\$675	\$790,000
Additions	-	1,605	22,095	4,817	-	300	28,817
Disposals	-	-	-	(70)	-	-	(70)
As of December 31, 2021	\$33,576	\$564,155	\$62,771	\$157,009	\$261	\$975	\$818,747
As of January 1, 2020	\$33,576	\$562,550	\$40,858	\$165,478	\$261	\$675	\$803,398
Additions	-	-	5,375	13,685	-	-	19,060
Disposals	-	-	(5,557)	(26,901)	-	-	(32,458)
As of December 31, 2020	\$33,576	\$562,550	\$40,676	\$152,262	\$261	\$675	\$790,000
Depreciation and impairment:							
As of January 1, 2021	\$-	\$175,027	\$15,262	\$78,266	\$58	\$197	\$268,810
Additions	-	11,686	7,792	35,727	43	169	55,417
Disposals	-	-	-	(7)	-	-	(7)
As of December 31, 2021	\$-	\$186,713	\$23,054	\$113,986	\$101	\$366	\$324,220
As of January 1, 2020	\$-	\$163,256	\$14,187	\$64,009	\$15	\$28	\$241,495
Additions	-	11,771	6,632	41,158	43	169	59,773
Disposals	-	-	(5,557)	(26,901)	-	-	(32,458)
As of December 31, 2020	\$-	\$175,027	\$15,262	\$78,266	\$58	\$197	\$268,810
Net carrying amount as of:							
December 31, 2021	\$33,576	\$377,442	\$39,717	\$43,023	\$160	\$609	\$494,527
December 31, 2020	\$33,576	\$387,523	\$25,414	\$73,996	\$203	\$478	\$521,190

Note:

(1) Significant components of buildings are main building structure, air conditioning units and elevators, which are depreciated based on their useful lives over 51 years, 8 years, and 6~16 years, respectively.

(2) Property, plant and equipment were not pledged.

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(9) Intangible assets

	Software	
	For the year ended December 31, 2021	For the year ended December 31, 2020
<u>Cost</u>		
Beginning balance	\$848,445	\$1,032,005
Addition — acquired separately	465,439	37,812
Decrease — derecognition	(637,830)	(216,755)
Exchange effect	(8,511)	(4,617)
Ending balance	<u>\$667,543</u>	<u>\$848,445</u>
<u>Accumulated Amortization</u>		
Beginning balance	\$614,508	\$513,796
Amortization	249,553	317,467
Decrease — derecognition	(637,830)	(216,755)
Ending balance	<u>\$226,231</u>	<u>\$614,508</u>
Net carrying amount as of:		
December 31, 2021	<u>\$441,312</u>	
December 31, 2020	<u>\$233,937</u>	

The amortization expenses of intangible assets are as follows:

	For the years ended December 31,	
	2021	2020
Research and development expenses	<u>\$249,553</u>	<u>\$317,467</u>

(10) Short-term payables

The Company's credit limit from short-term loans was NT\$891,750 thousand and NT\$1,302,250 thousand as of December 31, 2021 and 2020, respectively, and all of which was unused.

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(11) Long-term payables

The payables were primarily attributable to several agreements which the Company entered into for certain software license. As of December 31, 2021 and 2020, payments for future years are as follows :

Year of payment	As of	
	December 31, 2021	December 31, 2020
2021	\$-	\$93,154
2022	323,396	15,810
2023	115,715	511
2024	45,532	-
Subtotal	484,643	109,475
Less: Current portion (recognized as other payables)	(323,396)	(93,154)
Total	<u>\$161,247</u>	<u>\$16,321</u>

(12) Post-employment benefits

Defined contribution plan

The Company adopted a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company would make monthly contributions to the employees' individual pension accounts at the amounts not less than 6% of the employees' monthly wages. The Company have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were NT\$42,849 thousand and NT\$45,218 thousand, respectively.

Defined benefit plan

The Company and its domestic subsidiaries adopted a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries

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and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is insufficient to cover pension benefit calculated for employees eligible to retire in the next year, the Company and its domestic subsidiaries would make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$3,549 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefits plan obligation as of December 31, 2021 and 2020, are 12 years and 13 years, respectively.

The summarization of defined benefit plan reflected in profit or loss is as follows:

	For the years ended December 31,	
	2021	2020
Current period service costs	\$763	\$6,540
Net interest expense	26	145
Total	<u>\$789</u>	<u>\$6,685</u>

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Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Defined benefit obligation	\$139,999	\$138,912	\$143,847
Plan assets at fair value	(134,911)	(130,517)	(122,228)
Non-current liabilities -Defined benefit liabilities recognized on the balance sheets	\$5,088	\$8,395	\$21,619

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Defined benefit obligation	Fair value of plan assets	Benefit liability (asset)
As of January 1, 2020	\$143,847	\$(122,228)	\$21,619
Current period service costs	6,540	-	6,540
Net interest expense (income)	1,069	(924)	145
Subtotal	151,456	(123,152)	28,304
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	9,886	-	9,886
Experience adjustments	(22,430)	-	(22,430)
Remeasurements of defined benefit asset	-	(3,634)	(3,634)
Subtotal	(12,544)	(3,634)	(16,178)
Contributions by employer	-	(3,731)	(3,731)
As of December 31, 2020	\$138,912	\$(130,517)	\$8,395
Current period service costs	763	-	763
Net interest expense (income)	533	(507)	26
Subtotal	140,208	(131,024)	9,184
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in financial assumptions	474	-	474
Experience adjustments	1,357	-	1,357
Remeasurements of defined benefit asset	-	(2,382)	(2,382)
Subtotal	1,831	(2,382)	(551)
Benefits paid	(2,040)	2,040	-
Contributions by employer	-	(3,545)	(3,545)
As of December 31, 2021	\$139,999	\$(134,911)	\$5,088

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The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of	
	December 31, 2021	December 31, 2020
Discount rate	0.5010%	0.3833%
Expected rate of salary increases	3.00%	3.00%

A sensitivity analysis for significant assumption as of December 31, 2021 and 2020 is as shown below:

	Effect on the defined benefit obligation			
	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.25%	\$-	\$4,020	\$-	\$4,218
Discount rate decrease by 0.25%	4,177	-	4,389	-
Expected rate of salary increase by 0.5%	8,152	-	8,565	-
Expected rate of salary decrease by 0.5%	-	7,637	-	8,006

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(13) Equity

A. Capital stock

The Company's authorized capital was NT\$6,000,000 thousand, divided into 600,000 thousand shares (including 55,000 thousand shares reserved for exercise of employee stock options), as of December 31, 2021 and 2020. Each at a par value of NT\$10.

The Company's issued capital was NT\$2,485,503 thousand, divided into 248,550 thousand shares, as of December 31, 2021 and 2020. Each share has one voting right and a right to receive dividends.

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B. Additional paid-in capital

	As of	
	December 31, 2021	December 31, 2020
Premiums in excess of par	\$594,782	\$594,782
Change in subsidiaries' ownership	108,352	127,226
Employee stock option and others	2,566	2,566
Total	<u>\$705,700</u>	<u>\$724,574</u>

According to the Company Act, the additional paid-in capital shall not be used except for offsetting deficit of the company. When a company does not have deficit, it may distribute the additional paid-in capital derived from the issuance of new shares at premiums in excess of par or income from endowments received by the Company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- a. Reserve for tax payments;
- b. Offset accumulated losses in previous years, if any;
- c. Legal reserve, which is 10% of leftover profits.
- d. Allocation or reverse of special reserves as required by law or government authorities;
- e. The remaining net profits and the retained earnings from previous years will be allocated as shareholders' dividend. The Board of Directors will prepare a distribution proposal and submit the same to the shareholders' meeting for review and approval by a resolution.

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company is in the growth stage, in order to plan for future funding requirement and long-term financial planning, and to satisfy shareholders' need for cash dividend, cash dividends shall not be less than 10% of total dividends for distribution.

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According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to offset the deficit of the Company. When the Company does not have deficit, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the Company can reverse the special reserve by the proportion of the special reserve first appropriated and distribute it.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on February 22, 2022 and July 7, 2021, respectively, are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (NT\$)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$115,637	\$41,566	\$-	\$-
Reversal of special reserve	-	369,710	-	-
Common stock-cash dividend	820,216	248,550	3.3	1.0

Please refer to Note 6(17) for more details on employees’ compensations and the remunerations to directors and supervisors.

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(14) Sales revenue

Analysis of revenue from contracts with customers for the years ended December 31, 2021 and 2020 is as follows:

(1) Disaggregation of revenue

	For the years ended December 31,	
	2021	2020
Sale of goods	\$4,729,306	\$3,433,120
Rendering of services	1,341,146	1,068,993
Silicon intellectual property license	639,707	423,187
Total	<u>\$6,710,159</u>	<u>\$4,925,300</u>
Revenue recognition point:		
At a point in time	\$5,312,782	\$3,804,854
Over time	1,397,377	1,120,446
Total	<u>\$6,710,159</u>	<u>\$4,925,300</u>

(2) Contract balances

A. Contract assets – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Rendering of services	<u>\$75,630</u>	<u>\$315,431</u>	<u>\$421,034</u>

The significant changes in the Company's balances of contract assets for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to accounts receivable	\$315,431	\$221,927
Change in the progress of completion	54,852	135,366
Exchange rate changes	14,682	(19,042)
Reversal of impairment	6,096	-

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B. Contract liabilities – current

	As of		
	December 31, 2021	December 31, 2020	January 1, 2020
Sales of goods	\$317,543	\$95,839	\$107,608
Rendering of services	154,966	2,874	86
Silicon intellectual property license	235	2,226	262
Total	<u>\$472,744</u>	<u>\$100,939</u>	<u>\$107,956</u>

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31,	
	2021	2020
The opening balance transferred to revenue	\$99,740	\$20,704
Increase in receipts in advance during the period (deducting the amount incurred and transferred to revenue during the period)	471,545	13,687

C. Transaction price allocated to unsatisfied performance obligations

As of December 31, 2021 and December 31, 2020, there is no need to provide relevant information of the unsatisfied performance obligations as the contract terms with customers about the sales of goods are all shorter than one year. Besides, the summarized amount of transaction price allocated to unsatisfied performance obligations about rendering of services and silicon intellectual property license is NT\$2,433,263 thousand and NT\$1,405,177 thousand, respectively. The Company will recognize revenue based on the stage of completion of the contracts. Those contracts are expected to complete within the next 1 to 1.5 years.

D. Assets recognized from costs to fulfill a contract

	For the years ended December 31,	
	2021	2020
Costs to fulfill a contract, current	<u>\$20,820</u>	<u>\$1,975</u>

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The costs to fulfill a contract are the costs incurred by the Company for non-recurring engineering projects, and will be recognized as operating costs when the performance obligations are satisfied.

For the years ended December 31, 2021 and 2020, amortization expenses amounted to NT\$7,855 thousand and NT\$6,827 thousand are recognized as operating costs, respectively.

(15) Expected credit gain

	For the years ended December 31,	
	2021	2020
Operating expenses – Expected credit gain		
Contract assets	\$6,096	\$-
Accounts receivable	259	39,408
Total	<u>\$6,355</u>	<u>\$39,408</u>

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its contract assets and trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessments of the Company's loss allowance as of December 31, 2021 and 2020 are as follows:

- i. the loss allowance of contract assets is measured at an amount equal to lifetime expected credit losses, details are as follow:

	As of	
	December 31, 2021	December 31, 2020
Gross carrying amount	\$78,673	\$324,570
Expected credit loss rates	0%~100%	0%~100%
Loss allowance	<u>(3,043)</u>	<u>(9,139)</u>
Carry amount	<u>\$75,630</u>	<u>\$315,431</u>

- ii. the Company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector, and its loss allowance is measured by using a provision matrix, details are as follow:

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2021.12.31

	Not yet due	Overdue					Total
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$904,735	\$7,076	\$30,643	\$46,342	\$4	\$4,385	\$993,185
Expected credit loss rates	-%	-%	0%~2%	0%~10%	0%~50%	0%~100%	
Lifetime expected credit losses	-	-	2	6	-	4,385	4,393
Subtotal	<u>\$904,735</u>	<u>\$7,076</u>	<u>\$30,641</u>	<u>\$46,336</u>	<u>\$4</u>	<u>\$-</u>	<u>\$988,792</u>

2020.12.31

	Not yet due	Overdue					Total
	(note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$606,975	\$6,081	\$28,280	\$31,748	\$35,543	\$4,618	\$713,245
Expected credit loss rates	-%	-%	0%~2%	0%~10%	0%~50%	10%~100%	
Lifetime expected credit losses	-	-	34	-	-	4,618	4,652
Subtotal	<u>\$606,975</u>	<u>\$6,081</u>	<u>\$28,246</u>	<u>\$31,748</u>	<u>\$35,543</u>	<u>\$-</u>	<u>\$708,593</u>

Note: All of the Company's notes receivable are not yet due.

- iii. The gross carrying amount of other receivables - related parties are NT\$32,084 thousand and NT\$124,613 thousand as of December 31, 2021 and 2020, respectively. The amount of allowance for doubtful accounts are NT\$0 thousand as of December 31, 2021 and 2020, respectively, by considering counterparties' credit rating, geographical region and industry, etc.

The movements in the provision for impairment of contract assets, accounts receivable and other receivables - related parties during the years ended December 31, 2021 and 2020 are as follows:

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	Contract assets	Accounts receivable and other receivables - related parties
As of January 1, 2021	\$9,139	\$4,652
Reversal for the current period	(6,096)	(259)
As of December 31, 2021	\$3,043	\$4,393
As of January 1, 2020	\$9,139	\$47,757
Reversal for the current period	-	(39,408)
Write-off due to uncollectibility	-	(3,697)
As of December 31, 2020	\$9,139	\$4,652

(16) Leases

The Company as lessee

The Company leases various properties, including real estate (such as land and buildings), transportation equipment and office equipment. These leases have terms between 2 and 38 years.

The effect that leases have on the financial position, financial performance and cash flows of the Company are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use asset

The carrying amount of right-of-use assets

	As of	
	December 31, 2021	December 31, 2020
Land	\$186,208	\$191,528
Buildings and facilities	2,247	3,419
Transportation equipment	2,758	583
Office equipment	9	120
Total	\$191,222	\$195,650

The additions to right-of-use assets of the company amounted to NT\$3,329 thousand during the year ended December 31, 2021.

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(b) Lease liabilities

	As of	
	December 31, 2021	December 31, 2020
Lease liabilities	\$196,872	\$199,519
Lease liabilities-current	\$5,972	\$5,432
Lease liabilities-noncurrent	190,900	194,087
Total	\$196,872	\$199,519

Please refer to Note 6 (18) for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12 (5) for the maturity analysis for lease liabilities.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2021	2020
Land	\$5,320	\$5,320
Buildings and facilities	1,172	1,172
Transportation equipment	1,154	1,166
Office equipment	111	112
Total	\$7,757	\$7,770

C. Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases amounted to NT\$10,472 thousand and NT\$11,148 thousand, respectively.

D. Other information relating to leasing activities

Extension option

Some of the Company's property rental agreement contain extension options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with period covered by an option to extend the lease if the

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Company is reasonably certain to exercise that option. The options are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- (17) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2021 and 2020:

	For the years ended December 31					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$53,998	\$1,220,765	\$1,274,763	\$42,436	\$990,675	\$1,033,111
Labor and health insurance	3,645	64,667	68,312	3,249	63,690	66,939
Pension	2,147	41,491	43,638	2,371	49,532	51,903
Remuneration to directors	-	9,283	9,283	-	6,523	6,523
Others	1,106	20,429	21,535	1,066	21,965	23,031
Depreciation	1,035	62,139	63,174	913	66,630	67,543
Amortization	-	249,553	249,553	-	317,467	317,467

- (1) The average number of employees of the Company was 584 and 629 for the years ended December 31, 2021 and 2020, respectively, including 5 non-employee directors for years ended December 31, 2021 and 2020.

- (2) Listed companies need to disclose the following additional information:

- A. The average employee benefits expense for the current year was NT\$2,432 thousand, and the average employee benefits expense for the previous year was NT\$1,883 thousand.
- B. The average employee salaries for the current year was NT\$2,202 thousand, and the average employee salaries for the previous year was NT\$1,656 thousand.
- C. The Company's average salary expense adjustment increased by 33%.

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- D. The Company has established the Audit Committee in replace of supervisors and therefore the supervisors' remuneration for the years ended December 31, 2021 and 2020 were both nil.
- E. The Company set the directors' compensation policy in its Article of Incorporation in Article 27-1: The Company shall allocate no more than 2% of profit as directors' compensation for each profitable fiscal year after offsetting any cumulative losses. According to Article 16 of the Company's Article of Incorporation, the Board of Directors will calculate the directors' remuneration regardless in the profit or loss by referencing individual's involvement in operations and contributions with benchmarking to market compensation surveys.

The compensation of the executives of the Company is guided in accordance with Performance Management Policy. Executives' compensation packages are calculated by taking into consideration these individuals' achievements in the key performance indicators and contributions to the Company's overall operations, bench-marking industry averages. The Compensation Committee shall review the proposals prepared by Human Resources and subsequently reward the Executives with the approval of the Board of Directors.

Compensation and Remuneration Policy of the Company is based on individuals' competency, contributions, and performance results, which is positively related to the Company's overall performance. The compensation and remuneration are primarily the combination of base salary, incentive & profit sharing, and benefits. Base salary is determined by roles & responsibilities, competency in the market, and policy of the Company. Incentives & profit sharing are in relation to individual contribution, departmental achievements or the Company's performance. Benefits are designed not only in accordance with laws and government regulations but also to meet individual's need, providing all employees with mutual welfare conditions.

According to the Company's Article of Incorporation, no less than 10% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, before distributing employees' compensation and remuneration to directors and supervisors, the Company's profit should offset its accumulated losses, if any. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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Based on profit of the year ended December 31, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$173,361 thousand and NT\$1,290 thousand, respectively, which were recognized as payroll expenses. The Company recognized the amounts of the employees' compensation and remuneration to directors and supervisors to be NT\$173,361 thousand and NT\$1,290 thousand, respectively, for the year ended December 31, 2021.

Actual employees' compensation and remuneration to directors for the year ended December 31, 2020 was NT\$39,970 thousand and NT\$248 thousand, respectively, and there were no material differences between the aforementioned amounts and the amounts charged against earnings in 2020.

(18) Non-operating income and expenses

A. Interest income

	For the years ended December 31,	
	2021	2020
Interest income		
Financial assets measured at amortized cost	\$2,824	\$3,679

B. Other income

	For the years ended December 31,	
	2021	2020
Rental income	\$1,079	\$857
Dividend income	69,730	-
Others	5,184	6,489
Total	\$75,993	\$7,346

C. Other gains and losses

	For the years ended December 31,	
	2021	2020
Foreign exchange gains (losses)	\$7,339	\$(6,679)
Gains (losses) on financial assets at fair value through profit or loss	2,928	(1,708)
Others	(17,294)	(10,360)
Total	\$(7,027)	\$(18,747)

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D. Finance costs

	For the years ended	
	December 31,	
	2021	2020
Interest expense on lease liabilities	\$4,496	\$4,585

(19) Components of other comprehensive income

For the year ended December 31, 2021

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Arising during the period				
Items that will not to be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	\$551	\$-	\$551	\$(110)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	763,065	-	763,065	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(93,589)	-	(93,589)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(12,388)	-	(12,388)	-
Total of other comprehensive income	\$ 657,639	\$-	\$ 657,639	\$(110)

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For the year ended December 31, 2020

				Income tax relating to	
		Reclassification adjustments	Other comprehensive income, before tax	components of other comprehensive income	Other comprehensive income, net of tax
	Arising during the period	during the period			
Items that will not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$16,178	\$-	\$16,178	\$(3,235)	\$12,943
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	1,117,032	-	1,117,032	-	1,117,032
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(6,340)	-	(6,340)	-	(6,340)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations	(28,134)	-	(28,134)	-	(28,134)
Total of other comprehensive income	\$1,098,736	\$-	\$1,098,736	\$(3,235)	\$1,095,501

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(20) Income tax

The major components of income tax expense are as follows:

Income tax expense recognized in profit or loss

	For the years ended December 31	
	2021	2020
Current income tax expense:		
Current income tax payable	\$138,269	\$41,958
Adjustments in respect of current income tax of prior periods	1,574	(4,389)
Deferred tax expense (income):		
Deferred tax income (expense) related to origination and reversal of temporary differences	26,665	(9,562)
Total income tax expense	<u>\$166,508</u>	<u>\$28,007</u>

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2021	2020
Deferred tax expense:		
Remeasurements of defined benefit plans	<u>\$110</u>	<u>\$3,235</u>

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended December 31	
	2021	2020
Accounting profit before tax from continuing operations	<u>\$1,322,438</u>	<u>\$296,453</u>
Tax at the statutory rates applicable to profits in the perspective tax jurisdictions	\$264,488	\$59,291
Tax effect of revenues exempted from taxation	(34,816)	(30,192)
Tax effect of deferred tax assets/liabilities	(66,541)	(3,290)
Surtax on undistributed retained earnings	-	6,315
Tax effect of withholding tax under other tax jurisdiction	11,520	-
Adjustments in respect of current income tax of prior periods	1,574	(4,389)
Tax credits	(11,000)	-
Others	1,283	272
Total income tax expense recognized in profit or loss	<u>\$166,508</u>	<u>\$28,007</u>

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Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2021

	Beginning balance as of January 1, 2021	Deferred tax income (expense) recognized in profit or loss	Deferred tax (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2021
Temporary differences					
Unrealized exchange loss	\$5,048	\$(4,423)	\$-	\$-	\$625
Unrealized exchange gain	(6,133)	(1,859)	-	-	(7,992)
Unrealized allowance for inventory valuation and obsolescence losses	11,203	(572)	-	-	10,631
Revaluations of financial assets (liabilities) at fair value through profit or loss	301	(586)	-	-	(285)
Defined benefit liabilities , non- current	1,679	(552)	(110)	-	1,017
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized loss from sales	755	(953)	-	-	(198)
Unrealized bad debt expense	19,720	(17,720)	-	-	2,000
Deferred tax expense		<u>\$(26,665)</u>	<u>\$(110)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$35,543</u>				<u>\$8,768</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$41,676</u>				<u>\$17,243</u>
Deferred tax liabilities	<u>\$6,133</u>				<u>\$8,475</u>

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For the year ended December 31, 2020

	Beginning balance as of January 1, 2020	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Exchange differences	Ending balance as of December 31, 2020
Temporary differences					
Unrealized exchange loss	\$2,626	\$2,422	\$-	\$-	\$5,048
Unrealized exchange gain	(5,132)	(1,001)	-	-	(6,133)
Unrealized allowance for inventory valuation and obsolescence losses	9,830	1,373	-	-	11,203
Revaluations of financial assets (liabilities) at fair value through profit or loss	(41)	342	-	-	301
Defined benefit liabilities , non- current	4,324	590	(3,235)	-	1,679
Unrealized asset impairment losses	2,970	-	-	-	2,970
Unrealized loss from sales	122	633	-	-	755
Unrealized bad debt expense	14,517	5,203	-	-	19,720
Deferred tax expense		<u>\$9,562</u>	<u>\$(3,235)</u>	<u>\$-</u>	
Net deferred tax assets/(liabilities)	<u>\$29,216</u>				<u>\$35,543</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$34,389</u>				<u>\$41,676</u>
Deferred tax liabilities	<u>\$5,173</u>				<u>\$6,133</u>

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Unrecognized deferred tax assets

As of December 31, 2021 and 2020, deferred tax assets that were not recognized amounted to NT\$14,944 thousand and NT\$84,602 thousand, respectively.

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Company did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Company's overseas subsidiaries, as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2021 and 2020, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregated to NT\$76,243 thousand and NT\$58,928 thousand, respectively.

As of December 31, 2021, the assessment of the income tax of the Company is assessed and approved up to 2019.

(21) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity by the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued assuming all the dilutive potential ordinary shares were converted into ordinary shares.

	For the years ended December 31	
	2021	2020
(a) Basic earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$1,155,930	\$268,446
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Basic earnings per share (NT\$)	\$4.65	\$1.08

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	For the years ended December 31	
	2021	2020
(b) Diluted earnings per share		
Profit attributable to ordinary equity owners of the parent (in thousand NT\$)	\$1,155,930	\$268,446
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,550	248,550
Effect of dilution:		
Employee compensation (in thousands)	827	886
Weighted-average number of ordinary shares outstanding after dilution (in thousands)	249,377	249,436
Diluted earnings per share (NT\$)	\$4.64	\$1.08

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related Party Transactions

Information of the related parties that had transactions with the Company during the financial reporting years is as follows:

Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Microelectronics Corporation	Entity with joint control or significant influence over the Company
Fresco Logic Inc. (Note)	Subsidiaries' associates
HeJian Technology (Suzhou) Co., Ltd.	Other related parties
Wavetek Microelectronics Corporation	Other related parties
United Semiconductor (Xiamen) Co., Ltd.	Other related parties
United Semiconductor Japan Co., Ltd.	Other related parties
Faraday Technology Corporation (USA)	Subsidiaries
Faraday Technology Japan Corporation	Subsidiaries
FaradayTek Solutions India Private Limited	Subsidiaries
Faraday Technology Vietnam Company Limited	Subsidiaries
GrainTech Electronics Limited	Subsidiaries
Faraday Technology China Corporation	Subsidiaries
Innopower Technology Corporation (Innopower)	Subsidiaries

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Name and nature of relationship of the related parties	
Name of the related parties	Nature of relationship of the related parties
United Creative Solution Corporation	Subsidiaries
Faraday Technology Corporation (Suzhou)	Subsidiaries
Artery Technology Corporation, Ltd.	Subsidiaries
United Business Service Corporation	Subsidiaries
Artery Technology Company	Subsidiaries

Note : The Company disposed of Fresco Logic Inc. in June 2020, which ceased to be a related party since that day.

Significant transactions with the related parties

(1) Sales

	For the years ended December 31	
	2021	2020
United Microelectronics Corporation	\$581,422	\$583,729
Faraday Technology Corporation (USA)	739,108	413,182
Faraday Technology Japan Corporation	569,144	391,760
United Creative Solution Corporation	439,079	93,592
Artery Technology Corporation, Ltd.	418,255	164,608
Faraday Technology China Corporation	54,110	849,163
Subsidiaries	432,906	156,682
Subsidiaries' associates	-	15,158
Other related parties	46,038	36,196
Total	<u>\$3,280,062</u>	<u>\$2,704,070</u>

The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties. Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

(2) Purchases

	For the years ended December 31	
	2021	2020
United Microelectronics Corporation	\$1,894,680	\$1,222,521
United Semiconductor (Xiamen) Co., Ltd.	514,389	117,022
HeJian Technology (Suzhou) Co., Ltd.	71,933	600,515
Other related parties	6,381	6,780
Total	<u>\$2,487,383</u>	<u>\$1,946,838</u>

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The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 45~60 days.

(3) Expense and Income

		For the years ended December 31	
	Items	2021	2020
Subsidiaries	Research and development expenses	\$136,795	\$131,674
Other related parties	Research and development expenses	5,742	-
United Microelectronics Corporation	Research and development expenses	71	1,502
United Microelectronics Corporation	Testing expenses	3,957	2,484
Other related parties	Testing expenses	288	798
Subsidiaries	Other income	4,109	-
Subsidiaries	Management Fees	999	-
Total		<u>\$151,961</u>	<u>\$136,458</u>

(4) Contract assets-current

		As of	
		December 31, 2021	December 31, 2020
Faraday Technology China Corporation		\$21,118	\$201,412
Faraday Technology Japan Corporation		15,827	-
United Creative Solution Corporation		13,202	41,862
Total		<u>\$50,147</u>	<u>\$243,274</u>

(5) Accounts receivables - related parties, net

		As of	
		December 31, 2021	December 31, 2020
United Microelectronics Corporation		\$153,291	\$129,703
Innopower		84,331	72,612
Faraday Technology Japan Corporation		92,366	33,249
Faraday Technology Corporation (USA)		90,469	127,124
Faraday Technology China Corporation		-	15,387
Subsidiaries		215,092	37,509
Total		<u>\$635,549</u>	<u>\$415,584</u>

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(6) Other receivables

	As of	
	December 31, 2021	December 31, 2020
Innopower	\$31,154	\$29,894
Faraday Technology China Corporation	598	54,347
Faraday Technology Corporation (USA)	331	38,904
Subsidiaries	-	1,468
Total	\$32,083	\$124,613

(7) Other current assets

	As of	
	December 31, 2021	December 31, 2020
Subsidiaries	\$10,305	\$-
Other related parties	250	-
Total	\$10,555	\$-

(8) Contract liabilities-current

	As of	
	December 31, 2021	December 31, 2020
Subsidiaries	\$75,677	\$234
Entity with joint control or significant influence over the Company	-	427
Total	\$75,677	\$661

(9) Accounts payable - related parties

	As of	
	December 31, 2021	December 31, 2020
United Microelectronics Corporation	\$259,900	\$113,330
United Semiconductor (Xiamen) Co., Ltd.	200,717	18,027
Faraday Technology Corporation (USA)	5,641	77,197
Subsidiaries	8,987	8,128
Other related parties	11,921	853
Total	\$487,166	\$217,535

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(10) Other payables

	As of	
	December 31, 2021	December 31, 2020
Subsidiaries	\$5,832	\$302

(11) Key management personnel compensation

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$105,875	\$77,747
Post-employment benefits	1,323	1,307
Total	\$107,198	\$79,054

8. Assets Pledged As Collateral

The Company's assets pledged as collateral were as follows:

Assets pledged for security	Carrying amount		Secured liabilities
	2021.12.31	2020.12.31	
Financial assets measured at amortized cost	\$15,050	\$15,028	Custom clearance deposit

9. Commitments and contingencies

None.

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

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12. Others

(1) Categories of financial instruments

Financial assets

	As of	
	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss	\$1,424	\$-
Financial assets at fair value through other comprehensive income	2,775,807	2,012,742
Financial assets measured at amortized cost (Note)	3,027,489	2,119,521
Total	<u>\$5,804,720</u>	<u>\$4,132,263</u>

Financial liabilities

	As of	
	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss:		
Financial assets mandatorily measured at fair value through profit or loss	\$-	\$1,504
Financial liabilities at amortized cost:		
Payables (including related parties)	1,323,250	747,556
Other payables	525,348	317,487
Long-term payables	161,247	16,321
Lease liabilities	196,872	199,519
Total	<u>\$2,206,717</u>	<u>\$1,282,387</u>

Note : Including cash and cash equivalents (exclude cash on hand), notes receivable, accounts receivable, other receivables, refundable deposit and financial assets measured at amortized cost, non-current.

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(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk exposures.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD. The information of the sensitivity analysis is as follows:

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When NTD strengthens/weakens against USD by 10%, the profit for the years ended December 31, 2021 and 2020 would decrease /increase by NT\$48,574 thousand and NT\$18,417 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term deposits at variable interest rates. Therefore, interest rate risk is low.

Equity price risk and other investment risk

The Company's unlisted equity securities and other investments are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The Company's unlisted equity securities and other investment are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's top management for reviews and approvals on a regular basis.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all trading partners based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria and etc. Certain trading partners' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

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As of December 31, 2021, and 2020, top ten customers represented 71% and 75% of the contract assets and accounts receivable of the Company, respectively. The credit concentration risk of other contract assets and accounts receivable is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses. The measurement indicators of the Company are described as follows:

				Carrying amount	
				As of	
Measurement method for expected credit losses				December 31, 2021	December 31, 2020
Level of credit risk	Indicator		Loss rate		
Simplified method	Not applicable	Lifetime expected credit losses	0%~100%	\$1,071,858	\$1,037,815
(Note)					

Note: The Company adopted simplified method (lifetime expected credit loss) to measure credit risk. It includes contract assets, notes receivable and accounts receivable.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amounts include the contractual interest.

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Non-derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31, 2021					
Payables (including					
related parties)	\$1,323,250	\$-	\$-	\$-	\$1,323,250
Other payables	525,348	-	-	-	525,348
Long-term payables	-	161,247	-	-	161,247
Lease liabilities	10,361	18,693	15,909	238,634	283,597
As of December 31, 2020					
Payables (including					
related parties)	\$747,556	\$-	\$-	\$-	\$747,556
Other payables	317,487	-	-	-	317,487
Long-term payables	-	16,321	-	-	16,321
Lease liabilities	9,888	18,262	15,909	246,589	290,648

Derivative financial instruments

	<u>Less than 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
As of December 31, 2021					
Inflows	\$69,831	\$-	\$-	\$-	\$69,831
Outflows	(68,407)	-	-	-	(68,407)
Net	<u>\$1,424</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,424</u>
As of December 31, 2020					
Inflows	\$21,494	\$-	\$-	\$-	\$21,494
Outflows	(22,998)	-	-	-	(22,998)
Net	<u>\$ (1,504)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$ (1,504)</u>

The table above contains the undiscounted net cash flows of derivative financial instruments.

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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended December 31, 2021:

	<u>Lease liabilities</u>
As of January 1, 2021	\$199,519
Additions	3,329
Cash flows	<u>(5,976)</u>
As of December 31, 2021	<u>\$196,872</u>

Reconciliation of liabilities for year ended December 31, 2020:

	<u>Lease liabilities</u>
As of January 1, 2020	\$206,082
Cash flows	<u>(6,563)</u>
As of December 31, 2020	<u>\$199,519</u>

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, notes receivables and accounts receivable, other receivables, accounts payable and other payables approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and funds) at the reporting date.
- iii. Fair value of equity instruments (including unlisted equity securities) without active market and market quotations cannot be reliably measured. Its amount is measured by cost net of impairment loss.
- iv. The financial assets measured at amortized cost, long-term payables and lease liabilities are determined by discounted cash flow analysis. The Company estimates the fair value based on book value due to the insignificant difference between the fair value from discounted cash flow analysis and carrying amount.

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- v. The fair value of derivative financial instrument is based on market quotations. For unquoted derivatives that are not options, the fair value is determined based on discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using the option pricing model.

(b) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Company.

(8) Derivative financial instruments

The Company's derivative financial instruments include forward currency contracts. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of December 31, 2021 and 2020 is as follows:

Forward currency contracts

The Company entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

Items (by contract)	Notional Amount	Contract Period
<u>As of December 31, 2021</u>		
Forward currency contract	Sell foreign currency USD 12,000 thousand	From 2021.11.30 to 2022.01.20
Forward currency contract	Sell foreign currency RMB 8,000 thousand	From 2021.12.07 to 2022.01.18
<u>As of December 31, 2020</u>		
Forward currency contract	Sell foreign currency USD 5,000 thousand	From 2020.12.07 to 2021.01.25
Forward currency contract	Sell foreign currency RMB 5,000 thousand	From 2020.12.23 to 2021.01.28

(9) Fair values measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

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Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows

As of December 31, 2021 :

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through profit or loss				
Forward currency contract	\$-	\$1,424	\$-	\$1,424
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	-	-	2,775,807	2,775,807

As of December 31, 2020 :

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value:</u>				
Financial assets at fair value through other comprehensive income				
Equity instruments measured at fair value through other comprehensive income	\$-	\$-	\$2,012,742	\$2,012,742

Financial liabilities at fair value:

Financial liabilities at fair value through profit or loss				
Forward currency contract	\$-	\$1,504	\$-	\$1,504

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Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Movements of fair value measurement in Level 3 on recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the year is as follows:

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
As of January 1, 2021	\$2,012,742	\$2,012,742
Total gains and losses recognized for the year ended December 31, 2021:		
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	763,065	763,065
As of December 31, 2021	\$2,775,807	\$2,775,807

	Assets	
	At fair value through other comprehensive income	
	Stocks	Total
As of January 1, 2020	\$895,710	\$895,710
Total gains and losses recognized for the year ended December 31, 2020:		
Amount recognized in other comprehensive income ("Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	1,117,032	1,117,032
As of December 31, 2020	\$2,012,742	\$2,012,742

Recognized as profit (loss) above, the gain or loss from financial assets still held by the Company as of December 31, 2021 and 2020 was both NT\$0 thousand.

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Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of December 31, 2021

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company's equity by NT\$277,581 thousand

As of December 31, 2020

	Valuation	Significant	Quantitative	Relationship	Sensitivity of the input to
	techniques	unobservable inputs	information	between inputs and fair value	fair value
Stocks and others	Asset approach	Discount for lack of marketability and non-controlling interest	10%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability and non-controlling interest would result in decrease/ increase in the Company's equity by NT\$201,274 thousand

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Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

- (c) Fair value measurement hierarchy of the Company's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of December 31, 2021:

None

As of December 31, 2020:

None

- (10) Information regarding the significant assets and liabilities denominated in foreign currencies is listed below (amounts in thousands):

	As of December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$51,978	27.67	\$1,438,240
Non-monetary items:			
USD	16,174	27.67	447,549
<u>Financial liabilities</u>			
Monetary items:			
USD	34,424	27.67	952,503

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	As of December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>			
Monetary items:			
USD	\$29,944	28.09	\$841,121
Non-monetary items:			
USD	15,378	28.09	431,961
<u>Financial liabilities</u>			
Monetary items:			
USD	23,387	28.09	656,949

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Because there are several types of foreign currency transactions within the Company, it is not practical to disclose the exchange gains and losses of monetary financial assets and liabilities by each significant asset and liability denominated in foreign currencies. The foreign exchange gain (loss) was NT\$7,339 thousand and NT\$(6,679) thousand for the years ended December 31, 2021 and 2020, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

11. Other disclosure

(1) Information related to significant transactions

Additional disclosures for information of the Company for the year ended December 31, 2021:

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- (a) Financing provided to others for the year ended December 31, 2021: None.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2021: None.
- (c) Securities held as of December 31, 2021: Please refer to Attachment 1.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2021: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: Please refer to Attachment 2.
- (h) Receivables from related parties with amount exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2021: Please refer to Attachment 3.
- (i) Financial instruments and derivative transactions: Please refer to Note 12.
- (j) Other: Significant intercompany transactions between consolidated entities: Please refer to Attachment 4.

(2) Information on investees

Information on investees which significant influenced or controlled by the Company: Please refer to Attachment 5.

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(3) Information on investments in Mainland China

- (a) Investee company name, main business and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 6.
- (b) Significant transaction to investee Company in Mainland China for the year ended December 31, 2021:
 - i. Purchases amount and percentage, and related ending balance and percentage of payables: None.
 - ii. Sales amount and percentage, and related ending balance and related ending balance and percentage of receivables: Please refer to Attachment 4.
 - iii. Property transaction amount and occurred gain (loss): None.
 - iv. Ending balance and purpose of endorsement/guarantee provided for notes or collateral: None.
 - v. Highest balance, ending balance, interest rate interval and total interest amount in current period of financing: None.
 - vi. Other transactions with significant influence on current period income or financial position: Please refer to Attachment 4.

(4) Major shareholder information

Please refer to Attachment 7.

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ATTACHMENT 1 (Securities held as of December 31, 2021) (Excluding subsidiaries and associates)

Faraday Technology Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Common Stock	SHIEH YONG Investment Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	194,944,689	\$2,670,986	12.12%	\$2,670,986	-
Common Stock	Unitech Capital Inc.	-	Financial assets at fair value through other comprehensive income, non-current	2,500,000	104,821	5.00%	104,821	-

Chih-Hung Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Preferred stock	Aviocomm Ltd.	-	Financial assets at fair value through profit or loss, non-current	14,600,000	\$-	12.60%	\$-	-
Common Stock				1,714,285				
Common Stock	Innostor Technology Corporation	-	Financial assets at fair value through profit or loss, non-current	59,167	-	0.70%	-	-
Common Stock	apm Communication, Inc.	-	Financial assets at fair value through profit or loss, non-current	12,600	-	0.13%	-	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, non-current	2,115,000	-	8.01%	-	-
Common Stock	SanJet Technology Corporation	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	28,140	9.53%	28,140	-
Preferred stock	Gear Radio Limited	-	Financial assets at fair value through other comprehensive income, non-current	1,200,000	7,969	4.64%	7,969	-
Preferred stock	NeuroSky	-	Financial assets at fair value through other comprehensive income, non-current	44,312,575	-	7.76%	-	-
Preferred stock	Floodia	-	Financial assets at fair value through other comprehensive income, non-current	1,818	-	8.70%	-	-
Common Stock	Hsun Chieh Capital Corp.	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	69,692	15.00%	69,692	-

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FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 1 (Securities held as of December 31, 2021) (Excluding subsidiaries and associates)

Sheng Bang Investment Corporation

Type of securities	Name of securities	Relationship	Financial statement account	As of December 31, 2021				Note
				Units/shares	Carrying amount (thousand)	Percentage of ownership (%)	Fair value/ Net assets value	
Fund	IB FUND SPC -RCM Auto Parts Industry Fund Segregated Portfolio	-	Financial assets at fair value through profit or loss, current	10,000	\$24,872	-	\$24,872	-
Common Stock	Storm Semiconductors, Inc.	-	Financial assets at fair value through profit or loss, current	641,000	-	2.43%	-	-
Common Stock	Sifotonics Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income, non-current	800,000	-	1.52%	-	-
Common Stock	Ascent Venture Capital	-	Financial assets at fair value through other comprehensive income, non-current	3,000,000	23,722	19.67%	23,722	-
Capital	Jian Rui Venture Capital (translated from Chinese)	-	Financial assets at fair value through other comprehensive income, non-current	-	10,108	8.50%	10,108	-

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FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 2 (Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021)

Faraday Technology Corporation

Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		
		Purchases (Sales)	Amount	Percentage of total purchases (sales)	Term	Unit Price	Payment Term	Balance	Percentage of total receivables (payable)	Note
Faraday Technology Corporation (USA)	Subsidiary	Sales	\$739,108	11.01%	Month-end 60 days	Note 1	Note3	\$90,469	9.15%	-
Faraday Technology Japan Corporation	Subsidiary	Sales	569,144	8.48%	Month-end 60 days	Note 1	Note3	92,366	9.34%	-
United Creative Solution Corporation	Subsidiary	Sales	439,079	6.54%	Month-end 60 days	Note 1	Note3	45,051	4.56%	-
Artery Technology Corporation, Ltd.	Subsidiary	Sales	418,255	6.23%	Month-end 60 days	Note 1	Note3	55,175	5.58%	-
Innopower Technology Corporation	Subsidiary	Sales	222,273	3.31%	Month-end 60 days	Note 2	Note 2	84,331	8.53%	-
Artery Technology Company	Subsidiary	Sales	120,447	1.79%	Month-end 60 days	Note 1	Note3	27,284	2.76%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Purchases	1,894,680	68.42%	Month-end 60 days	Note 4	Note 4	259,900	19.64%	-
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Sales	581,422	8.66%	Month-end 60 days	Note 2	Note 2	153,291	15.50%	-
United Semiconductor (Xiamen) Co., Ltd.	Other related parties	Purchases	514,389	18.58%	Month-end 60 days	Note 4	Note 4	200,717	15.17%	-

Note 1: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 2: Selling prices for related parties were different from each other and a direct comparison was impractical since the products or services were customized based on each order.

Note 3: The Company's sales terms were 30~60 days from the date of monthly closing for non-related parties, while 60 days for related-parties.

Note 4: The purchase price to the related parties above was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are 60 days.

FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 3 (Related party transactions for receivables of NT\$100 million or 20 percent of capital stock for the year ended December 31, 2021)

Faraday Technology Corporation

Counter-party	Relationship	Ending Balance of Notes/Trade Receivables from Related Party (Note1)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Debts
				Amount	Action Taken		
United Microelectronics Corporation	Entity with joint control or significant influence over the Company	Accounts receivable \$153,291	4.11	\$-	\$-	\$114,653	\$-
Innopower Technology Corporation	Subsidiary	Accounts receivable 84,331 Other receivables 31,154	2.04	-	-	-	-

Note 1: Please fill in accounts receivable from related parties, notes receivable, other receivables, respectively.

Note 2: The capital stock is the parent's capital stock.

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FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Term	
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Sales	\$739,108	Note 4	9.14%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Research expenses	66,246	According to the contract	0.82%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts receivable	90,469	Month-end 60 days	0.75%
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Other receivables	331	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology Corporation (USA)	1	Accounts payable	5,641	Month-end 60 days	0.05%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Sales	569,144	Note 4	7.04%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Accounts receivable	92,366	Month-end 60 days	0.77%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract assets	15,827	According to the contract	0.13%
0	Faraday Technology Corporation	Faraday Technology Japan Corporation	1	Contract liabilities	19,839	According to the contract	0.16%
0	Faraday Technology Corporation	FaradayTek Solutions India Private Limited	1	Research expenses	23,659	According to the contract	0.29%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Sales	418,255	Note 5	5.17%
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Other income	283	According to the contract	-
0	Faraday Technology Corporation	Artery Technology Corporation, Ltd.	1	Accounts receivable	55,175	Month-end 60 days	0.46%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Sales	54,110	Note 5	0.67%
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract assets	21,118	According to the contract	0.18%

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FARADAY TECHNOLOGY CORPORATION

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Other receivables	\$598	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Accounts payable	133	Month-end 60 days	-
0	Faraday Technology Corporation	Faraday Technology China Corporation	1	Contract liabilities	35,082	According to the contract	0.29%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Sales	4,219	Note 5	0.05%
0	Faraday Technology Corporation	GrainTech Electronics Limited	1	Accounts receivable	1,695	Month-end 60 days	0.01%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Sales	439,079	Note 5	5.43%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Administrative expenses	999	According to the contract	0.01%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Contract assets	13,202	According to the contract	0.11%
0	Faraday Technology Corporation	United Creative Solution Corporation	1	Accounts receivable	45,051	Month-end 60 days	0.37%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Sales	55,292	Note 5	0.68%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts receivable	55,207	Month-end 60 days	0.46%
0	Faraday Technology Corporation	Faraday Technology Corporation (Suzhou)	1	Accounts payable	5	Month-end 60 days	-
0	Faraday Technology Corporation	Innower Technology Corporation	1	Sales	222,273	Note 5	2.75%
0	Faraday Technology Corporation	Innower Technology Corporation	1	Accounts receivable	84,331	Month-end 60 days	0.70%
0	Faraday Technology Corporation	Innower Technology Corporation	1	Other receivables	31,154	Month-end 60 days	0.26%

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FARADAY TECHNOLOGY CORPORATION

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	Faraday Technology Corporation	Innopower Technology Corporation	1	Other payables	\$302	Month-end 60 days	-
0	Faraday Technology Corporation	Artery Technology Company	1	Sales	120,447	Note 5	1.49%
0	Faraday Technology Corporation	Artery Technology Company	1	Other income	3,826	According to the contract	0.05%
0	Faraday Technology Corporation	Artery Technology Company	1	Research expenses	5,533	According to the contract	0.07%
0	Faraday Technology Corporation	Artery Technology Company	1	Accounts receivable	27,284	Month-end 60 days	0.23%
0	Faraday Technology Corporation	Artery Technology Company	1	Other payables	5,533	Month-end 60 days	0.05%
0	Faraday Technology Corporation	Artery Technology Company	1	Contract liabilities	20,756	According to the contract	0.17%
0	Faraday Technology Corporation	United Business Service Corporation	1	Sales	30,675	Note 5	0.38%
0	Faraday Technology Corporation	United Business Service Corporation	1	Accounts receivable	30,680	Month-end 60 days	0.25%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Research expenses	41,357	According to the contract	0.51%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Other current assets	10,305	Month-end 60 days	0.09%
0	Faraday Technology Corporation	Faraday Technology Vietnam Company Limited	1	Accounts payable	8,849	Month-end 60 days	0.07%
1	Faraday Technology Corporation (Suzhou)	Faraday Technology China Corporation	3	Sales	22,001	Note 5	0.27%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Sales	25,689	Note 5	0.32%
1	Faraday Technology Corporation (Suzhou)	United Business Service Corporation	3	Accounts receivable	27,174	Month-end 60 days	0.23%

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FARADAY TECHNOLOGY CORPORATION

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ATTACHMENT 4 (Significant intercompany transactions between consolidated entities)

For the year ended December 31, 2021

No. (Note 1)	Related Party	Counterparty	Relationship with the Company (Note 2)	Transactions			
				Account	Amount	Terms	Percentage of consolidated operating revenues or consolidated total assets (Note 3)
2	United Business Service Corporation	Faraday Technology China Corporation	3	Sales	\$1,081	Note 5	0.01%
2	United Business Service Corporation	United Creative Solution Corporation	3	Sales	1,905	Note 5	0.02%
3	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Sales	3,386	Note 5	0.04%
3	Artery Technology Corporation, Ltd.	Artery Technology Company	3	Research expenses	752	According to the contract	0.01%

Note 1: Faraday Technology Corporation and its subsidiaries are coded as follows:

1. Faraday Technology Corporation is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

Note 3: The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end.

For profit or loss items, cumulative balances are used as basis.

Note 4: The sales price to the above related parties was determined through mutual agreement in reference to resale price.

Note 5: As the sale of product or service is individually designed based on requirement of customers, they could not be compared directly.

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FARADAY TECHNOLOGY CORPORATION

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2021)

Faraday Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation (USA)	USA	Sales representative in America	\$436,907	\$436,907	Common stock 118,580 thousand shares and preferred stock 2,000 thousand shares	Common stock owned 100.00% and preferred stock owned 100.00%	\$437,715	\$33,617	\$31,841
Faraday Technology - B.V.I	British Virgin Islands	General Investing	855,770	706,792	Common stock 27,489 thousand shares	100.00%	781,052	343,554	343,677
Faraday Technology Japan Corporation	Japan Tokyo	Sales representative in Japan	29,320	29,320	Common stock 2 thousand shares	99.95%	97,586	25,492	25,480
Chih-Hung Investment Corporation	Taiwan	General Investing	620,000	620,000	Common stock 62,000 thousand shares	100.00%	557,452	128,060	128,060
Sheng Bang Investment Corporation	Taiwan	General Investing	222,020	222,020	Common stock 22,202 thousand shares	100.00%	201,710	1,812	1,812
Faraday Technology Vietnam Company Limited	Vietnam	IC design services	9,287	9,287	-	100.00%	13,741	1,512	1,512

Chih-Hung Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$1,456	\$1,456	Common stock 146 thousand shares	19.42%	\$1,129	\$(69)	\$(13)
Innower Technology Corporation	Taiwan	Silicon Intellectual Property designing	80,000	80,000	Common stock 14,942 thousand shares	100.00%	337,206	129,781	129,781
FaradayTek Solutions India Private Limited	India	IC design services	45	45	Common stock 10 thousand shares	1.00%	72	304	3

Sheng Bang Investment Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Grain Media Inc.	Taiwan	IC designing, marketing and customer service	\$6,044	\$6,044	Common stock 604 thousand shares	80.58%	\$4,685	\$(69)	\$(56)
FaradayTek Solutions India Private Limited	India	IC design services	4,462	4,462	Common stock 990 thousand shares	99.00%	7,150	304	301

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ATTACHMENT 5 (Related information of investee companies as of December 31, 2021)

Innopower Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Bright Capital Group Limited	Samoa	General investing	\$68,593	\$68,593	Common stock 2,301 thousand shares	100.00%	\$362,168	\$124,710	\$124,710

Faraday Technology - B.V.I

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Faraday Technology Corporation-Mauritius	Mauritius	General investing	USD \$12,859,205	USD \$12,859,205	Common stock 12,804 thousand shares	100.00%	\$115,281	\$47,576	\$47,576
GrainTech Electronics Limited	Hong Kong	IC designing, marketing and customer service	USD 100,000	USD 100,000	Common stock 100 thousand shares	100.00%	4,929	(133)	(133)
Faraday Technology Corporation-Samoa	Samoa	General investing	USD 4,715,067	USD 4,715,067	Common stock 4,715 thousand shares	100.00%	173,096	34,508	34,508
Artery Technology Corporation-Cayman	Cayman	General investing	USD 9,809,000	USD 4,460,000	Common stock 31,149 thousand shares	60.87%	490,517	395,747	261,629

Artery Technology Corporation

Investee company	Address	Main businesses and products	Initial Investment		Investment as of December 31, 2021			Net income (loss) of investee company (Note)	Investment income (loss) recognized (Note)
			December 31, 2021	December 31, 2020	Number of shares (thousand)	Percentage of ownership (%)	Carrying amount (Note)		
Artery Technology Company	Taiwan	IC designing, marketing and customer service	\$171,141	\$25,897	Common stock 17,114 thousand shares	60.87%	\$105,107	\$4,666	\$2,510

Note 1: USD are expressed in dollars.

Note 2: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Company; therefore, the Group's share of profit or loss of Artery Technology Company is 60.87%.

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2021)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2021	Unit: New Taiwan Dollars in thousands, USD and RMB in dollars
					Outflow	Inflow						Accumulated inward remittance of earnings as of December 31, 2021
Faraday Technology China Corporation	IC designing, marketing and customer service	\$166,020 (USD 6,000,000)	Note 1 Note 3	\$166,020 (USD 6,000,000)		\$-	\$166,020 (USD 6,000,000)	\$48,056	100.00%	\$48,056	\$113,238	-
Faraday Technology Corporation (Suzhou)	IC designing, marketing and customer service	160,486 (USD 5,800,000)	Note 4	160,486 (USD 5,800,000)	-	-	160,486 (USD 5,800,000)	124,710	100.00%	124,710	362,168	-
Grain Media Technology (Shenzhen) Co., Ltd.	IC designing, marketing and customer service	110,703 (USD 4,000,814)	Note 1 Note 5	110,703 (USD 4,000,814)	-	-	110,703 (USD 4,000,814)	(451)	100.00%	(451)	-	-
United Business Service Corporation	IC designing, marketing and customer service	130,350 (RMB 30,000,000)	Note 1 Note 6	130,350 (RMB 30,000,000)	-	-	130,350 (RMB 30,000,000)	34,508	100.00%	34,508	173,094	-
Artery Technology Corporation, Ltd.	IC designing, marketing and customer service	330,933 (USD 11,960,000)	Note 1 Note 7 Note 8	123,408 (USD 4,460,000)	42,441 (USD 1,533,815)	-	165,849 (USD 5,993,815)	393,940	60.87%	261,000	369,620	-
United Creative Solution Corporation	IC designing, marketing and customer service	21,725 (RMB 5,000,000)	-	-	-	-	-	17,950	100.00%	17,950	42,097	-
Innopower Technology Corporation (Chongqing)	IC designing, marketing and customer service	4,345 (RMB 1,000,000)	-	-	-	-	-	(1)	100.00%	(1)	4,344	-

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(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 6 (Investment in Mainland China as of December 31, 2021)

Accumulated investment in Mainland China as of December 31, 2021	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
\$733,523 (Note 2) (USD 26,509,696)	\$820,295 (Note 2) (USD 29,645,650)	\$4,703,983

Note 1: Indirectly investment in Mainland China through subsidiaries of Faraday Technology-B.V.I. (registered in a third region) such as Faraday Technology Corporation-Mauritius, Faraday Technology Corporation- Samoa, and Artery Technology Corporation.

Note 2: Amounts denominated in foreign currency is translated into New Taiwan Dollars by using exchange rate on December 31, 2021.

Note 3: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 6,000 thousand. The Company had remitted investment amounted to USD 5,500 thousand, and Faraday Technology Corporation-Mauritius had remitted investment amounted to USD 500 thousand from its owned capital.

Note 4: On May 19, 2010, Investment Commission, MOEA approved Innopower Technology Corporation acquired the 100% of ownership of Faraday Technology Corporation (Suzhou) (Mainland China company owned by Faraday Technology Corporation- Mauritius, which owned by Faraday Technology- B.V.I.) with USD 602,182 through Bright Capital Group Capital Limited. Before the transaction, Investment Commission, MOEA had approved the total investment amount USD 5,800 thousand, and USD 5,800 thousand had been remitted.

Note 5: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 4,112 thousand , and the Company had remitted USD 4,001 thousand for the investment.

Note 6: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount RMB 30,000 thousand , and the Company had remitted RMB 30,000 thousand for the investment.

Note 7: As of December 31, 2021, Investment Commission, MOEA approved the total investment amount USD 7,033 thousand , and the Company had remitted USD 5,994 thousand for the investment.

Note 8: The Company owns 100% of Faraday Technology-B.V.I. and Faraday Technology-B.V.I. owns 60.87% in Artery Technology Corporation. The Artery Technology Corporation owns 100% of Artery Technology Corporation, Ltd.; therefore, the Group's share of profit or loss of Artery Technology Corporation, Ltd. is 60.87%.

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FARADAY TECHNOLOGY CORPORATION

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

ATTACHMENT 7 (The information of main shareholders)

Name of major shareholders	Number of ordinary shares	
	Number of shares held (shares)	Percentage of ownership
United Microelectronics Corporation	34,240,213	13.77%
Fubon Life Insurance Co., Ltd.	12,463,000	5.01%

Explanation : If the Company applies to the Taiwan Depository & Clearing Corporation to obtain the information in this form, the following items may be explained in the note of this form.

Note 1: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the Company without physical registration, the calculation basis may be different or inconsistent.

Note 2: If the above data is number of trusted shares, it is disclosed by accounts of trustee. The report of shareholders who holding more than 10% ownership according to Securities and Exchange Act, includes the shares held by shareholders and trusted assets with right to use. Please refer to Market Observation Post System.

FARADAY TECHNOLOGY CORPORATION
1. STATEMENT OF CASH AND CASH EQUIVALENTS
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Dollars of Foreign Currencies)

Item	Description	Amount	Note
Cash on hand		\$ 200	1. Cash and cash equivalents were not pledged.
Saving			2. Foreign exchange rate as of December 31, 2021
NT Dollars		393,454	
Foreign currency	USD 23,967,394.51	663,178	USD1=NTD27.67
	CNY 3,000,066.67	13,035	CNY1=NTD4.345
Checking deposits			
Foreign currency	USD 210,727.00	5,831	
Time Deposits			
NT Dollars		809,700	
Total		<u>\$ 1,885,398</u>	

FARADAY TECHNOLOGY CORPORATION
2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars and Dollars Foreign Currencies)

Financial Instruments	Contract Amount	Contract Period	Fair Value	Note
Forward currency contract				
Forward currency contract	USD 12,000,000	2021/11/30-2022/01/20	\$ 1,335	
	CNY 8,000,000	2021/12/07-2022/01/18	89	
			<u>\$ 1,424</u>	

FARADAY TECHNOLOGY CORPORATION
3. STATEMENT OF ACCOUNTS RECEIVABLES
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Client	Description	Amount	Note
Trade receivables			The accounts receivables were all derived from daily operations.
Client A		\$ 78,842	
Client B		35,967	
Client C		35,186	
Client D		31,500	
Client E		27,920	
Others	The amount of individual client in others does not exceed 5% of the account balance.	<u>144,191</u>	
		353,606	
		<u>(4,393)</u>	
Less : Allowance for doubtful accounts			
Net amount		<u><u>\$ 349,213</u></u>	

FARADAY TECHNOLOGY CORPORATION
4. STATEMENT OF INVENTORIES
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount		Note
		Cost	Fair Value	
Work in process		\$ 785,043	\$ 1,346,381	1. Inventories were not pledged.
Finished goods		<u>476,523</u>	<u>634,998</u>	
Total		1,261,566	<u>\$ 1,981,379</u>	2. Inventories are valued at lower of cost and net realizable value item by item. In addition, allowance of inventory obsolescence is reserved for slow moving item.
Less : Allowance for inventory valuation losses		<u>(53,155)</u>		
Net Amount		<u>\$ 1,208,411</u>		

FARADAY TECHNOLOGY CORPORATION
5. STATEMENT OF OTHER CURRENT ASSETS
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other prepaid expenses		\$ 164,339	
Payment on behalf of others		<u>3,893</u>	
Total		<u><u>\$ 168,232</u></u>	

FARADAY TECHNOLOGY CORPORATION
6. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Kind	Beginning Balance		Acquisition		Disposal		Investment Income (Loss)	Exchange Differences on Translation of Foreign Operations	Others	Ending Balance			Net Assets Value Unit (dollars)	Collateral	Note
		Shares (Thousands)	Amount	Shares (Thousands)	Amount	Shares (Thousands)	Amount				Shares (Thousands)	%	Amount			
Faraday Technology Corporation (USA)	Common stock	118,580	\$ 412,413	-	\$ -	-	-	\$ 31,841	\$ (6,539)	\$ -	118,580	100%	\$ 437,715	\$ 3.63	None	
	Preferred stock	2,000	-	-	-	-	-	-	-	-	2,000	100%	-	-	None	
Faraday Technology—B.V.I.	Common stock	22,140	308,279	891	149,596	-	-	343,677	2,996	(23,496)	23,031	100%	781,052	33.91	None	Note(1)
Faraday Technology Japan Corporation	Common stock	2	82,740	-	-	-	-	25,480	(10,634)	-	2	99.95%	97,586	48,793	None	
Chih-Hung Investment Corporation	Common stock	62,000	552,815	-	-	-	-	128,060	1,944	(125,367)	62,000	100%	557,452	8.99	None	Note(2)
Sheng Bang Investment Corporation	Common stock	22,202	192,188	-	-	-	-	1,812	(154)	7,864	22,202	100%	201,710	9.09	None	Note(3)
Faraday Technology Vietnam Company Limited	Capital	-	12,229	-	-	-	-	1,512	-	-	-	-	13,741	-	None	
The total of investments accounted for using the equity method			<u>\$ 1,560,664</u>		<u>\$ 149,596</u>		<u>\$ -</u>	<u>\$ 532,382</u>	<u>\$ (12,387)</u>	<u>\$ (140,999)</u>			<u>\$ 2,089,256</u>			

Note 1: Others are additional paid-in capital amounted to NT\$(18,874) thousand, and unrealized gross profit on sales to NT\$(4,622) thousand.

Note 2: Others included unrealized loss on financial assets measured at fair value through other comprehensive income amounted to NT\$(101,453) thousand, cash dividend amounted to NT\$(22,660) thousand, and unrealized gross profit on sales to NT\$(1,254) thousand.

Note 3: Others included unrealized gain on financial assets measured at fair value through other comprehensive income amounted to NT\$7,864 thousand.

FARADAY TECHNOLOGY CORPORATION

7. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Beginning Balance		Acquisition		Disposal		Unrealized gain on financial assets measured at fair value through other comprehensive income	Ending Balance		Collateral	Note
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
SHIEH YONG Investment Co., Ltd.	92,496,000	\$ 1,925,599	102,448,689	\$ -	-	\$ -	\$ 745,387	194,944,689	\$ 2,670,986	None	Note
Unitech Capital Inc.	2,500,000	<u>87,143</u>	-	<u>-</u>	-	<u>-</u>	<u>17,678</u>	2,500,000	<u>104,821</u>	None	Note
Total		<u><u>\$ 2,012,742</u></u>		<u><u>\$ -</u></u>		<u><u>\$ -</u></u>	<u><u>\$ 763,065</u></u>		<u><u>\$ 2,775,807</u></u>		

8. Statement of property, plant and equipment

Please refer to Note6 (8)

9. Statement of depreciation of property, plant and equipment

Please refer to Note6 (8)

FARADAY TECHNOLOGY CORPORATION
10. STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Beginning Balance	Acquisition	Disposal	Ending Balance	Note
Cost					
Land	\$ 202,168	\$ -	\$ -	\$ 202,168	
Buildings and facilities	5,763	-	-	5,763	
Transportation equipment	2,915	3,329	-	6,244	
Office equipment	343	-	-	343	
Total	<u>\$ 211,189</u>	<u>\$ 3,329</u>	<u>\$ -</u>	<u>\$ 214,518</u>	
Accumulated Depreciation					
Land	\$ 10,640	\$ 5,320	\$ -	\$ 15,960	
Buildings and facilities	2,344	1,172	-	3,516	
Transportation equipment	2,332	1,154	-	3,486	
Office equipment	223	111	-	334	
Total	<u>\$ 15,539</u>	<u>\$ 7,757</u>	<u>\$ -</u>	<u>\$ 23,296</u>	

11. Statement of Intangible assets
Please refer to Note 6(9)

FARADAY TECHNOLOGY CORPORATION
12. STATEMENT OF ACCOUNTS PAYABLES
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Supplier	Description	Amount	Note
Accounts payables			The accounts payable was all derived from daily operations.
Siliconware Precision Industries Co., Ltd.		\$ 173,482	
Advanced Semiconductor Engineering Inc. Chung-Li Branch		47,127	
Others	The amount of individual vendor in others does not exceed 5% of the account balance.	615,475	
Total		<u>\$ 836,084</u>	

FARADAY TECHNOLOGY CORPORATION
13. STATEMENT OF OTHER PAYABLES
As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued salaries		\$ 109,179	
Research expense payables	Include EDA Tool and Authorization fee	190,972	
Employee compensation payables		122,735	
Others	The amount of individual item in others does not exceed 5% of the account balance.	101,909	
Total		<u>\$ 524,795</u>	

FARADAY TECHNOLOGY CORPORATION

14. STATEMENT OF LEASE LIABILITIES

As of December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Lease Term	Discount rate (year)	Ending Balance	Note
Land	2003/08/01~2056/12/31	2.277%	\$ 191,774	
Buildings and facilities	2017/12/01~2023/11/30	1.707%	2,304	
Transportation equipment	2018/06/27~2023/06/26	1.707%	2,775	
Office equipment	2014/02/01~2022/01/31	1.707%	19	
Total			<u>\$ 196,872</u>	

FARADAY TECHNOLOGY CORPORATION

15. STATEMENT OF NET SALES

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Sales of goods		\$ 4,729,306	
Rendering of services		1,341,146	
Silicon intellectual property license		<u>639,707</u>	
Net operating revenues		<u><u>\$ 6,710,159</u></u>	

FARADAY TECHNOLOGY CORPORATION

16. STATEMENT OF OPERATING COSTS

For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Direct material			
Beginning of year		\$ -	
Add: Raw material purchased		2,769,021	
Less: Raw material, end of year		<u>-</u>	
Direct material used		2,769,021	
Direct labor		-	
Manufacturing Expenses		<u>1,840,130</u>	
Manufacturing Costs		4,609,151	
Add: Work in process, beginning of year		386,049	
Returns for rework		31,517	
Less: Work in process, end of year		(785,042)	
Scrap		<u>(4,324)</u>	
Cost of Finished Goods		4,237,351	
Add: Finished goods, beginning of year		127,569	
Others		14,893	
Less: Finished goods, ending of year		(476,523)	
Sample		(7,571)	
Picking for rework		(29,513)	
Scrap		(1,365)	
Revenue from sales of scrap		(719)	
Add: Employee compensation		8,575	
Less: Gain on inventory valuation		(2,860)	
Add: Loss on scrap of inventories		<u>5,689</u>	
Total Operating Costs		<u><u>\$ 3,875,526</u></u>	

FARADAY TECHNOLOGY CORPORATION
17. STATEMENT OF MANUFACTURING EXPENSES
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Variable manufacturing expenses			
C/P		\$ 76,198	
ASSY		1,473,348	
F/T		214,891	
Subtotal		<u>1,764,437</u>	
Fixed manufacturing expenses			
Wages and salaries		47,570	
Grinding expense		9,604	
Shipping expense		7,805	
Others	The amount of individual item in others does not exceed 5% of the account	10,714	
Subtotal	balance.	<u>75,693</u>	
Total		<u>\$ 1,840,130</u>	

FARADAY TECHNOLOGY CORPORATION
18. STATEMENT OF SELLING EXPENSES
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wages and salaries		\$ 67,708	
Royalty		50,241	
Commissions expense		8,581	
Shipping expense		8,512	
Other expense	The amount of individual item in others does not exceed 5% of the account balance.	16,144	
Total		<u>\$ 151,186</u>	

FARADAY TECHNOLOGY CORPORATION
19. STATEMENT OF ADMINISTRATIVE EXPENSES
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Wages and salaries	The amount of individual item in others does not exceed 5% of the account balance.	\$ 200,476	
Other expense		94,415	
Total		<u>\$ 294,891</u>	

FARADAY TECHNOLOGY CORPORATION
20. STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
For the year ended December 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

Item	Summary	Amount	Note
Wages and salaries	The amount of individual item in others does not exceed 5% of the account balance.	\$ 1,001,384	
Amortization		249,552	
Research and design expense		203,019	
Other expense		217,200	
Total		<u>\$ 1,671,155</u>	

6. If Faraday or its affiliates have encountered financial difficulties in the most recent year and up to the date of publication of the annual report, the impact on Faraday's financial status: None

VII. Analysis of Financial Status and Performance and Risk Issues

1. Financial status analysis

Units: NTD\$ Thousand

Account \ Year	December 31 2021	December 31 2020	Difference	
			Amount	%
Current Assets	7,392,154	4,702,256	2,689,898	57.20
Funds and Investments	3,104,820	2,262,395	842,425	37.24
Property, plant, and equipment	517,870	539,322	(21,452)	(3.98)
Right-of-use Assets	211,436	234,275	(22,839)	(9.75)
Intangible Assets	505,049	259,256	245,793	94.81
Other Assets	305,176	201,652	103,524	51.34
Total Assets	12,036,505	8,199,156	3,837,349	46.80
Current Liabilities	3,505,683	1,614,085	1,891,598	117.19
Non-current Liabilities	375,523	244,077	131,446	53.85
Total Liabilities	3,881,206	1,858,162	2,023,044	108.87
Capital	2,485,503	2,485,503	0	0.00
Additional Paid-in Capital	705,700	724,574	(18,874)	(2.60)
Retained Earnings	3,278,832	2,371,011	907,821	38.29
Other Equity	1,369,937	712,849	657,088	92.18
Treasury Stock	0	0	0	0.00
Non-controlling Interest	315,327	47,057	268,270	570.10
Total Equity	8,155,299	6,340,994	1,814,305	28.61

The proportion of change is more than 20%, the main reasons and their impact analysis are as follows:

- (1) Increase in Current Assets: Mainly due to the increase in cash and inventories.
- (2) Increase in Funds and Investments: Mainly due to the increase in the share of financial assets measured at fair value through Other Comprehensive Income (Loss).
- (3) Increase in Intangible Assets: Mainly due to the renewal of EDA tool contracts which increased the unamortized amount of intangible assets.
- (4) Increase in Other Assets: Mainly due to the increase in Refundable deposits which enabled Faraday to reserve chip capacity of foundries.
- (5) Increase in Current Liabilities: As the number of MP sales grew, accounts payables (including accounts payable - related parties) and contract liabilities (unearned revenue) increased consequently.
- (6) Increase in Non-current Liabilities: Mainly due to the renewal of EDA tool contracts and consequent accounts payable.
- (7) Increase in Total equity: Mainly due to the increase in net profits after taxes.
- (8) Increase in Other equity: Mainly due to the increase in the share of financial assets measured at fair value through Other Comprehensive Income (Loss).
- (9) Increase in Non-controlling Interest: Mainly due to the increase in net profits attributable to Non-controlling Interest.

2. Financial Performance Analysis

(1) Financial Performance Analysis

Units: NTD\$ Thousand				
Account \ Year	2021	2020	Difference	
			Amount	%
Net Sales Revenues	8,085,201	5,495,307	2,589,894	47.13
Operating Costs	(3,995,272)	(2,895,681)	(1,099,591)	37.97
Gross Profits	4,089,929	2,599,626	1,490,303	57.33
Operating Expenses	(2,687,873)	(2,450,514)	(237,359)	9.69
Operating Profits	1,402,056	149,112	1,252,944	840.27
Non-operating Income and Expenses	100,123	164,123	(64,000)	(39.00)
Income before Tax	1,502,179	313,235	1,188,944	379.57
Income Tax Expense	(212,131)	(57,238)	(154,893)	270.61
Net Income	1,290,048	255,997	1,034,051	403.93
Other Comprehensive Income (Loss)	658,253	1,095,393	(437,140)	(39.91)
Total Comprehensive Income (Loss)	1,948,301	1,351,390	596,911	44.17
The proportion of change is more than 20%, the main reasons and their impact analysis are as follows:				
(1) Increase in Sales Revenues/Operating Cost/Gross Profit : Revenue including different sources such as sale of goods and services provided has grown, especially mass production sales. Compared with last year, the cumulative operating income has increased by 47.1%, and the overall gross profit margin has been 50.6%.				
(2) Increase in Operating Profit: Mainly due to the increase in sales revenue and well management on costs and expenses.				
(3) Decrease in non-operating income and expenses: Mainly due to the sale of Fresco in 2020 and the recognition of non-operating investment interests.				
(4) Increase in Income before Tax and Net Income : Mainly due to the increase in Operating Profit.				
(5) Increase in income tax expenses: mainly due to the increase in net Income before Tax.				
(6) Decrease in other comprehensive Income(loss) : Mainly due to the share of financial assets measured at fair value through Other Comprehensive Income is decrease than last year.				
(7) Increase in total comprehensive Income(loss): Mainly due to the increase in Net Income.				

(2) Analysis of gross profit changes

Units: NTD\$ Thousand					
Gross profits	Variance from previous period	The reason for variance			
		Variance in sales price	Difference in cost price	Variance in sales mix	Difference in quantity
	1,490,303	992,980	(461,425)	99,067	859,681
Justification	The optimization of product combination has positively affected the difference in selling price, sales combination and quantity. On the other hand, due to the tight production capacity of packaging, the cost increase has an unfavorable impact on the difference in cost price.				

3. Cash flow analysis

(1) Analysis of Cash Flow Changes during Current Year

Units: NTD\$ Thousand

Item \ Year	2021	2020	Difference	
			Amount	%
Operating activities	2,505,850	700,699	1,805,151	275.62
Investing activities	(588,350)	(89,786)	(498,564)	555.28
Financing activities	(199,835)	(308,217)	108,382	(35.16)
Total	1,717,665	302,696	1,414,969	467.46

(a) Increase in net cash inflow from operating activities: Majorly due to the cash inflow from operating revenue.

(b) Increase in net cash outflow from investing activities: Mainly due to the cash outflow from acquisition of financial assets measured at amortized cost and payment of refundable deposits.

(c) Decrease in net cash outflow from financing activities: Majorly due to the increase in the capital of subsidiaries.

(2) Solutions for net cash deficit and solvency analysis: Not applicable.

(3) Cash flow analysis for the following year

Units: NTD\$ Thousand

Cash and cash equivalents at beginning of period a	(Forecasted) Net cash provided by operating activities b	(Forecasted) Net increase (decrease) in cash and cash equivalents c	(Forecasted) Net cash surplus (deficit) a + b - c	Solutions for net cash deficit	
				Investing projects	Financing projects
4,763,080	1,955,248	1,886,725	4,831,603	Not applicable	Not applicable

4. Impact of major capital expenditures in the most recent year on financial operations: None

5. Main reasons for the reinvestment policy and profit or loss in the most recent year, improvement plan and investment plan for the next year

(1) The reinvestment policy in the most recent year: Faraday does not exercise financial investments in order to avoid market risk. We focus on strategic investments relevant to our operating activities in order to reduce the risk, and improve the control and management toward invested companies.

(2) The main reasons for profit : Due to steady sales revenue and service revenue.

(3) Improvement plan: Not Applicable.

(4) The investment plan for the next year: the investment plan for the next year will focus on the long-term growth of Faraday, and majorly invest in IC design firms with synergy.

6. Analysis and assessment of risk issues in the most recent year and up to the date of publication of the annual report

(1) The future solutions and influence on Faraday's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations in the most recent year.

(A) The influence on Faraday's profits due to interest rate fluctuations, foreign exchange rate fluctuations, and inflations :

- a. Faraday possesses sufficient capital, and does not have to exercise long-term borrowing, so the impact of interest rate fluctuations to Faraday's short-term financing is limited.
- b. For foreign exchange rate, Faraday employs accounting natural hedges, forward exchange, and foreign exchange swap to decrease the net asset position of foreign currency, along with the risk of foreign exchange fluctuations.
- c. The inflation during recent year does not cast material influence on Faraday's profits or loss.

(B) The future solutions:

Faraday will continue to trace the fluctuations of foreign exchange rate, and exercise applicable solutions.

(2) The major reasons and future solutions for high-risk, high-leverage investments, capital lending, endorsement, and financial derivatives' trading policies, profits, or loss.

Faraday does not exercise high-risk, high-leverage investments, neither capital lending nor endorsements. Faraday has regulated capital lending process, endorsement process, and acquirement or disposal process of assets, as the principle for relevant matters. Faraday utilizes natural hedges to reduce exchange loss.

(3) The research and development plans, and expected investments in research and development in the future.

(A)The significant research and development plans and forecasted investments in recent year

Project Name
(a) Plan to develop 22nm embedded high voltage (eHV) process memory compiler.
(b) Plan to develop 28nm Gigabit Ethernet PHY.
(c) Plan to develop 22nm LPDDR3/DDR3/DDR4 PHY.
(d) Plan to develop 14nm SoCreative!™ 6th FinFET SoC verification platform.
(e) Plans to develop embedded secure digital IP solutions for ASIC.

(B)The anticipated investments in aforementioned research and development projects for following two years are about NTD\$ 2 billion.

(4) The influence and solutions on Faraday's financial operations by domestic and foreign significant policy and regulation changes.

Faraday has exercised appropriate solutions against domestic and foreign policy and regulation changes, and the relevant changes do not significantly impact Faraday's financial and operational situations.

- (5) The influence and solutions of technology and industry changes on Faraday's financial operations.

(A) Faraday has been devoting in research and development of advanced process technology from beginning, and invested NTD\$ 2,037 million in relevant research and development in 2021, which will benefit the revenue growth in the future. Currently, Faraday's financial situation is healthy, along with sufficient capital for the demand of development in technology in the future.

(B) In terms of information security risk control, Faraday has not only continuously reviewed and evaluated information security regulations and procedures to ensure their appropriateness and effectiveness, but also established an information security control mechanism and regularly appoints external experts to implement information security health check to prevent external hacker intrusion and internal secret leakage. To strengthen information security awareness of employees, Faraday also conducted information security training and social engineering drills on a regular basis.

(C) In order to protect research and development achievements and strengthen competitiveness, Faraday is committed to technology innovation. Combining incentive mechanisms such as encouraging research and development innovation, with the patent application layout in line with the company's operating goals, Faraday has created a positive cycle of research and development innovation and corporate culture.

- (6) The influence and solutions of business image changes on corporate crisis management: None.

(7) The anticipated benefits, risks, and solutions of merge and acquisition: None.

(8) The anticipated benefits, risks, and solutions of expansion of factory buildings: None

(9) The anticipated risks and solutions for concentration of stocking and sales.

There is no concentration of sales in Faraday. For stocking, because the supplier is a critical shareholder with more than 10% of overall equity of Faraday Technology Corporation, and is also a famous wafer foundry in the world, the risk of stocking is considered low.

(10) The influence, risks, and solutions of significant equity transfer or changes by critical shareholders with more than 10% overall equity: None.

(11) Influence, risks, and solutions of management right changes on Faraday: Not applicable.

(12) Faraday's Directors, Supervisors, president, business owner, critical shareholders with more than 10% overall equity, and affiliates with significant litigation of final verdict or

pendency, Non-contentious Cases, or administrative case that may materially influence stockholders' equity or stock prices, has to disclose the relevant fact in contention, amount, beginning date of litigation, major parties involved, and the progress by print date of the annual financial report: None.

(13) Other significant risks and solutions: None.

7. Other important matters: None

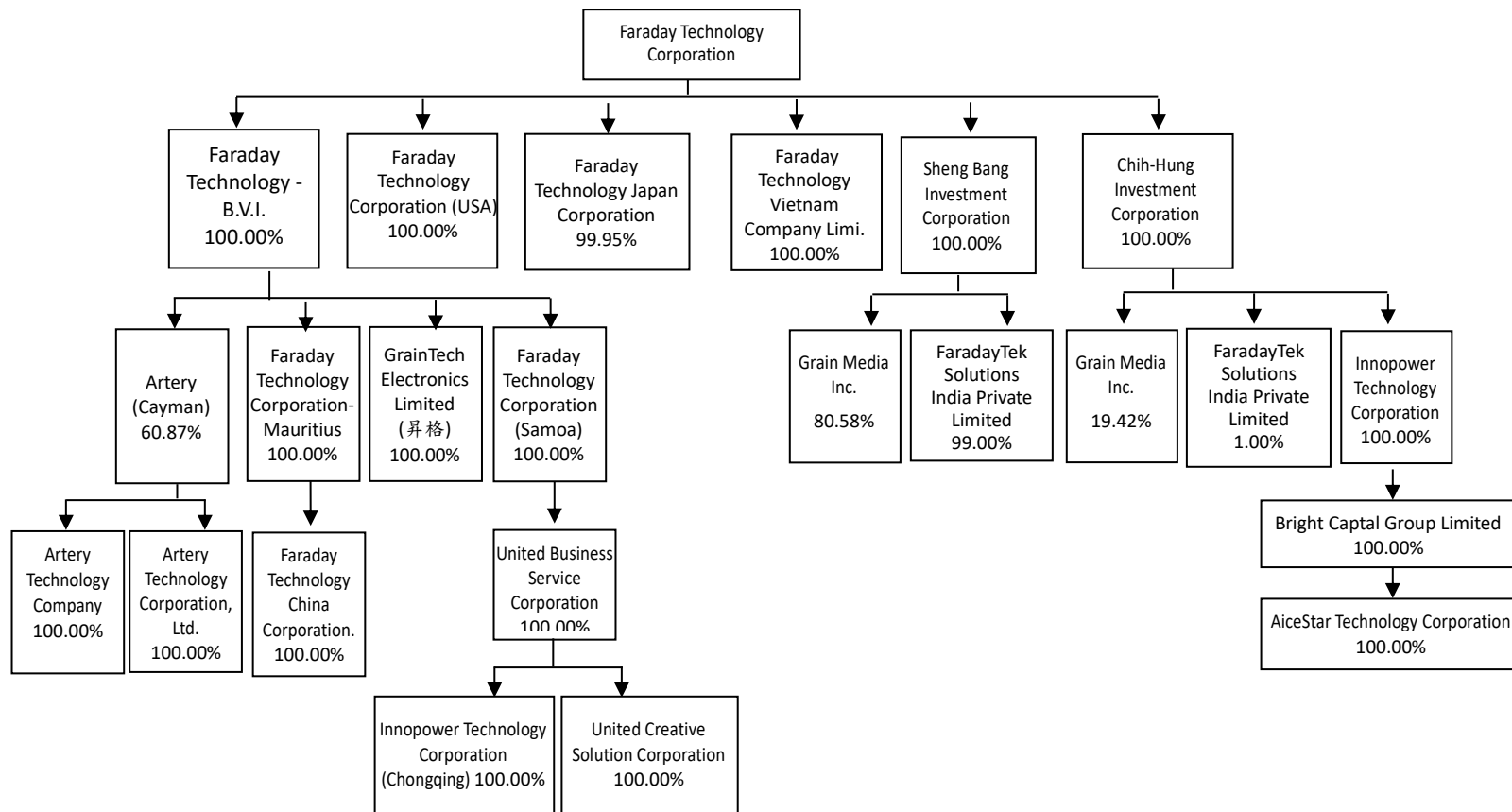
VIII. Special Items

1. Information on affiliates

(1) Consolidated operation report of affiliates

A. Brief of affiliates

(a) The organizational chart for affiliates



(b) Basic information for affiliates

March 31, 2022

Corporate Name	Established Date	Address	Contributed Capital	Major Business
Faraday Technology Corp. (USA)	1995.9.5	2860 Zanker Rd., Suite 101, San Jose, CA 95134	USD 13,058,000	The America sales representative for Faraday Technology Corporation
Faraday Technology Japan Corp.	2000.8.23	Tokyo Central Place Bldg. 3F, 22-6 Kabuto-cho, Nihonbashi Chuo-ku, Tokyo, 103-0026, Japan	¥ 100,000,000	The Japan sales representative for Faraday Technology Corporation
Faraday Technology- B.V.I.	2000.3.9	P.O. Box 3340, Road Town, Tortola, British Virgin Island	USD 27,488,585	Trading and investment
Faraday Technology Vietnam Company Limited	2019.4.4	Room 602, 6th floor, Royal Tower B, Royal Tower Center Building, 235 Nguyen Van Cu Street, Nguyen Cu Trinh ward, District 1, HCMC, 700000, Vietnam	USD 300,000	IC design
Chi Hong Investment Corporation	2001.3.2	No.70, Shangyi St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 620,000,000	General investment
Sheng Bang Investment Corporation	2003.4.25	3F., No.1, Ln. 17, Minquan St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 222,020,000	General investment
Faraday Technology Corporation-Mauritius	2002.2.8	2F, Felix House, 24 Dr Joseph Riviere Street, Port Louis, Mauritius	USD 12,859,205	General investment
GrainTech Electronics Limited	2010.7.16	Units 3306-12, 33/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong	USD 100,000	Sales and after-sale service for IC products
Bright Capital Group Limited	2004.2.18	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	USD 2,301,482	General investment
Grain Media Inc.	2005.12.12	8th Floor, No. 43, Shaonian Street, Hsinchu City, Taiwan (R.O.C.)	NTD 7,500,000	Sales and after-sale service for IC products
Innower Technology Corporation	2008.8.18	5F., No.158, Sec. 1, Jiafeng 2nd St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)	NTD 200,103,600	intellectual property product design
FaradayTek Solutions India Private Limited	2019.3.29	5th Floor, Cessna Business Park, Embassy Signet Kadubeesanhalli, Marathalli Outer Ring Road, Bangalore Bangalore KA 560103 IN	INR 10,000,000	IC design
Faraday Technology China Corporation	2001.3.27	Room 801, Yuanzhong Scientific Research Building, No.1905 Hongmei Rd., Shanghai, 200233, China	USD 6,000,000	Sales and after-sale service for IC products
Faraday Technology Corporation (Suzhou)	2007.8.10	C302, No.1355 JinJiHu Avenue, International Science & Technology Park, Suzhou Industrial Park, 215021, China	USD 5,800,000	Sales and after-sale service for IC products
Faraday Technology Corporation – Samoa	2015.8.20	Offshore Chambers, P.O. Box 217, Apia, Samoa.	USD 4,715,067	General investment
United Business Service Corporation (Chongqing)	2015.10.20	Floor 20, Building 1, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	CNY 30,000,000	Sales and after-sale service for IC products
Artery Technology Corporation - Cayman	2016.03.15	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	USD 17,717,577	General investment
Artery Technology Corporation, Ltd. (Chongqing)	2016.06.20	Floor 10, Building 1, No. 60, Kecheng Road, Jiulongpo District, Chongqing City	USD 11,960,000	Sales and after-sale service for IC products
United Creative Solution Corporation(Shanghai)	2019.08.06	Room 111, Floor 1, Building 1, No. 2007 Hongmei Road, Xuhui District, Shanghai, China	CNY 5,000,000	Sales and after-sale service for IC products
Innower Technology Corporation (Chongqing)	2019.07.16	No. 3, No. 27, Fengsheng Road, Jiulongpo District, Chongqing, China	CNY 1,000,000	Sales and after-sale service for IC products
Artery Technology Company	2016.12.12	5F., No. 1, Jinshan 8th St., East Dist., Hsinchu City 300, Taiwan (R.O.C.)	NTD 171,140,750	Sales and after-sale service for IC products

(c) The disclosure matters of controlling and subordinate relations by Art. 369-3, Company Act by the Republic of China: None

(d) The industries relates to overall affiliates' operating businesses. If the operating businesses of affiliates are relevant to each other, the assignment of responsibilities must be illustrated:

The scope of business operations of Faraday and its subsidiaries focus on IC design-related business, and a small number of affiliates include investment business in their business scope in order to strengthen vertical integration and strategic investment to meet the future operations of Faraday.

(e)The equity or capital investments for affiliates by their directors, supervisors, and general managers:

March 31, 2022

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
Faraday Technology Corp. (USA)	Director	Faraday Technology Corporation	118,580,000 (common)	100%
		Rep.: Kuo-Hua, Lee	2,000,000(preferred)	100%
			-	-
Faraday Technology Japan Corp.	Director Director Supervisor	Faraday Technology Corporation	1,999 share	99.95%
		Rep.: Shih-Chin, Lin	-	-
		Kato Yuichi Wen-Ju, Tseng	- -	- -
Faraday Technology - B.V. I	Director	Faraday Technology Corporation Rep.: Wen-Ju, Tseng	27,488,585 shares -	100% -
Faraday Technology - Vietnam Company Limited	Director	Faraday Technology Corporation Rep.: Cheng-Hsing Chien	Faraday invested USD300,000 -	100% -
Chi Hong Investment Corporation	Director	Faraday Technology Corporation Rep.: Kuo-Yung, Wang	62,000,000 shares -	100% -
Sheng Bang Investment Corporation	Director	Faraday Technology Corporation Rep.: Kuo-Yung, Wang	22,202,000 shares -	100% -
Faraday Technology (Mauritius) Corp.	Director	Faraday Technology - B.V.I. Rep.: Wen-Ju, Tseng	12,804,214 shares -	100% -
GrainTech Electronics Limited	Director	Faraday Technology - B.V.I. Rep.: Rong-Shing, Lai	100,000 shares -	100% -
Bright Capital Group Limited-Samoa	Director	Innopower Technology Corporation Rep.: Wen-Ju, Tseng	2,301,482 shares -	100% -
Grain Media Inc.	Director Supervisor	Chih-Hung Investment Corporation Rep.: Rong-Shing, Lai	145,631 shares -	19.42% -
		Sheng Bang Investment Corporation Rep.: Wen-Ju, Tseng	604,369 shares -	80.58% -
			-	-
Innopower Technology Corporation	Director	Chih-Hung Investment Corporation Rep.: Shih-Chin, Lin	20,010,360 shares -	100% -
FaradayTek Solutions India Private Limited	Director Director	Sheng Bang Investment Corporation Rep.: Shih-Chin, Lin	990,000 shares -	99% -
		Chih-Hung Investment Corporation Rep.: YUVARAJ MAHADEVAN	10,000 shares -	1% -
			-	-
Faraday Technology China Corporation	Director Supervisor	Faraday Technology (Mauritius) Corp Rep.: Shih-Chin, Lin/ Jun-Shan, Ju / Chien-Ming, Chen	Mauritius invested USD6,000,000 -	100% -
		Rep.: Wen-Ju, Tseng	-	-
			-	-
Faraday Technology Corporation (Suzhou)	Director	Bright Capital Group Limited-Samoa Rep.: Chien-Ming, Chen/ Chieh-Kai, Liang/ Shih-Chin, Lin	BCGL-Samoa invested USD5,800,000 -	100% -
			-	-

Corporate Name	Title	Representative	Acquired Equity	
			Shares of Stock (Amount of investment)	Proportion
	Supervisor	Rep.: Wen-Ju, Tseng	-	-
Faraday Technology Corporation – Samoa	Director	Faraday Technology - B.V.I. Rep.: Wen-Ju, Tseng	4,715,067 shares -	100% -
United Business Service Corporation (Chongqing)	Director	Faraday Technology Corporation – Samoa Rep.: Kuo-Yung, Wang/ Shih-Chin, Lin/ Kuan-Ming Feng	Faraday-Samoa invested RMB30,000,000 -	100% -
	Supervisor	Rep.: Wen-Ju, Tseng	-	-
Artery Technology Corporation- Cayman	Director	Faraday Technology - B.V.I.	31,149,000 shares	60.87%
		Rep.: Kuo-Yung, Wang	228,000 shares	0.83%
		Rep.: Wen-Ju, Tseng	414,420 shares	1.11%
		Hung-Yu, Lin	609,000 shares	0.70%
		Hong Ding Venture Capital Corporation	5,112,000 shares	0.42%
		Rep.: Bo-Jen, Shen	18,000 shares	-
		Guo-Yung, Liang	0 shares	-
Artery Technology Corporation, Ltd. (Chongqing)	Director	Da-Song, Li	0 shares	-
		Zong-Da, Li	0 shares	-
		Artery Technology Corporation - Cayman	Artery-Cayman invested USD11,960,000 -	100% -
	Supervisor	Rep.: Kuo-Yung, Wang/ Chien-Ming, Chen/ Hung-Yu, Lin/ Rong-Shing, Lai/ Bo-Jen, Shen	-	-
		Rep.: Wen-Ju, Tseng	-	-
United Creative Solution Corporation(Shanghai)	Director	United Business Service Corporation	United Business Service Corporation invested CNY5,000,000 -	100% -
	Supervisor	Rep.: Jen-Shan, Ju Rep.: Wen-Ju, Tseng	-	-
Innopower Technology Corporation (Chongqing)	Director	United Business Service Corporation	United Business Service Corporation invested CNY1,000,000 -	100% -
	Supervisor	Rep.: Shih-Chin, Lin Rep.: Wen-Ju, Tseng	-	-
Artery Technology Company	Director	Artery Technology Corporation – Cayman	17,114,075 shares -	100% -
		Rep.: Kuo-Yung, Wang/ Chien-Ming, Chen/ Hung-Yu, Lin/Rong-Shing, Lai/ Bo-Jen, Shen	-	-

B. Brief of Operations

March 31, 2022

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD\$)
Faraday Technology Corp.(USA)	USD 13,058,000	USD 21,575,271	USD 4,878,141	USD 16,697,130	USD 12,991,708	USD 1,066,677	USD 845,882	—
Faraday Technology Japan Corp.	¥ 100,000,000	¥ 1,450,321,211	¥ 997,292,152	¥ 453,029,059	¥ 883,007,563	¥ 58,663,607	¥ 48,482,889	—
Faraday Technology - B.V.I.	NTD 855,769,896	NTD 927,372,072	NTD 228,500	NTD 927,143,572	—	—	NTD 115,928,416	—
Chi Hong Investment Corporation	NTD 620,000,000	NTD 592,218,973	NTD 281,000	NTD 591,937,973	—	NTD -37,000	NTD 22,392,221	—
Sheng Bang Investment Corporation	NTD 222,020,000	NTD 204,785,600	NTD 211,000	NTD 204,574,600	—	NTD -12,000	NTD -263,192	—
Faraday Technology (Mauritius) Corp.	NTD 406,711,929	NTD 125,875,548	—	NTD 125,875,548	—	—	NTD 5,675,314	—
GrainTech Electronics Limited	NTD 3,192,500	NTD 5,187,940	NTD 84,394	NTD 5,103,546	—	—	NTD 174,260	—
Bright Capital Group Limited-Samoa	NTD 68,593,066	NTD 400,341,039	—	NTD 400,341,039	—	—	NTD 25,007,418	—

Corporate Name	Registered capital	Total Assets	Total Liabilities	Net Assets	Operating Revenues	Operating Profits	Net Income (After-tax)	EPS (NTD\$)
Grain Media Inc.	NTD 7,500,000	NTD 6,073,726	NTD 277,961	NTD 5,795,765	—	NTD -18,028	NTD -18,038	—
Innower Technology Corporation	NTD 200,103,600	NTD 522,441,931	NTD 149,650,123	NTD 372,791,808	NTD 4,267,684	NTD 4,395,817	NTD 22,420,335	—
Faraday Technology China Corporation	CNY 43,618,000	CNY 151,515,772	CNY 124,049,638	CNY 27,466,134	CNY 81,053,895	CNY 1,607,069	CNY 1,243,935	—
Faraday Technology Corporation (Suzhou)	CNY 39,863,870	CNY 146,488,451	CNY 57,642,302	CNY 88,846,149	CNY 26,302,523	CNY 4,929,672	CNY 5,549,802	—
Grain Media Inc. (Suzhou)	CNY 25,000,000	—	—	—	—	—	—	—
Faraday Technology Corporation—Samoa	NTD 155,220,000	NTD 223,077,468	—	NTD 223,077,468	—	—	NTD 43,342,598	—
United Business Service Corporation (Chongqing)	CNY 30,000,000	CNY 64,274,080	CNY 14,767,610	CNY 49,506,470	CNY 11,530,200	CNY 8,708,621	CNY 9,618,853	—
Artery Technology Corporation - Cayman	NTD 511,740,000	NTD 969,892,499	NTD 20,802,423	NTD 949,090,076	—	NTD -1,520,657	NTD 109,520,074	—
Artery Technology Corporation, Ltd. (Chongqing)	CNY 81,311,212	CNY 170,537,677	CNY 25,344,877	CNY 145,192,800	CNY 29,306,526	CNY 2,829,972	CNY 2,948,066	—
Artery Technology Company	NTD 171,140,750	NTD 382,475,161	NTD 93,330,332	NTD 289,144,829	NTD 350,474,063	NTD 134,932,336	NTD 116,469,926	—
United Creative Solution Corporation (Shanghai)	CNY 10,000,000	CNY 127,774,384	CNY 112,297,056	CNY 15,477,328	CNY 21,682,056	CNY 864,139	CNY 775,513	—
Innower Technology Corporation (Chongqing)	CNY 1,000,000	CNY 999,518	—	CNY 999,518	—	CNY -1,000	CNY -250	—
Faraday Technology Vietnam Company Limited	VNM 6,978,000,000	VNM 45,928,734,350	VNM 34,062,833,200	VNM 11,865,901,150	VNM 12,792,268,800	VNM 479,382,400	VNM 398,257,600	—
FaradayTek Solution India Private Limited	INR 10,000,000	INR 35,162,269	INR 12,478,758	INR 22,683,511	INR 19,329,799	INR 3,221,804	INR 3,273,125	—

(2) Consolidated financial statements for affiliates

The Declaration

According to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” by the Republic of China, the affiliates included in Faraday’s consolidated financial statements as of January 1 to December 31, 2021, are in conformity with IFRS 10, and the relevant information that should be disclosed in consolidated financial statements of affiliates has all been disclosed in the aforementioned consolidated financial reports of the parent and subsidiary companies, so there will be no separated preparation of consolidated financial statements of affiliates.

Faraday Technology Corporation

Chairman: Chia-Tsung, Hung

February 22, 2022

(3) Affiliation Report

I. The relationship between the subordinate company and the controlling company: Not Applicable.

II. Business transactions

(a)Purchase (sale) of goods: Not Applicable.

(b) Property transactions: None.

(c)Financing: None.

(d)Asset leasing: None.

(e)Other significant business transactions: None.

III. Endorsements and Guarantees: None.

IV. Derivatives Trading: None.

2. Status of private equity securities processing in the most recent year and up to the date of publication of the annual report: None.

3. Holdings or disposals of Faraday's stock by affiliates in the most recent year and up to the date of publication of the annual report: None.

4. Other necessary supplementary notes: None.

5. Any matters with significant impact on shareholders' equity or securities prices as stipulated in the second paragraph of item 3 of Article 36 of the Securities Trading Law in the most recent year and up to the date of publication of the annual report: None.



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