

# **MPI Corporation**

## **2020 Annual Report**

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Company website: <http://www.mpi.com.tw>

Website of the Annual Report/Market Observation Post System Website:  
<http://mops.twse.com.tw>

- I. Company spokesman and deputy spokesman:  
Spokesman's Name: Qiu, Jin-Fei  
Job Title: Special Assistant of the Chairman of Board  
Tel. No.: 03-5551771  
Email: amanda.chiu@mpi.com.tw
- Deputy Spokesman's Name: Zhuang, Jie-Zhi  
Title: Vice Director of the Business Division  
Tel. No.: 03-5551771  
Email: raymond.chuang@mpi.com.tw
- II. Address of the Company's Head Office, Branch, Plant, and Tel. Nos.:  
Head Office: No. 151, No. 153 & No. 155, Zhonghe Street, Zhubei City, Hsinchu County, Taiwan  
Tel. No.: 03-5551771  
2nd Plant in Zhubei: No. 129, Zhonghe Street, Zhubei City, Hsinchu County, Taiwan  
Tel. No.: 03-5551771  
3rd Plant in Zhubei: No. 155, Taihe Rd., Zhubei City, Hsinchu County, Taiwan  
Tel. No.: 03-5551771  
Xinpu Plant: No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County, Taiwan  
Tel. No.: 03-5551771  
Hukou Plant: Building B, 1F, No. 42, Guangfu Rd., Hukou Township, Hsinchu County, Taiwan  
Tel. No.: 03-5551771  
Branch in Southern Taiwan: No. 7, Luke 1st Road, Luzhu Dist., Kaohsiung City, Taiwan  
Tel. No.: 07-9559966
- III. Shares Registrar:  
Name: Hua Nan Securities Co., Ltd.  
Address: 4F, No. 54, Sec. 4, Minsheng E. Road, Songshan Dist., Taipei City, Taiwan  
Website: <http://www.entrust.com.tw>  
Tel. No.: 02-27186425
- IV. External Auditors in the most recent year:  
Name of CPA: Chen, Chih-Ling and Chen, Yi-Ling, CPAs  
CPA Firm: Nexia Sun Rise CPAs & Co.  
Address: 2F, No. 33, Fuxing N. Road, Songshan Dist., Taipei City, Taiwan  
Website: <http://nexia.otc.gs>  
Tel. No.: 02-27510306
- V. Name of any exchanges where the Company's securities are traded offshore: N/A
- VI. Company Website: <http://www.mpi.com.tw>

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# **One. A Report to Shareholders**

## **I. 2020 Operating Results**

### **(I) Business Plan and Result**

In FY 2020, the Group generated the net consolidated operating revenue amounting to NT\$5.926 billion, which was an increase by 7% compared to NT\$5.515 billion in 2019. The earnings in FY 2020 amounted to NT\$714 million, an increase of 67% from NT\$428 million in 2019 with earnings after tax per share of NT\$8.41.

The global semi-conductor industry's output value was about US\$450 billion in 2020, increasing by about 7% from 2019. The global semi-conductor research and survey organization forecast that the global industry's output value will amount to US\$486 billion in 2021, increasing by about 8% from 2020.

2020 was a year in which people's life style was completely changed globally, as the world was suffering from the COVID-19 epidemic. The epidemic has posed significant impact to a lot of the traditional industry's demands. Notwithstanding, the semi-conductor industry was one of the few industries benefiting from the epidemic. 5G and the epidemic have accelerated the digital transformation and driven the demand for chips accordingly. The home quarantine policies adopted by various countries have resulted in the significant increase in sales of PCs, NBs, pads and other wearable consumable electronic products, thereby driving the entire semi-conductor industry's growth. At the end of 2020, the strong recovery of demand in the automobile market and accelerated 5G deployment are expected to continue driving the semi-conductor growth in 2021. The 5G technology can be applied to smart phones. Now it is also extensively applied to laptops, TVs, advanced IoT devices, automobiles, factory automation and consumable electronic products step by step. In next few years, 5G will become the key factor driving the semi-conductor growth. Meanwhile, the semi-conductor market's growth will also be driven by the terminal products, such as communications, solid-state lighting, SSD, wearable devices and electric vehicles/hybrid vehicles in 2021.

As driven by said demands, the semi-conductor supply chain keeps playing an important role. In consideration of the high computing function of chips, it is necessary to keep improving the advanced production process of semi-conductor to upgrade the terminal products' overall performance. The world's high reliance on the semi-conductor industry also benefits the prospective of the demand for probe cards. As a world-renowned leading probe card manufacturer, MPI Corporation will keep upholding its spirit of innovation, introducing plentiful R&D resources, and striving to improve the completeness of its private products in the area of probe card, in order to provide customers with the best services. The self-made semi-conductor equipment for engineering and temperature testing is expected to keep growing in response to the business indicators and demand.

## (II) Revenue and profitability analysis

Unit: NTD thousands

Item		Year	2019	2020	Change (%)	
Revenue	Net Sales		5,515,200	5,925,601	7.44%	
	Gross profit		2,228,901	2,585,565	16.00%	
	Profit or loss after tax		428,370	714,482	66.79%	
Profitability	ROA (%)		5.48	8.48	54.74%	
	ROE (%)		10.07	14.24	41.41%	
	Operating Income to Paid-in capital ratio (%)		59.69	93.40	56.48%	
	EBT to Paid-in capital ratio (%)		61.16	91.74	50.00%	
	Net profit margin (%)		7.76	12.05	55.28%	
	EPS (NT\$)	before retroactive adjustment		5.36	8.41	56.90%
		after retroactive adjustment		5.36	8.41	56.90%

## (III) Research and development

Research and development findings in 2020:

1. Photoelectric precision automated equipment:
  - A. Micro LED wafer level high-speed photoelectric test system.
  - B. Wafer level test system with high-speed, high-current and high-power Laser Diode and VCSEL.
  - C. Three-temperature full automatic probe station applicable to the wafer-level and PCB-level photoelectric measurement need.
2. Wafer probe card:
  - A. The Company continues to develop vertical type MEMS probe cards to meet the need for low-contact force and high-gauge knitting technology of IC scaling.
  - B. To meet the technology requirement for high-speed transmission of smart devices, we constantly develop the high-speed probe card to meet the probing need of high-speed transmission.
  - C. Develop 50um/40um micro-distance probe cards to satisfy the application in miniaturization of IC process.
  - D. In response to the application demand of high performance computing, we successfully develop high current withstanding probe cards.
3. Semi-conductor component temperature testing series:

Develop various optimal high-temperature/low-temperature testing system models in

response to customers' needs for application.

4. Semi-conductor engineering testing machine series:

Successfully launch 220 high-frequency probe card and wafer prober, and high-temperature/low-temperature measurement-related sub-systems.

## II. Summary of 2021 Business Plan

### (I) Operational guidelines

Technology is essential to maintain competitiveness. In light of the development of the microelectronic industry and technology requirements in the future, MPI Corporation undertakes the following strategic planning and commits its effort to sustain its competitive advantage:

1. To satisfy the need for application of high-rank IC scaling, we continue to develop wafer level fine-pitch testing technology.
2. In response to the application demand of high performance computing, we continue to develop high current withstanding probe cards.
3. To meet the technology requirement for high-speed transmission of smart devices, we constantly develop probe cards with higher speed.
4. We keep optimizing the multi-layer organic to correspond to the technical demand for higher specification applications in the future and strengthen the competitiveness of the probe card products.
5. For the photonics automation industry, we aim at four industrial fields of optical communication, sensing& LiDar, micro display and LED to offer automated equipment with high optical, mechanical and electrical integration for measurement, sorting and optical inspection. By deeply cooperating with the leading customers of international technology, we adopt the providing of high value-added Turnkey solution for the photoelectric industry as our main development goal.
6. Regarding the application of the temperature control system for the financial information environmental test of the semiconductor and fiber optics communication components, we continue to develop best products that corresponds to different testing temperature range to provide the customer with the best temperature testing solution.
7. In the application field of semiconductor engineering testing, we keep developing more convenient and efficient functions to facilitate customers' use of the products, and focusing on development of silicon photonics measurement equipment.

(II) Key production and sales policies

MPI Corporation will constantly invest in the R&D capacities, enhance the competitiveness and develop new products to expand our business. Meanwhile, we strengthen the capacity to support our overseas business locations to provide a more rapid and comprehensive technical service for the customers and further increase our products.

We will behold the core philosophy of assisting our customers to upgrade their competitiveness and thereby positions ourselves as the technology partners of the customers. Also, our main production and sales policy is to focus on the future demand of the customer to jointly develop the most suitable products and provide in-time technical services. Therefore, we offer the best solution for our customers.

**III. The development strategy of the future**

- (I) Based on the five major technical areas including prober, sorting, photoelectric testing, imaging detection and automated equipment, provide complete testing application solutions to meet the need for mass production of the photoelectric and semiconductor industries.
- (II) In the application field of semiconductor engineering testing, we continue to develop more competitive products via the core technology of micro-signal, high-frequency and high-power, high-temperature/low-temperature measurement.
- (III) With the core technology of temperature control, we continue to expand the environmental temperature testing market in the fields of semiconductor and fiber optics communication components. In the future, we will introduce this technology to the applications of component temperature testing.
- (IV) In response to the constant demand of the end consumption for higher performance computing, faster transmission, various functions and power saving and the rising market of intelligent technology application, we develop fine-pitch probe card as well as the high pin count and high speed probe card to upgrade the frequency in testing and efficiency for the customer needs to ensure our competitiveness.

**IV. The effect of the external competitive, legal, and macroeconomic environment**

Under the impact posed by the COVID-19 epidemic in 2020, people all over the world were forced to change their life style. The epidemic has accelerated the digital transformation and driven the semi-conductor demand by work from home (WFH). The increasing penetration rate of 5G mobile phones also drove the growing demand for related chips. Besides, in consideration of the uncertainty brought in the tech war between China and the USA, customers



increased their inventory level. Therefore, the demand for semi-conductor was boosted further. Benefiting from the booming demand in the global semi-conductor supply chain, we will continue to focus on expansion of our main profession and expect ourselves to maintain the leading position in the industry. We will also provide customers with more comprehensive test services through our more excellent products, hoping to further maximize the return on investment for our shareholders.

## Two. Introduction to Company

### I. Introduction to Company

(I) Date of incorporation: July 25, 1995

(II) Company profile

July 1995	MPI Corporation was incorporated with the capital of NT\$5 million.
July 1996	Maintenance technology of Micronics Japan Co., Ltd. (“MJC”) was transferred to MPI.
September 1996	Reorganized to incorporate MPI Corporation
December 1997	MJC technical guidance and training started.
March 1998	MJC technical guidance and training ended.
October 1998	Due to the capital increase in cash by NT\$55 million, the capital became NT\$60 million.
October 1998	MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December 1998	Possessed the ability to maintain 32 DUT
March 1999	Possessed the ability to produce Fine pitch (50μm)
June 1999	Possessed the MJC 8 DUT New Design ability
April 2000	Bldg. A of 1st Plant in Zhubei completed and activated
July 2000	Southern Taiwan Office and Customers Service Center established
July 2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling NT\$40 million, the capital became NT\$100 million.
December 2000	Possessed the MJC 16 DUT Production & New Design ability.
December 2000	MPI TRADING CORP. incorporated with the registered capital US\$1 million.
May 2001	Semi-auto prober released for LED wafer probing.
May 2001	Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling NT\$100 million, the capital became NT\$200 million.
July 2001	Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance.
August 2001	Incorporated MMI HOLDING CO., LTD. with registered capital of NT\$10 million.
September 2001	Pass ISO9001/2000 certification
December 2001	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the first time.
June 2002	Due to succession to the shares of Chain-Logic International Corp. amounting to NT\$50 million and capital increase by recapitalization of earnings and employee bonus amounting to NT\$50 million, i.e. NT\$1 100 million in total. After that, the capital became NT\$300 million.
July 2002	Apply for registration of GTSM listed stock.
July 2002	Ranked 8th place among the “Top 100 Small-Sized and Medium-Sized Enterprises with Potential” selected by CommonWealth.
August 2002	Trade stock in GTSM, and apply for GTSM listed stock.
October 2002	Applied for GTSM listed stock approved by Securities Listing Review Committee of GTSM.
January 2003	MPI stock traded in GTSM as the general class stock as of January 6, 2003.
January 2003	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the second time.

July 2003	Ranking 8th place for EPS among the “Top 100 Small-Sized and Medium-Sized Enterprises with Potential” selected by CommonWealth.
July 2003	Applied for approval of the plan on the development of new leading products “semi-conductor components analysis platform” with Industrial Development Bureau.
August 2003	Trial mass production by vertical type probe card.
October 2003	Bldg. B of 1st Plant in Zhubei completed and activated.
April 2004	Offered the 1st domestic unsecured convertible corporate bond totaling NT\$250 million.
May 2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June 2004	Bldg. C of 1st Plant in Zhubei completed and activated.
March 2005	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the third time.
April 2005	Southern Taiwan Branch (1st Plant in Luchu) completed and activated.
June 2005	Family Day and Charity Carnival for 10th anniversary celebration.
June 2005	Ranking 7th place for EPS of technology index TWSE/GTSM stock, 5th place for profit ratio and 7th place for return on equity (ROE) among the “TOP 100 Technological Companies in Taiwan” selected by CommonWealth in 2004.
September 2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award of 13th Term by MOEA.
November 2005	Employee dormitory completed and activated.
December 2005	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the fourth time.
May 2006	Received the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA.
September 2006	Listed as one of the candidates under the “Leading New product Development Guidance Plan - Special Report for 12 Candidates”.
November 2006	Applied for approval of the plan on the new leading products “RFID Automatic Flip Chip Bonder” with Industrial Development Bureau.
February 2007	Offer the domestic 2nd unsecured convertible corporate bond totaling NT\$400 million.
March 2007	2nd Plant in Luchu, Kaohsiung completed and activated.
June 2007	Applied for approval of the plan on the new leading products “Advanced Micro Electro Mechanical SoC Probe Card” with Industrial Development Bureau.
January 2008	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the fifth time.
December 2008	Listed in the middle-sized enterprise rating among the “Top 73 Companies Which Make Most Money for Shareholders” selected by Global View Monthly.
February 2009	Taiwan Intellectual Property Office announced MPI as “2008 top 100 local innovative companies”.
March 2009	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the sixth time.
June 2009	Applied for approval of the plan on the development of new leading products “semi-conductor high-frequency components probe card for probing” with Industrial Development Bureau.
December 2009	Received the approval letter for the “Newly Emerging, Important and Strategic Industries” from Industrial Development Bureau, MOEA for the seventh time.
September 2010	Invested 900 million won in MEGTAS CO., LTD.
March 2011	Capital increase of MEGTAS CO., LTD. by 300 million won.
March 2012	Capital increase of MEGTAS CO., LTD. by 300 million won.

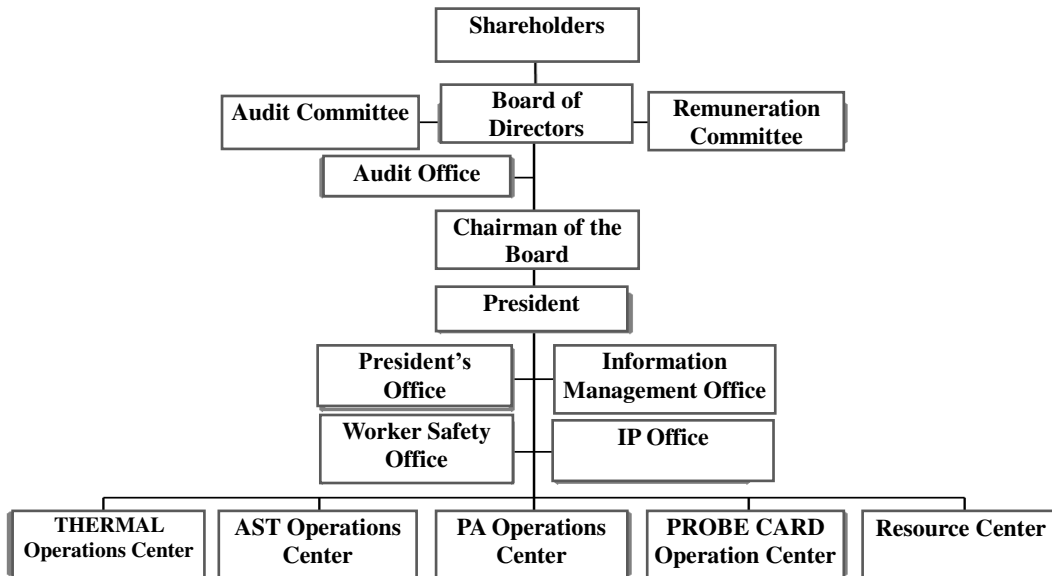
May 2012	2nd Plant in Zhubei completed and activated.
October 2012	Honored as “Deloitte Technology Fast500 Asia Pacific 2012”
February 2013	Taiwan Intellectual Property Office announced MPI ranking at 88th place among the “2012 top 100 local companies which apply for patent”.
April 2013	Awarded in the 2nd “Taiwan Mittlestand Award”.
May 2013	Ranking at 7th place in the “Global Probe Card Suppliers’ Billboard Published by VLSI Research Inc. in 2012”
May 2013	Ranking at 4th place in the best sub-system suppliers investigated by VLSI Research 2012
January 2014	Identified on the name list of 69 potential medium-sized enterprises of 2 <sup>nd</sup> term selected by Ministry of Economic Affairs
January 2014	Reinvested US\$4 million in Lumitek (Changchou) Co. Ltd.
February 2014	Taiwan Intellectual Property Office announced MPI ranking at 67th place among the “2013 top 100 local companies which apply for patent”.
March 2014	Re-invested NT\$50 million in Allstron Corporation.
April 2014	Ranked at 5th place in the global probe card suppliers’ billboard in 2013 (by VSL Research).
September 2014	Purchased Xinpu Plant.
November 2014	Offered the 3rd domestic convertible corporate bond totaling NT\$700 million.
November 2014	United family day of 20th anniversary.
February 2015	Taiwan Intellectual Property Office announced MPI ranking at 79th place among the “2014 top 100 local companies which apply for patent”.
February 2015	Reinvested US\$7.5 million in Lumitek (Changchou) Co. Ltd.
April 2015	VLSI Research Inc. announced MPI ranking 1st place in the market of Epoxy/Cantilever Probe Cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking 4th place in the market of vertical type probe cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers’ billboard in 2014.
August 2015	Reinvested US\$600,000 in Lumitek (Changchou) Co. Ltd.
November 2015	Reinvested US\$2.9 million in Lumitek (Changchou) Co. Ltd.
February 2016	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2015 top 100 local companies which apply for patent”.
December 2016	Reinvested US\$1 million in Lumitek (Changchou) Co. Ltd.
February 2017	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2016 top 100 local companies which apply for a patent” and 94th place among the “2016 top 100 local companies which apply for invention patent”.
April 2017	Awarded in the 4th “Taiwan Mittlestand Award”.
April 2017	VLSI Research announced MPI ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2016.
	VLSI Research announced MPI ranking 1st place in the global market of vertical type probe cards in the world in 2016.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers’ billboard in 2016.
May 2017	Established MPA TRADING CORP. for USD 2.15 million.
May 2017	Invested MPI AMERICA INC. for USD 1.2 million.
September 2017	Invested MPI Corporation (Suzhou) for USD 1 million.
February 2018	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2017 top 100 local companies which apply for patent” and 76th place among the “2017 top 100 local companies which apply for invention patent”.
May 2018	VLSI Research announced MPI ranking 1st place in the global market of

	Epoxy/Cantilever Probe Cards in the world in 2017.
	VLSI Research announced MPI ranking 2nd place in the global market of vertical type probe cards in the world in 2017.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers' billboard in 2017.
August 2018	Offered the 4th domestic convertible corporate bond totaling NT\$1,001 million.
October 2018	Capital increase of MEGTAS CO., LTD. by 500 million won.
April 2019	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2018.
	VLSI Research announced MPI continuously ranking 2nd place in the global market of vertical type probe cards in the world in 2018.
	VLSI Research announced MPI continuously ranking at 5th place in the global probe card suppliers' billboard in 2018.
April 2020	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2019.
	VLSI Research announced MPI continuously ranking 1st place in the global market of vertical type probe cards in the world in 2019.
	VLSI Research announced MPI continuously ranked in 5th place on the global probe card suppliers' billboard in 2019.
January 2021	3rd Plant in Zhubei completed and activated.
April 2021	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2020.
	VLSI Research announced MPI continuously ranking 1st place in the global market of vertical type probe cards in the world in 2020.
	VLSI Research announced MPI continuously ranked in 5th place on the global probe card suppliers' billboard in 2020.

### Three. Corporate Governance Report

#### I. Organization

(I) Organizational structure:



(II) Operations and functions:

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company.
Occupational Safety Office	Responsible for safety and hygiene management and healthcare promotion for employees.
IP Office	Combine R&D activities, create fine-quality intellectual property for the enterprise, and improve competitiveness at the same time; respect and carefully evaluate another person's intellectual property rights to mitigate the risk over infringement, and maintain the greatest interest for the Company and shareholders.
THERMAL Operation Center	R&D, manufacturing and selling of the Thermal Air series products of the Company, provision of the temperature testing equipment that the customer needs for manufacturing or experiment. Our customers come from the semi-conductor, optical communication, photoelectric, automobile and aerospace industries. Our products are available around the globe.
AST Operation Center	Responsible for planning, development, manufacturing, selling and after service of the engineering probing system and radio-frequency probe.
PA Operation Center	Development of new equipment product, technology application, manufacturing and assembling. Quality inspection and control of the raw materials and equipment products.

	Information collection of the market demands of automated photoelectric equipment. Achievement of operational goals.
PROBE CARD Operation Center	Responsible for research, development, design, manufacturing, selling and after service of the probe card products.
Resource Center	Responsible for the finance, accounting, stock and tax affairs of the Company. Procurement of raw materials. Human resources/labor and legal matters. Administrative management, general affairs and plant affairs.

## II. Information about Director, President, Vice President, Assistant Vice President, and Head of Department and Branch:

### (I) Directors:

#### Information about directors (1)

April 30, 2021 Unit: share; %

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding other positions of the Company and other companies at present	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship			Remark
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
Chairman	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	April 16, 2001	8,334,626	8.97%	8,334,626	8.97%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Ko, Chang-Lin	Male	June 15, 2020	3 years	July 11, 2016	1,425,994	1.53%	1,425,994	1.53%	427,781	0.46%	0	0.00%	Academic degree: EMBA, College of Management, National Chiao Tung University Major experience: Electronics Research & Service Organization, Industrial Technology Research Institute	This Company: CEO Other companies: Chairman of Chain-Logic International Corp., MPI Investment Co., Ltd., MMI HOLDING CORP., MPI TRADING CORP., CHAIN-LOGIC TRADING CORP., MPA TRADING CORP. and Gordon Biersch Restaurant & Brewery, and Director of Kopitiam.	N/A	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	April 16, 2001	8,334,626	8.97%	8,334,626	8.97%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Steve Chen	Male	June 15, 2020	3 years	August 1, 2012	230,283	0.25%	230,283	0.25%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	This Company: Consultant Other companies: Director of Chain-Logic International Corp., Director of MPI Investment Co., Ltd., and Director of Allstron Corporation	N/A	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	April 16, 2001	8,334,626	8.97%	8,334,626	8.97%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Scott Kuo	Male	June 15, 2020	3 years	November 26, 2012	438,037	0.47%	414,037	0.45%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	This Company: President In other companies: Director of Chain-Logic International Corp., Supervisor of MPI Investment Co., Ltd., Chairman of Allstron Corporation, and Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A	N/A



Information about directors (I):

April 30, 2021 Unit: share; %

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date Onboard	at election Shareholding		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding other positions of the Company and other companies at present	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship			Remarks
							Shares	Ratio of shareholding	Shares	Proportion of shareholding Ratio	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
Director	R.O.C.	Li, Tu-Cheng	Male	June 15, 2020	3 years	April 16, 2001	599,349	0.64%	469,349	0.50%	414	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	This Company: N/A Other companies: Chairman of Zen Voce Corporation, Chairman of Chen Ho Investment Ltd., Chairman of Zan Hong Industrial Co., Ltd., Director of Zen Voce Precision Equipment (Suzhou) Ltd., and Chairman of Zen Voce(Pg)Sdn.Bhd, and Chairman of Zen Voce Manufacturing Pte Ltd.	N/A	N/A	N/A	N/A
Director	R.O.C.	Liu, Fang-Sheng	Male	June 15, 2020	3 years	April 16, 2001	255,471	0.27%	255,471	0.27%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	This Company: N/A Other companies: Dentist, Li Cheng Dental Clinic	N/A	N/A	N/A	N/A
Director	R.O.C.	Tsai, Chang-Shou	Male	June 15, 2020	3 years	June 20, 2003	21,630	0.02%	21,630	0.02%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Bureau of Accounting & Statistics, Provincial Government of Taiwan	This Company: N/A Other companies: Practicing CPA of Chin Hsin CPA Office; supervisor of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Hsu, Mei-Fang	Female	June 15, 2020	3 years	April 16, 2001	244,441	0.26%	244,441	0.26%	1,050	0.00%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	This Company: N/A Other companies: Practicing CPA of Dayar CPA Firm; supervisor of 104 Corporation	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Kao, Chin-Cheng	Male	June 15, 2020	3 years	April 16, 2001	162,414	0.17%	162,414	0.17%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	This Company: N/A Other companies: Attorney-at-law in Lian Cheng Law Office	N/A	N/A	N/A	N/A
Independent Director	R.O.C.	Liao, Da-Ying	Male	June 15, 2020	3 years	June 15, 2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Academic degree: Doctor of Judicial Science (Ph.D.), Kobe University Major experience: Professor, Department of Law, National Chung Hsing University	This Company: N/A Other companies: Professor, the College of Law, Tunghai University	N/A	N/A	N/A	N/A

(II) Director who acts as a corporate shareholder's representative, please specify the major shareholders of the corporate shareholder. :

April 30, 2021

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MPI Investment Co., Ltd.	Ko, Chang-Lin	44.83%
	Li, Tu-Cheng	27.17%
	Steve Chen	9.06%
	Cai, Shu-Jin	6.34%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%
	Ge, Yong-Lun	2.44%
	Ge, Yu-Pei	2.36%
	Ge, Yu-Sheng	1.52%

## (III) Information about directors:

Information about directors (II)

April 30, 2021

Name (Note 1)	Qualification	More than five years of experience and the following professional qualifications			Status of independence (Note 2)												Number of public companies where the person holds the title as independent director	
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company.	Required Work experience in commerce, law, finance, accounting or others required by the Company.	1	2	3	4	5	6	7	8	9	10	11	12		
Chairman	MPI Investment Co., Ltd. Representative--Kuo, Chang-Lin			✓				✓					✓	✓	✓	✓	✓	N/A
Director	MPI Investment Co., Ltd. Representative--Steve Chen			✓				✓					✓	✓	✓	✓	✓	N/A
Director	MPI Investment Co., Ltd. Representative--Scott Kuo			✓				✓					✓	✓	✓	✓	✓	N/A
Director	Liu, Fang-Sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Director	Li, Tu-Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Director	Tsai, Chang-Shou		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Independent director	Hsu, Mei-Fang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Independent director	Kao, Chin-Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Independent director	Liao, Da-Ying	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Note 2: Respective directors who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Not a natural person, spouse, underage children, or under the title of a third party represented 1% holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in the Item (2) and Item (3).

- (5) Not a Director, Supervisor, or employee of any institutional shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 institutional shareholders of the Company, or the institutional shareholders who appoint their representatives to serve as the Director or Supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the directors or voting shares of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with the Act, or laws of the registered country).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company (this restriction does not apply to any specific company or organization which holds more than 20% but less than 50% of the total shares issued by the Company that is an independent director in the Company, its parent company or subsidiary, or any subsidiary of the same parent company who has been appointed in accordance with the Act, or laws of the registered country).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past two years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse to or second degree kin under the Civil Code to any other director.
- (11) Not under any of the categories stated in Article 30 of the Company Act.
- (12) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

## (IV) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers:

April 30, 2021 Unit: share; %

Job title	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding positions in other companies at present	Managers Within the Second Degree of Kinship			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
President	R.O.C.	Scott Kuo	Male	June 16, 2010	414,037	0.45%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Chairman of Allstron Corporation Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A	N/A
Vice General Manager of the Equipment Operation Center	R.O.C.	Fan, Wei-Ju	Male	July 1, 2008	75,034	0.08%	244	0.00%	0	0.00%	Academic degree: National Chiao Tung University, the Institute of Electrical and Control Engineering Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	N/A	N/A	N/A	N/A	N/A
Marketing Vice President	R.O.C.	Liu, Yung-Chin	Male	June 20, 2011	15,211	0.02%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Allstron Corporation	N/A	N/A	N/A	N/A
Finance Officer	R.O.C.	Tang, Fu-Ping	Male	May 7, 2019	0	0.00%	0	0.00%	0	0.00%	Academic degree: Graduate Institute of Banking and Finance, National Chung Cheng University (PHD) Major experience: G-TECH Optoelectronics Corporation	N/A	N/A	N/A	N/A	N/A
Accounting officer	R.O.C.	Rose Jao	Female	March 9, 2007	47,251	0.05%	0	0.00%	0	0.00%	Academic degree: Mingshin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz products Co., Ltd.	Supervisor of Chain-Logic International Corp. Supervisor of Allstron Corporation Supervisor of Lumitek (Changchou) Co. Ltd. Supervisor of MPI Corporation (Suzhou)	N/A	N/A	N/A	N/A
Vice Director of the Southern Manufacturing Division	R.O.C.	Wang, Jian-Ming	Male	November 14, 2016	5,000	0.01%	0	0.00%	0	0.00%	Academic degree: Department of Mechanical Engineering, Nanya Institute of Technology Major experience: Yi Jia Industrial	N/A	N/A	N/A	N/A	N/A

(V) Remuneration to directors, presidents and vice presidents of the Company in the most recent year:

1. Remuneration to directors and independent directors

December 31, 2020; Currency unit: NTD thousand

Job title	Name	Remuneration to directors								The total amount of A, B, C and D in net income after tax (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries or parent company
		Remuneration (A)		Retirement pension (B)		Remuneration to directors (C)		For Services Expense (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company		All companies included into the financial statement.		The Company	All companies included into the financial statement.			
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin																					
Director	Representative of MPI Investment Co., Ltd.: Steve Chen																					
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	0	0	0	0	9,235	9,235	0	0	1.29%	1.29%	13,185	13,185	216	216	310	0	310	0	3.21%	3.21%	N/A
Director	Li, Tu-Cheng																					
Director	Liu, Fang-Sheng																					
Director	Tsai, Chang-Shou																					
Independent director	Hsu, Mei-Fang																					
Independent director	Kao, Chin-Cheng	0	0	0	0	6,156	6,156	0	0	0.86%	0.86%	0	0	0	0	0	0	0	0	0.86%	0.86%	N/A
Independent director	Liao, Da-Ying																					

1. Please state the policies, systems, standards, and structure of remuneration to independent directors, and the relations between the remuneration and the job responsibility, risk and engagement hours borne by the independent directors: The remunerations to the Company's independent directors are reviewed by Remuneration Committee according to the Articles of Incorporation, by taking into consideration their level of participation and contribution to the operation of the Company with reference to domestic and international industry standard, and shall be discussed and resolved by the Board of Directors.

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

3. The Company re-elected directors on June 15, 2020. The new directors as elected included Li, Tu-Cheng, Liu, Fang-Teng, and Tsai, Chang-Shou. The new independent director elected was Liao, Da-Ying.

4. Director Liu, Fang-Sheng served as a supervisor from April 16, 2001 to June 14, 2020. Director Li, Tu-Cheng and Director Tsai, Chang-Shou served as supervisors from June 20, 2003 to June 14, 2020.

5: The retirement pension refers to the contribution provided by the Company.

**Breakdown of Remuneration**

Breakdown of remuneration paid to each director	Name of Director			
	The sum of (A+B+C+D)		The sum of (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement (I)	The Company	All companies included in the financial statement (J)
Below 1,000,000				
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin Representative of MPI Investment Co., Ltd.: Steve Chen Representative of MPI Investment Co., Ltd.: Scott Kuo	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin Representative of MPI Investment Co., Ltd.: Steve Chen Representative of MPI Investment Co., Ltd.: Scott Kuo	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin
	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
5,000,000 (inclusive) ~ 10,000,000 (exclusive)			Directors: Representative of MPI Investment Co., Ltd.: Steve Chen Representative of MPI Investment Co., Ltd.: Scott Kuo	Directors: Representative of MPI Investment Co., Ltd.: Steve Chen Representative of MPI Investment Co., Ltd.: Scott Kuo
10,000,000 (inclusive) ~ 15,000,000 (exclusive)				
15,000,000 (inclusive) ~ 30,000,000 (exclusive)				
30,000,000 (inclusive) ~ 50,000,000 (exclusive)				
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
NT\$100,000,000 or more				
Total	9 persons	9 persons	9 persons	9 persons

## 2. Remuneration to supervisors

December 31, 2020; Currency unit: NTD thousand

Job title	Name	Remuneration to supervisor						The sum of A, B, and C to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries or parent company
		Remuneration (A)		Compensation (B)		Fees for practicing services (C)		The Company	All companies included into the financial statement.	
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.			
Supervisor	Li, Tu-Cheng	0	0	3,078	3,078	0	0	0.43%	0.43%	N/A
Supervisor	Liu, Fang-Sheng									
Supervisor	Tsai, Chang-Shou									

Note: Directors were re-elected in whole at the Company's annual general meeting on June 15, 2020. Meanwhile, the Audit Committee was established to replace supervisors.

### Breakdown of Remuneration

Breakdown of remuneration paid to each supervisor.	Supervisor	
	The sum of (A+B+C)	
	The Company	All companies included into the financial statement.
Below 1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)		
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
NT\$100,000,000 or more		
Total	3 persons	3 persons



### 3. Remuneration to presidents and vice presidents

December 31, 2020; Currency unit: NTD thousand

Job title	Name	Salary (A)		Retirement pension (B)		Bonus and special allowance (C)		Remuneration to employees (D)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from investors beyond subsidiaries or parent company	
		The Company	All companies included into the financial statement.	The Company (Note 1)	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company		All companies included into the financial statement.		The Company	All companies included into the financial statement E		
								Cash dividends	Stock dividends	Cash dividends	Stock dividends				
President	Scott Kuo														
Vice President	Fan, Wei-Ju	7,860	7,860	322	322	2,514	2,514	160	0	160	0	1.52%	1.52%	N/A	
Vice President	Liu, Yung-Chin														

Note: The retirement pension refers to the contribution provided by the Company.

#### Breakdown of Remuneration

Breakdown of remuneration paid to each president and vice president	Names of president and vice president	
	The Company	All companies included into the financial statement
Below 1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Fan, Wei-Ju; Liu, Yung-Chin	Fan, Wei-Ju; Liu, Yung-Chin
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Scott Kuo	Scott Kuo
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
NT\$100,000,000 or more		
Total	3 persons	3 persons

4. Remuneration to employees paid to managerial officers, and the status of allocation:

December 31, 2020; Currency unit: NTD thousand

Job title	Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)	
Manager	President	Scott Kuo	0	309	309	0.04%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Manager	Tang, Fu-Ping				
	Manager	Rose Jao				
	Manager of the Branch Office	Wang, Jian-Ming				

(VI) Specify and compare the remuneration to directors, supervisors, presidents and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent two (2) years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Job title	2019		2020	
	Proportion to Earnings After Tax (%)		Proportion to Earnings After Tax (%)	
	The Company	Companies included into the consolidated financial statement	The Company	Companies included into the consolidated financial statement
Director	4.10%	4.10%	4.07%	4.07%
Supervisor	0.89%	0.89%	0.43%	0.43%
President Vice President	2.43%	2.43%	1.52%	1.52%
Total	7.42%	7.42%	6.02%	6.02%

1. The Company allocates the remuneration to directors in accordance with the Articles of Incorporation. Where the Company has an income before tax after the account settlement, it shall allocate no more than 3% thereof as the remuneration to directors. However, profits must first be used to offset cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph. The remuneration shall be reported to the Remuneration Committee and the board of directors for review and then to the shareholders' meeting for approval.

2. The appointment, termination and remuneration of the Company's presidents and vice presidents would be adjusted based on their business performance and reported to the Remuneration Committee for review and approval, and then to the board of directors for approval and implementation. The Company's policies of remuneration vary based on earnings and have nothing to do with future risk.

### III. Status of corporate governance

#### (I) Operations of the Board

The Board held 9 meetings (A) in 2020. The attendance record of directors is listed below:

Job title	Name	Actual attendance rate (%) (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	9	0	100%	
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	9	0	100%	
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	9	0	100%	
Director	Li, Tu-Cheng	8	1	89%	Newly elected on June 15, 2020
Director	Liu, Fang-Sheng	9	0	100%	Newly elected on June 15, 2020
Director	Tsai, Chang-Shou	9	0	100%	Newly elected on June 15, 2020
Independent director	Kao, Chin-Cheng	9	0	100%	
Independent director	Hsu, Mei-Fang	9	0	100%	
Independent director	Liao, Da-Ying	6	0	100%	Newly elected on June 15, 2020

Attendance of independent directors at various Board of Directors meetings in 2020

⊙: In person; ☆: By proxy; \*: Absent

	1st	2nd	3rd	4th	5th	6th	7th	8th	9th
Kao, Chin-Cheng	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Hsu, Mei-Fang	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙
Liao, Da-Ying	N/A	N/A	N/A	⊙	⊙	⊙	⊙	⊙	⊙

Other notes:

- I. If any of the following is applicable to the operation of the Board, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:
  - (I) Conditions described in Article 14-3 of the Securities and Exchange Act: Refer to the important resolutions of the Board of Directors' meetings on Pages 34~35.
  - (II) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: Refer to the important resolutions of the Board of Directors' meetings on Pages 34~35.
- II. The recusal of the Directors from motions that involved a conflict of interest. Specify the names of the Directors, the content of the motions, and reason for recusal, and the participation in voting:

Not applicable.

III. Status of the Board Self-Performance Evaluation:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once per year	January 1, 2020~December 31, 2020	Board of Directors	Board's Internal Self-Evaluation	<ol style="list-style-type: none"> <li>1. Participation in the Company's operation</li> <li>2. Improvement of the Board decision-making quality</li> <li>3. Composition and structure of the Board</li> <li>4. Election and continuing education of directors</li> <li>5. Internal control</li> </ol>
Once per year	January 1, 2020~December 31, 2020	Board members	Board members' internal self-evaluation	<ol style="list-style-type: none"> <li>1. Alignment with the goals and mission of the Company</li> <li>2. Knowledge of the directors' duties</li> <li>3. Participation in the Company's operation</li> <li>4. Management of internal relationship and communication</li> <li>5. Professionalism and continuing education of directors</li> <li>6. Internal control</li> </ol>
Once per year	January 1, 2020~December 31, 2020	Audit Committee	Audit Committee's internal self-evaluation	<ol style="list-style-type: none"> <li>1. Participation in the Company's operation</li> <li>2. Knowledge of Audit Committee's duties</li> <li>3. Improvement of the Audit Committee's decision-making quality</li> <li>4. Composition and member election of the Audit Committee</li> <li>5. Internal control</li> </ol>
Once per year	January 1, 2020~December 31, 2020	Remuneration Committee	Remuneration Committee's internal self-evaluation	<ol style="list-style-type: none"> <li>1. Participation in the Company's operation</li> <li>2. Knowledge of Remuneration Committee's duties</li> <li>3. Improvement of the Remuneration Committee's decision-making quality</li> <li>4. Composition and member election of the Remuneration Committee</li> </ol>

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of the Audit Committee, and improvement of information transparency etc.), and the progress of such enhancements:

- (I) The Company defined its "Parliamentary Rules for Directors' Meeting" in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and would also enter the status of directors' attendance into the Market Observation Post System (MOPS) and disclose the important resolutions made by the directors' meeting on the

Company's website.

- (II) The Company established the Remuneration Committee on December 30, 2011. The Committee should evaluate the Company's policies and systems of remuneration to directors and managers, in a professional and optimistic manner, and should submit suggestions to the Board of Directors as the reference for decision-making.
- (III) The Company has established the Audit Committee since June 15, 2020. The Audit Committee consists of 3 independent directors who should meet at least once per quarter, responsible for the adequate expression of the Company's financial statement, external auditor's independence, effective implementation of internal control, compliance with laws & rules, and assessment and control over the Company's risk.

## (II) Audit Committee's operations:

The Company's Audit Committee consists of 3 independent directors. The Committee aims to help the Board of Directors perform the supervision on quality and ethics of the Company's execution of the accounting, auditing, financial and reporting procedures, and financial controls.

The Audit Committee is responsible for reviewing the matters including:

1. Financial statements.
2. Audit and accounting policies and procedures.
3. Internal control system-related policies and procedures.
4. Important assets or transactions of derivative instruments.
5. Important loans and endorsements or guarantees.
6. Offering or issuance of securities.
7. Financial derivatives and investment in cash.
8. Compliance.
9. Whether managers and directors engage in transactions with related parties, and potential conflict of interest.
10. Report on complaints.
11. Anti-corruption plan and corruption investigation report.
12. Information security.
13. Corporate risk management.
14. Qualification & experience, independence and performance evaluation of external auditors.
15. Appointment or dismissal of, or remuneration to, the external auditors.
16. Appointment and dismissal of finance, accounting officers or internal audit officer.
17. Performance of the Audit Committee's duties.
18. Audit Committee's self-performance evaluation questionnaire

## **Review on financial reports**

The Board of Directors prepared the Company's 2020 operation review, financial statements and motions for distribution of earnings or covering of loss. Among them, the financial statements have been checked by Nexia Sun Rise CPAs & Co., and an audit report has been issued. Said operation review, financial statements and motions for distribution of earnings or covering of loss have been reviewed by the Audit Committee and found to have no inconsistencies.

## **Evaluation on effectiveness of the internal control system**

The Audit Committee evaluated the effectiveness of policies and procedures about the Company's internal control system (including finance, operation, risk management, information security, contract award and compliance control policies), and also reviewed the Company's Audit Dept. and external auditors, in addition to the management's periodic reports, including risk management and compliance reports. By reference to the Internal

Control-Integrated Framework released by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believed that the Company's risk management and internal control system should be held effective. The Company has also adopted necessary control mechanism to supervise and correct any misconduct.

The Audit Committee held 5 meetings (A) in 2020. The attendance record of independent directors is listed below:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)(Note)	Remarks
Convener of independent directors:	Hsu, Mei-Fang	5	0	100%	Founded on June 15, 2020
Independent director	Kao, Chin-Cheng	5	0	100%	Founded on June 15, 2020
Independent director	Liao, Da-Ying	5	0	100%	Founded on June 15, 2020

Other notes:

I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, resolution of the Audit Committee meeting, and the Company's response to the Audit Committee's opinions:

(1) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Date of resolution made by the Board of Directors	Date of Audit Committee meeting	Content of the motions and subsequent actions taken	Resolution of Audit Committee meeting	The Company's response to the Audit Committee's opinions
1st meeting of 9th term on June 15, 2020	1st meeting of 1st term on June 15, 2020	1. The Company's Audit Committee of 1st Term.	Member Hsu, Mei-Fang served as the convener and chairperson of the Committee.	Unanimously approved by the present directors
2nd meeting of 9th term on July 10, 2020	2nd meeting of 1st term on July 10, 2020	1. Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q2 of 2020.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
3rd meeting of 9th term on August 10, 2020	3rd meeting of 1st term on August 10, 2020	1. Approved the enactment of the Company's "Rules Governing the Scope of Powers of Independent Directors." 2. Approved amendments to the Company's "Regulations Governing Transactions Between Specific Company,	Approved by all of the Audit Committee members	Unanimously approved by the present directors

			<p>Group Company and Related Party,” “Rules for the Prevention of Insider Trading,” “Operating Procedure for Handling Internal Material Information,” “Parliamentary Rules for Directors’ Meeting,” “Corporate Governance Best-Practice Principles,” “Corporate Social Responsibility Best-Practice Principles,” “Ethical Corporate Management Best-Practice Principles,” “Code of Ethical Conduct,” “Operating Procedure for Application for Suspension and Resumption of Trading” and “Remuneration Committee Charter.”</p> <p>3. Approved abolishment of the Company’s “Short-Term/Long-Term Investment Management Regulations.”</p>		
4th meeting of 9th term on October 13, 2020	4th meeting of 1st term on October 13, 2020	<p>1. Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q3 of 2020.</p> <p>2. Approved amendments to the Company’s “Procedures for Engaging in Derivatives Trading.”</p>	Approved by all of the Audit Committee members	Unanimously approved by the present directors	
5th meeting of 9th term on November 11, 2020	5th meeting of 1st term on November 11, 2020	<p>1. Approved 2021 Internal Control Plan.</p> <p>2. Approved amendments to the Company’s “Internal Audit System,” “Accounting System,” “Management of Procedure for Preparation of Financial Statements,” “Procedures for Professional Accounting Judgments Processes for Making Changes in Accounting Policies and Estimates,” “Financing Cycle” and “Shareholders Service Management Regulations.”</p> <p>3. Plan to hedge against the</p>	Approved by all of the Audit Committee members	Unanimously approved by the present directors	



		risk over foreign exchange rate fluctuation via forward exchange agreements.		
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(2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. The recusal of the Independent Directors from motions that involved a conflict of interest. Specify the names of the Independent Directors, contents of the motions, and reason for recusal, and the participation in voting: None.

III. Communication between Independent Directors and internal audit officer/external auditors (e.g. discussions concerning the Company’s financial and business affairs, the method of communication used, and the outcome):

- (1) The Company convenes the Audit Committee meeting periodically, and invites external auditors, finance officer, accounting officer, internal audit officer and related supervisors to attend the meeting, if necessary.
- (2) The internal audit officer submits the audit summary report to the Audit Committee periodically according to the annual audit plan. The Audit Committee Also conducts the performance evaluation on the Company’s internal control system, internal auditors and their work.
- (3) The Audit Committee communicates with the Company’s external auditors with respect to the results about audit or review on the quarterly financial statements and any other matters required by related laws and regulations periodically each year.

Note:

- \* Where any independent director may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the ‘Remarks’ Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended, during his/her term of office.
- \* If there was an election of new independent directors before the end of the fiscal year, fill in the information on the former and the new independent directors and specify if the independent directors are newly elected to office or reelected for a second term of office, and the date of the election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended, during his/her term of office.

(III) Status of Corporate Governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies, and reasons thereof:

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	√		The Company has established its rules of corporate governance in accordance with the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies,” and disclosed the same on the Company’s website and MOPS.	No non-conformity
II. Equity structure and shareholders’ equity				
(I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	√		The Company has defined its parliamentary rules for shareholders’ meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. The contact No. and email address may be viewed in the investor section on the Company’s website.	No non-conformity
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	√		The Company appointed a shares registrar, and would update the roster of shareholders periodically to control the name list of parties who control the Company’s equity ultimately.	No non-conformity
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	√		The Company has defined such control system as “Regulations Governing Supervision of Subsidiaries” and “Regulations Governing Transactions Between Specific Company Group and Related Party.”	No non-conformity
(IV) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	√		The Company has set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities.	No non-conformity
III. The organization of Board of Directors and its duties:				

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	√		The Company's current Board of Directors consists of 9 directors, including 4 non-executive directors, 3 independent directors and 2 executive directors. Each of them is specialized in the professional sectors including law, financial accounting, industrial knowledge, leadership and decision-making, and business administration, etc. The Company's directors who are also the Company's employees account for 22%, and 33% for independent directors and 11% for female directors. 1 independent director holds the term of office less than three years. 2 independent directors hold the term of office more than 9 years. 3 directors are 61~70 years old. 6 directors are 51~60 years old.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	

Status of the policy of diversity for the formation of our Board of Directors:

Core items under diversity  Members of the Board of Directors	Nationality	Gender	Serve as the Company's employee concurrently	Term of office & seniority as an independent director			Age		Corporate management	Leadership and decision-making	Industry knowledge	Finance and accounting	Legal matters
				Less than 3 years	3~9 years	9 years and above	51~60 years old	61~70 years old					
Ko, Chang-Lin	R.O.C.	Male						√	√	√	√		
Steve Chen	R.O.C.	Male	√				√		√	√	√		
Scott Kuo	R.O.C.	Male	√				√		√	√	√		
Liu, Fang-Sheng	R.O.C.	Male						√	√	√	√		
Tsai, Chang-Shou	R.O.C.	Male						√	√	√	√	√	
Li, Tu-Cheng	R.O.C.	Male					√		√	√	√		
Hsu, Mei-Fang	R.O.C.	Female				√	√		√	√	√	√	
Kao, Chin-Cheng	R.O.C.	Male				√	√		√	√	√		√
Liao, Da-Ying	R.O.C.	Male		√			√		√	√	√		√

(II) Does the Company, in addition to setting up the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	√		The Company has not yet established any other functional committees.	No non-conformity
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Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(III) Has the Company established a set of policies and assessment tools to evaluate the Board's performance, conducted the performance evaluation regularly at least on an annual basis, and submitted the performance evaluation result to the Board and applied the same as reference for remuneration to individual directors and nomination?	√		The Company's Board meeting resolved on January 14, 2020 to pass the "Regulations Governing the Board of Directors' Self (or Peer) Evaluation." The evaluation is conducted in the manners including the Board of Directors' self-evaluation, Board members' self-evaluation, Audit Committee's self-evaluation, and Remuneration Committee's self-evaluation. The 2020 Board's self-performance evaluation has been reported at the Board meeting dated March 24, 2021. According to the 2020 Board's self-performance evaluation results, the average points ranged from 4.85 to 4.92 (5 points for full marks), and the total points ranged from 97.04 to 98.33 (100 points for full marks).	No non-conformity
(IV) Does the Company have the independence of the public accountant evaluated regularly?	√		The Company's Board of Directors would assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
IV. Whether the Company assigns the adequate number of competent corporate governance officers, and appoints the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors with compliance, organization of the Board of Directors meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes, et al.)?	√		The shareholders service unit of the Company is responsible for handling matters related to Board of Directors' and shareholders' meetings pursuant to the laws, making minutes of Board of Directors' and shareholders' meetings, dealing with company and change registration, reviewing and revising the Corporate Governance Best-Practice Principles and relative regulations of the Company regularly	No non-conformity
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	√		The Company has set up the stakeholder section on the Company's website.	No non-conformity
VI. Does the Company have commissioned a professional stock service agent to handle shareholders' affairs?	√		The Company has commissioned the professional stock service agent, Share Registration Agency Service Department, Hua Nan Securities, to handle the shareholders' affairs.	No non-conformity
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	√		The Company's stock code is 6223. The status of the Company's finance and corporate governance may be accessed at the MOPS, and on the website established by the Company at <a href="http://www.mpi.com.tw">http://www.mpi.com.tw</a> .	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website)?	√		The website established by the Company provides the English version. The Company has also delegated the spokesman and deputy spokesman to collect and disclose the Company's information, to fulfill the spokesman system.	No non-conformity
(III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit?	√		The Company announced and reported the annual financial report and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit.	No non-conformity
VIII. Other important information facilitating understanding of the functioning of corporate governance (including but not limited to, the state of employees' rights and interests, concern for employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors)?	√		Note 1	No non-conformity
IX. Response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and further effort shall be made on matters for improvement but still unaccomplished: The Company will spare no efforts to show the determination of sustainable operation in all aspects, and also continue to exercise the corporate social responsibility of ethical management and take responsibility of long-term sustainable operation for the stakeholders and society.				

Note 1: Establishment of nomination committee or other functional committees, and the status of their operations. The Company has established the remuneration committee. The committee will call a meeting at least twice per year, dedicated to appraising the performance of directors and managers,

and the policies of remuneration. The Company has not yet established any nomination committee or other functional committees.

#### (4) Composition, functions and operations of Remuneration Committee

##### 1. Information about remuneration committee members

ID	Qualification	Name	More than five years of experience and the following professional qualifications	Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	Status of independence										Number of public companies where the person holds the title as Remuneration Committee member	Remarks	
					1	2	3	4	5	6	7	8	9	10			
Independent Director		Kao, Chin-Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
Independent Director		Hsu, Mei-Fang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
Others		Su, Hsien-Teng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	N/A

Note 1: Please specify director, independent director, or others.

Note 2: Respective members who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a “✓” in the appropriate space.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Not a natural person, spouse, underage children, or under the title of a third party represented 1% holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in the Item (2) and Item (3).
- (5) Not a Director, Supervisor, or employee of any institutional shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 institutional shareholders of the Company, or the institutional shareholders who appoint their representatives to serve as the Director or Supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the directors or voting shares of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with the Act, or laws of the registered country).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of,



Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).

- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company (this restriction does not apply to any specific company or organization which holds more than 20% but less than 50% of the total shares issued by the Company that is an independent director in the Company, its parent company or subsidiary, or any subsidiary of the same parent company who has been appointed in accordance with the Act, or laws of the registered country).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past two years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not under any of the categories stated in Article 30 of the Company Act.

## 2. Duties of the Remuneration Committee

The Committee is responsible for establishing the remuneration system that can reflect the employees' performance in an independent aspect. The Committee shall exercise its function the Board of Directors gives it to regularly propose the remuneration system or suggestion to the Board of Directors for discussion and resolution.

## 3. Information about status of Remuneration Committee

- (1) The Company's Remuneration Committee consists of three members.
- (2) Current term of office: The term of office commences from June 15, 2020 until June 14, 2023. The Committee held 5 (A) meetings in 2020.

The qualifications and attendance record of the Committee members is summarized as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attend rate (%) (B/A)	Remarks
Convener	Kao, Chin-Cheng	5	0	100%	Re-elected on June 15, 2020
Member	Hsu, Mei-Fang	5	0	100%	Re-elected on June 15, 2020
Member	Su, Hsien-Teng	5	0	100%	Re-elected on June 15, 2020

Date of resolution made by the Board of Directors	Date of resolution made by the Remuneration Committee	Content of the motions and subsequent actions taken	Result	The Company's handling of the Remuneration Committee members' opinion
17th meeting of 8th term January 14, 2020	9th meeting of 4th term January 14, 2020	Approved the managers' remuneration proposal in 2020.	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
18th meeting of 8th term March 26, 2020	10th meeting of 4th term March 26, 2020	Approved the remuneration to directors, supervisors and employees in 2019.	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
1st meeting of 9th term June 15, 2020	1st meeting of 5th term June 15, 2020	Remuneration Committee of 5th Term	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
3rd meeting of 9th term August 10, 2020	2nd meeting of 5th term August 10, 2020	Motion for allocation of the 2019 employee remuneration to managers	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
6th meeting of 9th term December 14, 2020	3rd meeting of 5th term December 14, 2020	The Company's "Employee Stock Ownership Plans" for managers	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors

Other notes:

- I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the board of directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.

Note: 1- Where a committee member may be relieved from duties before the end of the fiscal year, please

specify the date of his/her discharge in the “Remarks” Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

- 2- If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(3) Functions of the Remuneration Committee:

The Remuneration Committee shall implement the following functionality faithfully and submit the proposed motions to the Board of Directors for discussion to fulfill the duty of care as a good administrator:

- ① Review the Company’s compensation policies periodically and propose suggestions about amendments thereto.
- ② Stipulate and review regularly the performance evaluation on, and policies, systems, standards and structures of remuneration to, the Company’s directors and managers.
- ③ Regularly evaluate the salary and remuneration of the Company’s directors and managers.

4. Other important information relevant to the understanding of actual corporate governance:

- (1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee’s interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.
- (2) The Company has defined the corporate governance best-practice principles and handle relative affairs per the principles.
- (3) The Company’s directors are able to perform their duties honestly and exercise their powers as good administrators.
- (4) The Company has purchased liability insurance for directors in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies.” For the relevant information, please visit the MOPS.
- (5) In order to enhance the corporate governance, the Company’s Board of Directors will call a meeting at least once per quarter.
- (6) The status of continuing education of directors is disclosed at the MOPS (<http://newmops.tse.com.tw>)

Status of continuing education of directors in 2020:

Job title	Name	Organizer	Date	Name of Course	Hours
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders’ Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders’ Shareholding Management and Equity Exchange	3
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders’ Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders’ Shareholding Management and Equity Exchange	3
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders’ Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders’ Shareholding Management and Equity Exchange	3

				Exchange	
Director	Li, Tu-Cheng	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
Director	Liu, Fang-Sheng	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
Director	Tsai, Chang-Shou	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
Independent director	Hsu, Mei-Fang	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
Independent director	Kao, Chin-Cheng	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
			November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
Independent director	Liao, Da-Ying	Taiwan Corporate Governance Association	August 10, 2020	Observation of Contests for Corporate Control from Operation of the Shareholders' Meetings	3
		Taipei Exchange	September 21, 2020	"Corporate Governance 3.0 - A Roadmap for Sustainability"	3
		Taiwan Corporate Governance Association	November 11, 2020	Legal Issues to be Noted for Insiders' Shareholding Management and Equity Exchange	3
		Taipei Exchange	November 12, 2020	2020 Corporate Governance and Ethical Corporate Management Policy Announcement Meeting for Directors/Supervisors	3

(V) Fulfillment of Social Responsibility and any nonconformity to the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX-Listed Companies, and reasons thereof:

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Whether the Company conducts the risk assessment on the environment, society and corporate governance issues related to the Company's operation and adopts related risk management policies or strategies?	√		The Company's management unit will assess and review risk events periodically. Then, the President compiles the significant risk events and reports them to the Board of Directors periodically, takes preventive and control measures against potential risks, and formulates the related early warning policies. Meanwhile, the Company conducts the risk assessment on the society and corporate governance issues related to the Company's operation and adopts related risk management policies and strategies.	N/A
II. Does the Company have a specific (or part-time) unit set up to promote corporate social responsibility, have the management authorized by the Board of Directors to handle matters and report the processing results to the Board of Directors?		√	The Company has not yet established any specific (or part-time) unit in CSR practices.	Under research
III. Environmental issues				
(I) Has the Company established environmental policies suitable for the Company's industrial characteristics?	√		The Company handles the environment management-related affairs pursuant to the environmental protection and labor safety laws and regulations.	N/A
(II) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	√		The Company recycles various materials and supplies and adopts low-contamination raw materials to reduce the impact to the environment.	N/A

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(III) Whether the Company assesses the potential risk and opportunity posed by climate changes to the enterprise, now and in the future, and takes responsive measures related to climate issues?	√		Including combining with the main profession to improve the efficiency of products and energy, raw materials & waste management, reduction of packaging, recycling, and upgrade the utilization of energy.	N/A
(IV) Whether the Company discloses the annual greenhouse gas emission, water consumption and gross weight of waste for the past two years, and adopts policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption or management of exhaust gas and other waste goods?	√		The Company works hard to boost such measures for classification of garbage and reduction of waste, reduction of detergent (replaced with camellia powder), usage of disposable bowls and chopsticks, and saving of water and power consumption, in order to achieve the goal for saving energy and reducing carbon and greenhouse gas.	N/A
<b>IV. Social issues</b>				
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	√		The Company defines its work rules in accordance with Article 70 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	N/A
(II) Whether the Company adopts and implements reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.), and reflects the operating performance or results to the remuneration to employees adequately?	√		For the Company's employee benefit measures and implementation thereof, please refer to the annual report (Pages 69~73).	N/A

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	√		The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes the breastfeeding room, medical room, lounge for employees, and parking lots exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	N/A
(IV) Has the Company established some effective career development training plan for employees?	√		The Company organizes a career development training program for employees on a regular basis. For details, please refer to Page 70 of the annual report.	N/A
(V) Whether the Company complies with the related laws and international practices with respect to customers' health and safety, customers' privacy, marketing and labeling for its products and services, and adopts related consumers protection policy and complaining procedures?	√		The Company values customers' satisfaction about various services, and awareness toward corporate identity, brand value and service quality. The Company provides perfect product solutions and various innovative products. Dedicated units are appointed to be responsible for product development & design, production & delivery, or maintenance service, in hopes of providing services as soon as possible.	N/A

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(VI) Whether the Company adopts any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?	√		The Company conducts the assessment on social and environmental responsibilities of all suppliers and contractors to ensure that the suppliers and contractors comply with laws. Where the suppliers or contractors violate their social and environment responsibilities, the cooperative business relationship between the Company and them will be affected.	N/A
V. Whether the Company prepares the report disclosing the Company's non-financial information, such as CSR report, based on the guidelines or directions for preparation of reports applicable internationally? Whether said report has been assured or guaranteed by a third party certification unit?		√	The Company has not yet prepared a CSR report.	Under research
VI. Has the Company established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX-Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: Under research.				



Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
VII. Other information material to the understanding of the corporate social responsibility:				
Donation to public welfare groups in 2020:				
Item No.	Donee			Donation
1	World Peace Association			302,976
2	Hsinchu City Symphonic Band			200,000
3	Chang Yung-Fa Foundation			200,000
4	Taiwan Fund for Children and Families			155,564
5	Hsinchu County Symphonic Band			150,000
6	Saint Joseph Social Welfare Foundation			41,537
7	R.O.C. Salvation Charity Association			34,362
8	The Rock Social Welfare Foundation, Pingtung County			20,000
9	Children Are Us Foundation			20,000
10	ST. Camillus Center for Interllectual Disability			14,272
11	Chinese Christian Relief Association			12,000
12	ANDREW Charity Association			10,702
13	Tai-he Community Development Association in Zhubei City, Hsinchu County			10,000
14	Hao Shang Orphanage			5,968
Total				1,177,381

(VI) Fulfillment of ethical management and any nonconformity to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:

Items under evaluation	Status		Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	
<b>I. Establish ethical business policies and programs</b>			
(I) Whether the Company adopts the ethical management policy approved by the Board of Directors, and expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and senior management in its Articles of Incorporation and public documents?	√		The Company adheres to the ethical business principle, and aims at creating the maximum interest for shareholders and employees. The Board of Directors and management also work hard to fulfill the ethical business.
(II) Whether the Company establishes the assessment mechanism about unethical conduct to analyze and assess the operating activities with higher risk of unethical conduct in the scope of business periodically, and adopts the unethical conduct prevention program based on the mechanism, which shall at least cover the prevention measures referred to in the subparagraphs of Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”?	√		All of the Company’s employees need to comply with the Company’s “Service Agreement” and to prevent bribery and acceptance of bribery, and illegal political contribution.
(III) Whether the Company expressly states the SOP, guidelines and reward and disciplinary & complaining systems in the unethical conduct prevention program, implements the same precisely and periodically reviews and amends said program?	√		According to the Company’s “Service Agreement,” employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior.

II. Implementation of ethical corporate management					
(I)	Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any ethical management clauses in the agreements it signs with business partners?	√		The Company has already signed the “Non-Disclosure Agreement” which expressly defines the clauses about ethical behavior with its trading counterparts.	N/A
(II)	Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and reporting the status thereof to the Board of Directors periodically (at least once per year)?		√	The Company has not yet set up any specific (part-time) unit to advocate ethical corporate management.	Under research
(III)	Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	√		The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company’s interest.	N/A
(IV)	Whether the Company fulfills the ethical management by establishing an effective accounting system and internal control system, and has an internal audit unit research and adopt related audit plans based on the unethical conduct risk assessment result and conduct audits on the compliance by the unethical conduct prevention program, or appoints a CPA to conduct the audits?	√		The Company establishes the effective accounting system and internal control system. Auditors would also audit the compliance with the systems periodically.	N/A
(V)	Does the Company organize internal or external training on a regular basis to maintain ethical management?		√	The Company has not yet organized any educational training about ethical management.	Under research
III. Reporting of misconduct					
(I)	Whether the Company defines a specific whistle-blowing and reward system, and establishes some convenient whistle-blowing channel, and assigns competent dedicated personnel to deal with the situation?	√		The Company defines the “administrative disciplinary” measures. Any complaint may be filed via the email exclusive for employees’ complaining.	N/A

(II) Whether the Company defines the standard operating procedure, follow-up measures to be taken upon completion of the investigation, and nondisclosure mechanism toward the investigation of complaints as accepted?	√		The Company has implemented standard operating procedures or confidentiality measures for handling reported misconducts.	N/A
(III) Has the Company adopted any measures to prevent the whistle-blowers from being abused after whistle-blowing?	√		The Company will keep the complainant's personal information confidential and take appropriate protective measures.	N/A
IV. Strengthening information disclosure Whether the Company discloses its ethical corporate management best-practice principles and effect of implementation thereof on its website and MOPS?	√		The Company's website and Market Observation Post System (MOPS) have disclosed the "ethical corporate management best-practice principles."	N/A
V. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE /TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No deviation.				
VI. Other important information regarding the Company's ethical management (e.g., the Company's reviewing and amending the Company's ethical management best practice principles, etc.): N/A				

(VII) If the Company has established the corporate governance best-practice principles and relevant regulations, the way to access such principles must be disclosed: The Company has disclosed the contents on the Market Observation Post System and the Company's official website (corporate governance section).

(VIII) Other information enabling better understanding of the Company's corporate governance: None.

(IX) Disclosure of internal control system:

1. Internal Control Declaration:

**MPI Corporation**  
**Declaration of International Control System**

Date: March 24, 2021

The following declaration is made based on the 2020 self-assessment on the Company's internal control system:

- I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of this system is to provide reasonable assurance in terms of the effectiveness and efficiency of operations (including profitability, performance and asset security), reliable, timely and transparent reporting, and compliance with relevant laws and regulations.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.
- III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in said "Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to the "Regulations" for details.
- IV. The Company has implemented said criteria of the internal control system to inspect the effectiveness of internal control system design and implementation.
- V. Based on the result of the assessment, the Company finally determined the effectiveness of the design and implementation of our internal control system until December 31, 2020 (including supervision and management of subsidiaries) regarding the effectiveness and efficiency of operations, the reliability, promptness, and transparency of reports and compliance with relevant laws and regulations. This system provided reasonable assurance that the above objectives have been achieved.
- VI. The Declaration of Internal Control System is the main content of the Company's annual report and prospectus published. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. The Declaration of Internal Control System was resolved at the Board meeting with the objection of 0 board directors out of the 9 attending board directors on March 24, 2021. The contents of the declaration were accepted without any objection.

MPI Corporation

Chairman: Ko, Chang-Lin (affixation of seal)

President: Scott Kuo (affixation of seal)

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: None.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholders' equity or securities prices, please disclose the penalty, main shortcomings, and condition of improvement: None.

(XI) Resolutions reached in the shareholder's meeting or by the Board of Directors during the most recent year and up to the date of publication of the annual report:

Important resolution reached by the Board of Directors:

Date of important resolution made by the Board of Directors	Important resolution	Article 14-3 or 14-5, Securities Exchange Act	Independent directors' opinion and the Company's action
17th meeting of 8th term January 14, 2020	Approved the Company's 2020 operational plan.		N/A
	Approved the allocation ratios for remuneration to employees, directors and supervisors in 2020.		N/A
	Approved the remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
	Approved by the Company's "Regulations Governing the Board of Directors' Self (or Peer) Appraisal."	√	N/A
	Approved the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q4 of 2019.	√	N/A
18th meeting of 8th term March 26, 2020	For the allocation of 2019 remuneration to employees and directors/supervisors.		N/A
	2019 Operation Review and Financial Statements.	√	N/A
	Allocation of cash dividend from 2019 earnings.		N/A
	For amendments to the Company's "Articles of Incorporation."	√	N/A
	For amendments to the "Parliamentary Rules for Shareholders' Meetings."	√	N/A
	For amendments to the "Regulations for Election of Directors/Supervisors."	√	N/A
	For amendments to the Company's "Operating Procedure for Acquisition or Disposal of Assets."	√	N/A
	For amendments to the Company's "Procedures for Engaging in Derivatives Trading."	√	N/A
	For amendments to the "Operating Procedure for Loaning Funds to Others."	√	N/A
For amendments to the "Operating Procedure for Making	√	N/A	

	Endorsement/Guarantee.”		
	For revocation the “Parliamentary Rules for Supervisors’ Meetings.”	√	N/A
	Declaration of International Control System 2019	√	N/A
	Re-election of the Company’s directors of 9th term (including independent directors).		N/A
	For opening of nomination of candidates for directors (including independent directors) to the Company.		N/A
	For nomination of candidates for the Company’s directors (including independent directors) of 9th term.		N/A
	Date, location and agenda of the annual general meeting 2020		N/A
19th meeting of 8th term May 12, 2020	For amendments to the Company’s “Audit Committee Charter. ”	√	N/A
1st meeting of 9th term June 15, 2020	For election of Chairman of the Board of 9th term		N/A
	For establishment of the Audit Committee of 1st Term.		N/A
	For appointment of the Remuneration Committee members of 5th term		N/A
2nd meeting of 9th term July 10, 2020	Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q2 of 2020.	√	N/A
3rd meeting of 9th term August 10, 2020	For the employee remuneration to the Company’s managers proposed by the Remuneration Committee.		N/A
	For enactment of the Company’s “Rules Governing the Scope of Powers of Independent Directors.”	√	N/A
	For amendments to the Company’s “Internal Control System Documents.”	√	N/A
	For abolishment of the Company’s “Short-Term/Long-Term Investment Management Regulations.”	√	N/A
4th meeting of 9th term October 13, 2020	Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q3 of 2020.	√	N/A
	For amendments to the Company’s “Procedures for Engaging in Derivatives Trading.”	√	N/A
5th meeting of 9th term November 11, 2020	The Company’s internal audit plan 2021	√	N/A
	For amendments to the Company’s “Internal Control System Documents.”	√	N/A
	For the plan to hedge against the risk over foreign exchange rate fluctuation via forward exchange agreements.	√	N/A
6th meeting of 9th term December 14, 2020	The Company’s “Employee Stock Ownership Plans”		N/A
7th meeting of 9th term	The Company’s 2021 operational plan.		N/A
	Allocation ratios for remuneration to employees, directors		N/A

January 13, 2021	and supervisors in 2021.		
	The remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
	Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q4 of 2020.	✓	N/A
8th meeting of 9th term March 24, 2021	For the allocation of 2020 remuneration to employees and directors.		N/A
	2020 Operation Review and Financial Statements.	✓	N/A
	Allocation of cash dividend from 2020 earnings.		N/A
	For amendments to the "Parliamentary Rules for Shareholders' Meetings."	✓	N/A
	For amendments to the "Parliamentary Rules for Directors' Meeting."	✓	N/A
	For amendments to the Company's "Audit Committee Charter."	✓	N/A
	Declaration of International Control System 2020	✓	N/A
9th meeting of 9th term April 13, 2021	Date, location and agenda of the annual general meeting 2021		N/A
	Set the record date for issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q1 of 2021.	✓	N/A
10th meeting of 9th term May 12, 2021	Discussion on exercise of the put option for 4th domestic unsecured convertible corporate bond.		N/A

Status of important resolution made by the annual general meeting 2020:

Date of important resolution made by the annual general meeting	Important resolution	Status
General shareholders' meeting June 15, 2020	The motion for operation review and financial statements 2019 was ratified.	Passed by the present shareholders unanimously.
	The motion for allocation of 2019 earnings was ratified.	Passed by the present shareholders unanimously; cash dividends distributed at NT\$2.5 per share; ex-dividend record date: June 19, 2020; date of allocation of cash dividends: August 7, 2020.
	Motion for amendments to the Company's "Articles of Incorporation."	Obtained the permission from the Ministry of Economic Affairs on June 30, 2020 and announced on the Company's website.



(XII) Recorded or written statements made by any director which specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of this annual report: None.

(XIII) Summary of discharge and termination of parties relating to the financial report (including the Chairman, president, accounting officer, finance officer, internal audit officer, corporate governance officer and R&D officer) during the most recent year and up to the date of publication of the annual report: None.

(XIV) Other disclosure:

Status of the continuing education of the Company's accounting officer and audit officer in 2020:

Job title	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	November 19, 2020~November 20, 2020	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Audit officer	Liu, Yi-Ping	Internal Audit Association	January 20, 2020	Self-evaluation practices	6
			June 19, 2020	Audit skill practices	6
			October 26, 2020	Analysis on enterprises' policies to improve their own ability in preparing financial reports and key discussion on the internal audit/internal control practices.	6

#### IV. Information about CPA Professional Fee

(I) Breakdown of CPA Professional Fee:

Unit: NTD thousands

Firm Name	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Remarks
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling	2,457	0	59	0	0	2,516	January 1, 2020 till December 31, 2020	N/A
	Chen, Yi-Ling								

(II) If the Company meets any of the following circumstances, it shall disclose the CPA professional fee:

- (1) If the on-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of twenty-five percent, the Company shall disclose the audit fee and non-audit fee, as well as the contents of the non-audit service: N/A
- (2) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A
- (3) In the case of reduction in the audit fees by more than 15% from the previous year, please disclose the amount of reduction in the audit fees, and proportion and causes thereof: N/A

**V. Information About Replacement of CPA: N/A**

(I) Former CPA: N/A.

(II) Succeeding CPA: N/A.

(III) The former CPA's written response to the sub-paragraphs 1&2-3 of Paragraph 5 of Article 10 of the Principles: N/A

**VI. Information about Chairman, President, or financial or accounting manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to such firm in the most recent one year:**

N/A

**VII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:**

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

Job title	Name	2020		Ending April 30, 2021	
		Increase (Decrease) in current holding	Increase (Decrease) in shares pledged	Increase (Decrease) in current holding	Increase (Decrease) in shares pledged
Chairman	MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	0	0	0	0
Director	MPI Investment Co., Ltd. Representative: Steve Chen	0	0	0	0
Director	MPI Investment Co., Ltd. Representative: Scott Kuo	0	0	0	0
Director	Liu, Fang-Sheng	0	0	0	0
Director	Li, Tu-Cheng	(70,000)	0	0	0
Director	Tsai, Chang-Shou	0	0	0	0
Independent director	Hsu, Mei-Fang	0	0	0	0
Independent director	Kao, Chin-Cheng	0	0	0	0
Independent director	Liao, Da-Ying	0	0	0	0
President	Scott Kuo	(24,000)	0	0	0
Vice President	Fan, Wei-Ju	0	0	0	0
Vice President	Liu, Yung-Chin	(5,000)	0	0	0
Finance Officer	Tang, Fu-Ping	0	0	0	0
Accounting officer	Rose Jao	(25,000)	0	0	0

(II) Information about transfer or pledge of equity: N/A

**VIII. Information about the relationship among the Company's 10 largest shareholders:**

April 30, 2021

Name	Own shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Disclosure of information on related parties or spousal relationship or relations within the second degree of kinship, among top ten shareholders, including their names or designations, and relationship		Remarks
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Designation (or Name)	Relationship	
MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	8,334,626	8.97%	0	0%	0	0%	MPI Investment Co., Ltd.	Director of the Company	N/A
	1,425,994	1.53%	427,781	0.46%	0	0%	MPI Investment Co., Ltd.	Chairman of the Company	N/A
Exclusive Account for Allianz Global Investors Taiwan Technology Fund	2,400,000	2.58%	0	0%	0	0%	N/A	No relationship	N/A
Capital Marathon Fund Account	2,300,000	2.47%	0	0%	0	0%	N/A	No relationship	N/A
Labor pension fund under the new system	1,539,000	1.66%	0	0%	0	0%	N/A	No relationship	N/A
Ko, Chang-Lin	1,425,994	1.53%	427,781	0.46%	0	0%	MPI Investment Co., Ltd.	Chairman of the Company	N/A
Fubon Life Insurance Co., Ltd.	1,000,000	1.08%	0	0%	0	0%	N/A	No relationship	N/A
Chang, Hsin-Lung	920,000	0.99%	0	0%	0	0%	N/A	No relationship	N/A
Chou, Ching-Sheng	791,124	0.85%	0	0%	0	0%	N/A	No relationship	N/A
J.P. Morgan Securities Ltd. investment account managed by JPMorgan Chase Bank, N.A. as trustee	738,000	0.79%	0	0%	0	0%	N/A	No relationship	N/A
Exclusive Account for Allianz Global Investors Taiwan Intelligence Trends Fund	700,000	0.75%	0	0%	0	0%	N/A	No relationship	N/A

**IX. The number of shares held by the Company and the Company’s directors, supervisors and managers, and the number of shares invested in a single company which are held by the entities directly or indirectly controlled by the Company, and calculating the consolidated shareholding percentage of the above categories.**

December 31, 2020 Unit: Share; %

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding
Chain-Logic International Corp.	5,000,000	100%	0	0	5,000,000	100%
MPI TRADING CORP.	1,000	100%	0	0	1,000	100%
MMI HOLDING CO., LTD.	18,267,987	100%	0	0	18,267,987	100%
Allstron Corporation	1,550,000	100%	0	0	1,550,000	100%
MEGTAS CO., LTD.	400,000	80%	0	0	400,000	80%
MPA TRADING COR.	1,250,000	100%	0	0	1,250,000	100%
CHAIN-LOGIC TRADING CORP. (Note 2)	0	0%	100	Wholly owned by the subsidiary	100	100%
MPI AMERICA INC. (Note 3)	0	0%	US\$1,200,000	Wholly owned by the subsidiary	US\$1,200,000	100%
Lumitek (Changchou) Co. Ltd. (Note 4)	0	0%	US\$16,000,000	Wholly owned by the subsidiary	US\$16,000,000	100%
MPI Corporation (Suzhou) (Note 5)	0	0%	US\$2,000,000	Wholly owned by the subsidiary	US\$2,000,000	100%

Note 1: Long-term investment by the Company

Note 2: An investee of the Company’s subsidiary, Chain-Logic International Corp.

Note 3: An investee of the Company’s subsidiary, MPA TRADING CORP.

Note 4: An investee of the Company’s subsidiary, MMI HOLDING CO., LTD.

Note 5: An investee of the Company’s subsidiary, MMI HOLDING CO., LTD.

## Four. Status of Fundraising

### I. Capital Stock and Shares

#### (I) Source of Capital Stock:

April 30, 2021; Unit: Thousand Shares; NTD thousand

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any property other than cash	Others
1995/07	10	500	5,000	500	5,000	Capital of incorporation	N/A	
1998/10	10	22,500	225,000	6,000	60,000	Capital increase in cash by NT\$55,000 thousand	N/A	
2000/07	15 10	22,500	225,000	10,000	100,000	Capital increase in cash by NT\$28,000 thousand Capital increase upon recapitalization of earnings by NT\$12,000 thousand	N/A	
2001/05	18 10 10	22,500	225,000	20,000	200,000	Capital increase in cash by NT\$50,700 thousand Capital increase upon recapitalization of earnings by NT\$42,000 thousand Capital increase upon recapitalization of employee bonus by NT\$7,300 thousand	N/A	
2002/06	10	50,000	500,000	30,000	300,000	Capital increase upon recapitalization of earnings by NT\$43,800 thousand Capital increase upon recapitalization of employee bonus by NT\$6,200 thousand	Succeed to shares of Chain-Logic International Corp., NT\$50,000 thousand	Note 1
2003/09	10	50,000	500,000	33,434	334,340	Capital increase upon recapitalization of earnings by NT\$30,000 thousand Capital increase upon recapitalization of employee bonus by NT\$4,340 thousand	N/A	Note 2
2004/08	10	50,000	500,000	33,803	338,031	Conversion of convertible bonds to common stock NT\$3,691 thousand	N/A	
2004/09	10	50,000	500,000	37,672	376,719	Capital increase upon recapitalization of earnings by NT\$33,434 thousand Capital increase upon recapitalization of employee bonus by NT\$5,254 thousand	N/A	Note 3
2004/11	10	50,000	500,000	38,217	382,174	Conversion of convertible bonds to common stock NT\$5,454 thousand	N/A	
2005/02	10	50,000	500,000	38,877	388,775	Conversion of convertible bonds to common stock NT\$6,601 thousand	N/A	
2005/05	10	50,000	500,000	39,556	395,556	Conversion of convertible bonds to common stock NT\$6,781 thousand	N/A	
2005/07	10	50,000	500,000	39,576	395,765	Conversion of convertible bonds to common stock NT\$208 thousand	N/A	
2005/09	10	51,300	513,000	48,957	489,568	Capital increase upon recapitalization of earnings by NT\$81,960 thousand Capital increase upon recapitalization of employee bonus	N/A	Note 4

						by NT\$11,814 thousand Conversion of convertible bonds to common stock NT\$30 thousand		
2005/10	10	51,300	513,000	49,253	492,533	Conversion of convertible bonds to common stock NT\$2,964 thousand	N/A	
2006/02	10	51,300	513,000	50,479	504,785	Conversion of convertible bonds to common stock NT\$12,253 thousand	N/A	
2006/05	10	51,300	513,000	50,724	507,236	Conversion of convertible bonds to common stock NT\$2,451 thousand	N/A	
2006/08	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to common stock NT\$909 thousand	N/A	
2006/09	10	58,000	580,000	56,496	564,959	Capital increase upon recapitalization of earnings by NT\$50,814 thousand Capital increase upon recapitalization of employee bonus by NT\$6,000 thousand	N/A	Note 5
2007/08	10	100,000	1,000,000	56,501	565,005	Conversion of convertible bonds to common stock NT\$45 thousand	N/A	
2007/09	10	100,000	1,000,000	63,676	636,758	Capital increase upon recapitalization of earnings by NT\$57,500 thousand Capital increase upon recapitalization of employee bonus by NT\$8,118 thousand Conversion of convertible bonds to common stock NT\$6,135 thousand	N/A	Note 6
2007/10	10	100,000	1,000,000	63,679	636,789	Conversion of convertible bonds to common stock NT\$30 thousand	N/A	
2008/01	10	100,000	1,000,000	63,736	637,363	Conversion of convertible bonds to common stock NT\$574 thousand	N/A	
2008/09	10	100,000	1,000,000	71,105	711,053	Capital increase upon recapitalization of earnings by NT\$64,570 thousand Capital increase upon recapitalization of employee bonus by NT\$9,120 thousand	N/A	Note 7
2009/08	10	100,000	1,000,000	73,311	733,111	Capital increase upon recapitalization of earnings by NT\$21,190 thousand Capital increase upon recapitalization of employee bonus by NT\$868 thousand	N/A	Note 8
2009/12	10	100,000	1,000,000	74,084	740,841	Conversion of employee options to common stock NT\$100 thousand Conversion of convertible bonds to common stock NT\$7,630 thousand	N/A	
2010/04	10	100,000	1,000,000	77,449	774,486	Conversion of employee options to common stock NT\$11,190 thousand Conversion of convertible bonds to common stock NT\$22,455 thousand	N/A	
2010/07	10	100,000	1,000,000	77,629	776,291	Conversion of employee options to common stock NT\$11,082 thousand Conversion of convertible bonds to common stock NT\$3,200 thousand	N/A	
2010/10	10	100,000	1,000,000	77,697	776,970	Conversion of employee options to common stock NT\$5,376 thousand Conversion of convertible bonds to common stock NT\$200 thousand	N/A	
2011/01	10	100,000	1,000,000	77,985	779,854	Conversion of employee options to common stock NT\$13,149 thousand Conversion of convertible bonds to common stock NT\$8,900 thousand	N/A	
2011/04	10	100,000	1,000,000	78,464	784,644	Conversion of employee options to common stock NT\$39,613 thousand	N/A	
2011/08	10	100,000	1,000,000	78,549	785,494	Conversion of employee options to common stock NT\$7,030 thousand	N/A	
2011/10	10	100,000	1,000,000	78,590	785,904	Conversion of employee options to common stock NT\$3,299 thousand	N/A	

2012/01	10	100,000	1,000,000	78,602	786,024	Conversion of employee options to common stock NT\$931 thousand	N/A	
2012/04	10	100,000	1,000,000	78,605	786,054	Conversion of employee options to common stock NT\$233 thousand	N/A	
2012/07	10	100,000	1,000,000	78,610	786,104	Conversion of employee options to common stock NT\$388 thousand	N/A	
2013/07	10	100,000	1,000,000	78,612	786,123	Conversion of employee options to common stock NT\$143 thousand Cancellation and capital reduction by 8 shares upon shareholders' waiver to hold shares	N/A	
2015/01	10	100,000	1,000,000	79,536	795,364	Conversion of convertible bonds to common stock NT\$92,400 thousand	N/A	
2015/05	10	100,000	1,000,000	79,605	796,054	Conversion of convertible bonds to common stock NT\$6,900 thousand	N/A	
2017/08	10	100,000	1,000,000	79,901	799,014	Conversion of convertible bonds to common stock NT\$26,700 thousand	N/A	
2019/08	10	120,000	1,200,000	79,915	799,154	Conversion of convertible bonds to common stock NT\$1,000 thousand	N/A	
2020/01	10	120,000	1,200,000	79,959	799,587	Conversion of convertible bonds to common stock NT\$3,000 thousand	N/A	
2020/08	10	120,000	1,200,000	80,294	802,940	Conversion of convertible bonds to common stock NT\$23,200 thousand	N/A	
2020/10	10	120,000	1,200,000	91,068	910,684	Conversion of convertible bonds to common stock NT\$726,200 thousand	N/A	
2021/01	10	120,000	1,200,000	92,080	920,802	Conversion of convertible bonds to common stock NT\$68,200 thousand	N/A	
2021/04	10	120,000	1,200,000	92,381	923,813	Conversion of convertible bonds to common stock NT\$20,300 thousand	N/A	

Note 1: Approval letter by Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.

Note 2: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0920129426 dated July 2, 2003.

Note 3: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0930126472 dated June 15, 2004.

Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0940124109 dated June 16, 2005.

Note 5: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0950130971 dated July 17, 2006.

Note 6: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0960036186 dated July 12, 2007.

Note 7: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.

Note 8: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Common stocks	92,962,965 shares	27,037,035 shares	120,000,000 shares	TWSE stock

## (II) Composition of shareholders

April 30, 2021

Composition of shareholders Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution and Foreigner	Total
	Number of person	2	18	243	28,845	61
Shares held	2,189,000	2,739,036	16,505,601	69,094,863	2,434,465	92,962,965
Ratio of shareholding	2.35%	2.95%	17.76%	74.32%	2.62%	100.00%



## (III) Diversification of equity

April 30, 2021

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1~999	13,715	352,171	0.38
1,000~5,000	13,452	23,696,989	25.50
5,001~10,000	1,071	8,655,299	9.31
10,001~15,000	267	3,518,600	3.78
15,001~20,000	204	3,804,551	4.09
20,001~30,000	156	4,068,895	4.38
30,001~40,000	65	2,352,862	2.53
40,001~50,000	52	2,473,190	2.66
50,001~100,000	104	7,687,478	8.27
100,001~200,000	42	6,092,554	6.55
200,001~400,000	23	6,204,465	6.67
400,001~600,000	6	2,635,167	2.83
600,001~800,000	5	3,501,124	3.77
800,001~1,000,000	2	1,920,000	2.07
1,000,001 and above	5	15,999,620	17.21
Total	29,169	92,962,965	100.00

Preferential shares: N/A

## (IV) Roster of Major Shareholders

April 30, 2021

Name of Major Shareholders	Shares	Shares held	Ratio of shareholding (%)
MPI Investment Co., Ltd.		8,334,626	8.97
Exclusive Account for Allianz Global Investors Taiwan Technology Fund		2,400,000	2.58
Capital Marathon Fund Account		2,300,000	2.47
Labor pension fund under the new system		1,539,000	1.66
Ko, Chang-Lin		1,425,994	1.53
Fubon Life Insurance Co., Ltd.		1,000,000	1.08
Chang, Hsin-Lung		920,000	0.99
Chou, Ching-Sheng		791,124	0.85
J.P. Morgan Securities Ltd. investment account managed by JPMorgan Chase Bank, N.A. as trustee		738,000	0.79
Exclusive Account for Allianz Global Investors Taiwan Intelligence Trends Fund		700,000	0.75

(V) Information on market value, net value, earnings and dividends per share in the most recent two years

Unit: NTD; share

Item		Year	2019	2020	Ending April 30, 2021
Market price per share (Note 1)	The Highest		84.10	167.00	153.00
	The Lowest		52.40	43.00	105.00
	Average		69.82	108.41	126.66
Net value per share	Before distribution		54.66	61.25	62.47
	After distribution		52.16	56.75	N/A
EPS	Weighted average shares		79,958,726	92,080,197	92,962,965
	EPS (Note 2)	before	5.36	8.41	1.50
		after	5.36	8.41	0
Dividend per share	Cash dividend		2.5	4.5	0
	Free-Gratis dividends	Retained shares distribution	0	0	0
		Capital surplus shares distribution	0	0	0
	Retained dividend		0	0	0
Return on investment analysis	Price-Earnings Ratio (Note 3)		13.03	12.89	0
	Dividend Yield (Note 4)		27.93	24.09	0
	Cash dividend yield (Note 5)		3.58%	4.15%	0

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.

Note 2: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 3: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share

Note 4: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share

Note 5: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year

Note 6: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

Article XIX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses,

if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

Article XX: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the shareholders' meeting for ratification.

The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS.

The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. Allocation of dividends proposed at the shareholders' meeting in the current year  
The Company's motion for allocation of earnings 2020 has been resolved by the directors' meeting on March 24, 2021, and the cash dividends to shareholders, NT\$415,716,174 (NT\$4.5 per share), were scheduled to be allocated.

3. Whether the dividend policy is expected to suffer material changes: None.

(VII) The effect of stock dividend as proposed in this General Meeting on the operation performance and earnings per share of the company: N/A, as no stock dividend was proposed in the meeting.

(VIII) Remuneration to employees and directors

1. Proportion or scope of remuneration to employees and directors as stated in the Articles of Incorporation:

Article XIX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more than 3% thereof as the remuneration to directors.

However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

Article XX: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the shareholders' meeting for ratification. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. The accounting in the case of deviation from the basis for stating remuneration to employees and directors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph. If the actual distributed amount resolved by a shareholders' meeting is different from the estimate, the difference shall be treated as a change in accounting estimate and stated as the income of next year.

3. Allocation of remuneration approved by the board of directors:

The Company's motion for allocation of earnings 2020 has been resolved by the directors' meeting on March 24, 2021. The allocation of earnings approved by the directors' meeting is stated as following:

- (1) Employees' remuneration and directors' remuneration, in cash, NT\$73,877,000 and NT\$18,469,225, were not indifferent from the estimation in the year of recognized expenses.
- (2) Proposed amount of employees' remuneration in shares as a percentage to the current period net profit after tax and the total amount of employees' remuneration: N/A
4. Actual payment of employees'/directors'/supervisors' remuneration for the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies).

Unit: NTD \$

Item	Amount
Employees' cash remuneration	43,950,000
Remuneration of the directors and supervisors	9,920,000

The actual allocation of 2019 remuneration to employees and directors/supervisors has no discrepancy in the recognized amount.

(IX) Repurchase of the Company's shares: None

## II. Issuance of Corporate Bonds (including ECB):

(I) Issuance of Corporate Bonds:

April 30, 2021

Type of corporate bond (Note 2)	4th domestic unsecured convertible corporate bond
Issue (offering) date	August 15, 2018
Face value	NT\$100,000
Issuance and trading location (Note 3)	N/A
Issue price	NT\$100,000
Total	Total issued amount: NT\$1,000,000,000 Par value: NT\$100,000 (issued by 100.1% of the par value)
Interest rate	The coupon rate is 0%
Duration	5 years, expiry date: August 15, 2023
Guaranteed by	N/A
Trustee	Land Bank of Taiwan
Underwritten by	KGI Securities
Certified by	Handsome Attorneys-at-Law Peng Yi-Cheng, Attorney-at-Law
Name of CPA	Nexia Sun Rise CPAs & Co. CPA Wu, Kuei-Chen and CPA Chen, Tsan-Huang
Repayment terms	Those converted to the Company's common stock according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company for cancellation, the others

	would be repaid in cash in full amount upon maturity.
Outstanding principal	NT\$82,200,000
Terms and conditions for redemption or early repayment	<p>(I) From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the "Notice of Call" to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five business days upon the record date.</p> <p>(II) From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may send the "Notice of Call" to be matured in 30 days to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit). Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five business days upon the record date.</p>
Restrictive clause (Note 4)	N/A
Name of credit rating agency, dates of rating, and	N/A

	ratings awarded	
Attached with other rights	Amount of common stock, GDR/ADR or other securities already converted until the date of publication of the annual report (swapped or subscribed for)	Already converted to common stock totaling NT\$881,100,000
	Regulations for Issuance and Conversion (Swap or Subscription)	Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may ask Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the “Depository Corporation”) via the securities firm to ask the Company’s stock agent to convert the Bond into the Company’s common shares pursuant to the Regulations at any time from the day following expiration of one month after the Bond is issued until expiration of the Bond.
	Status of potential dilution of equity by the Regulations for Issuance and Conversion, Swap or Subscription, and the issuing terms and conditions, and impact thereof on the existing shareholders’ equity.	The convertible bonds would not dilute the Company’s equity until the creditors request the conversion. The creditors may choose the timing more favorable to them to proceed with the conversion in the duration of conversion and, therefore, the dilution of equity would be deferred. As to the effect on the existing shareholders’ equity, though the convertible corporate bonds would increase the Company’s debt prior to conversion, the debt would be reduced upon conversion of the convertible bond into common stock and the shareholders’ equity would be increased relatively, and the net worth per share as well. Therefore, the shareholders’ equity would be protected better, in the long term.
	Name of custody institute	N/A

Note 1: The corporate bonds include public offering corporate bonds and private placement corporate bonds. The public offering corporate bonds mean those validated (approved) by the Commission. The private placement corporate bonds mean those resolved and approved by the Board of Directors.

Note 2: The number of spaces shall be adjusted subject to the frequency of issuance.

Note 3: To be specified, in the case of ECB.

Note 4: For example, restricting release of cash dividends or external investment, or request for maintenance of specific proportion of assets, et al.

Note 5: The private placement, if any, shall be identified in a prominent manner.

Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(II) Information about convertible corporate bonds:

Type of corporate bond (Note 1)		4th domestic unsecured convertible corporate bond		
Year		2019	2020	Ending April 30, 2021 (Note 4)
Item				
Market value of convertible corporate bond (Note 2)	The Highest	121.05	243.00	217.00
	The Lowest	94.75	99.95	164.00
	Average	106.63	148.40	187.24
Conversion price		January 1, 2019~September 9, 2019 Conversion price 71.50 September 10, 2019~December 31, 2019 Conversion price 69.20	January 1, 2020~July 25, 2020 Conversion price 69.20 July 26, 2020~December 31, 2020 Conversion price 67.40	67.40
Issue (offering) date and conversion price at the time of issuance		September 07, 2018 71.50	September 07, 2018 71.50	September 07, 2018 71.50
Approaches to perform the conversion (Note 3)		Offering of new shares	Offering of new shares	Offering of new shares

Note 1: The number of spaces shall be adjusted subject to the frequency of issuance.

Note 2: In the case of multiple trading locations of ECB, please identify it by the trading locations.

Note 3: Deliver issued shares, or issue new shares.

Note 4: To specify the information available in the current year until the date of publication of the annual report.

(III) Status of corporate bonds issued under the categorical reporting method:

April 30, 2021

Total amount to be raised and issued	NT\$1,001,000,000
Total raised amount (including issue (offering) date and conversion price at the time of issuance)	Issuing date: August 15, 2018 Issuing amount: NT\$1,001,000,000
Balance of corporate bonds issued under categorical reporting method	NT\$82,200,000
Scheduled period for issuance of corporate bonds not offered	N/A



**III. Issuance of Preferred Shares:** N/A

**IV. Status of GDR/ADR:** N/A

**V. Status of employee stock options:** N/A

**VI. Restriction on Employee Share Subscription Warrant:** N/A

**VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company:** N/A

**VIII. Implementation of Capital Utilization Plan:**

(I) Contents of the Plan:

1. Date and Ref. No. of the approval letter from the competent authority in charge of the relevant industry: Approval letter under Ching-Kuan-Cheng-Fa-Tze No. 1070325999 dated July 26, 2018 issued by Financial Supervisory Commission.
2. Total fund required by the Plan: NT\$1,002,000 thousand.
3. Source of fund:
  - (1) Issue 10,000 4th domestic unsecured convertible corporate bonds at par value of NT\$100,000,000 thousand; issued by 100.1% of the par value; term: 5 years; total issue amount: NT\$1,001,000 thousand.
  - (2) The balance, NT\$1,000 thousand, was paid from the own capital.
4. Projects and expected progress

Unit: NTD thousands

Project	Expected date of rectification	Total fund	Planned progress of the fund utilization
			Q3, 2018
Repayment of bank loan	Q3, 2018	1,002,000	1,002,000
Projected benefits	The Company plans to pay NT\$1,002,000 thousand as the bank loan repayment. According to the repayment amount and interest rate on borrowings, we estimate the Company can save NT\$3,084 thousand in interest expenditure in 2018, and NT\$12,331 thousand each year subsequently.		

(II) Status:

Unit: NTD thousands

Project	Status			Status of progress, ahead or behind, and the cause and corrective action plan
Repayment of bank loan	Expenditure (NTD Thousand)	Scheduled	1,001,000	To be executed in full per the initial progress of fund.
		Actual	1,001,000	
	progress (%)	Scheduled	100.00	
		Actual	100.00	
Total	Expenditure (NTD Thousand)	Scheduled	1,001,000	To be executed in full per the initial progress of fund.
		Actual	1,001,000	
	progress (%)	Scheduled	100.00	
		Actual	100.00	

## Five. Overview of operation

### I. Business Contents

#### (I) Business lines:

1. The Company primarily engages in:
  - (1) Maintenance, trading and R&D of computer and peripheral devices;
  - (2) Import/export and trading of semiconductor components, electronic parts, and silicon integrated circuits;
  - (3) Import/export and trading of precision automated control machines;
  - (4) Import/export and trading of machinery and spare parts thereof;
  - (5) General import/export and trading; (Except for those that require special permission)
  - (6) Processing, maintenance, manufacturing, import/export and trading of semi-conductor probing spare parts;
  - (7) Quotation and bidding for said products on behalf of domestic and foreign suppliers;
  - (8) Machinery and equipment manufacturing;
  - (9) Machinery wholesale;
  - (10) Machinery and utensil retailing.

#### 2. Weight of business

The Company's consolidated operating revenue, net was NT\$5,925,601 thousand in 2020, primarily generated from the sale of wafer probe cards and photoelectric semi-conductor automated equipment. The weight of business for various products (services) is stated as following:

Unit: NTD thousands

Product (service)	2020	
	Net sales	Weight of business %
Wafer probe card	3,452,819	58.27%
Photoelectric semi-conductor automated equipment	1,064,590	17.97%
Others	1,408,192	23.76%
Total	5,925,601	100.00%

#### 3. Current products (services) of the Company

- (1) Wafer probe card
- (2) Wafer probe card maintenance service
- (3) Wafer probing and sorting equipment
- (4) Probing, sorting and photoelectric inspection equipment of semi-conductor equipment and components

#### 4. New products (services) under development

- (1) Wafer probe card

- (a) In order to deal with the technology upgrade in the production process of the semi-conductor wafer, the Company will continue to develop the wafer probe cards with ultra-fine pitch technology, high pin count, large area, high/low-temperature, less cleaning and multi-DUT.
  - (b) The Company will continue to develop the wafer probe card for high-speed test to keep up with the development trend of high-speed chips.
  - (c) To catch up with the advanced packaging technology development and cope with different product application, the Company will continue to develop the highly-integrated wafer probe cards with FOWLP, KDG, flip chip, CIS, TSV, WLP, SiP, SoC, 2.5D and 3D stack die structures for probing.
- (2) Photoelectric semi-conductor automated equipment
- (a) Micro LED wafer level high-speed photoelectric measurement system.
  - (b) Wafer level test system with high-speed, high-current and high-power Laser Diode and VCSEL.
  - (c) Three-temperature full automatic probe station applicable to the wafer-level and PCB-level photoelectric measurement need.

## (II) Overview of industry

### (a) Overview and development of industry

#### (1) Status of the global business

##### (a) Wafer probe card (semi-conductor industry)

In the semi-conductor industry chain, IC design industry serves as the upstream supplier, and IC wafer manufacturing the mid-stream dealer, and IC packing and test industry as the downstream dealer. Taiwan owns the most complete cluster and professional division of work in the global semi-conductor industry. Fabless IC design company hires professional wafer foundries to manufacture wafers in accordance with its design. After front-end probing, packaging fabs will take over and perform cutting and packaging. Finally, the probing fab will perform the back-end probing, and finally assemble the tested finished goods into finished products.

The IC test may be completed in two steps. One refers to the wafer test before packaging primarily aiming to test the electrical property of unit dies on the chips. The other refers to the IC finished goods test primarily aiming to whether the functions, electrical property and heat dissipation of IC are normal or not, in order to ensure the quality. The probe card is applied at the wafer test stage, in order to conduct the probing test on each die on the chips.

Probe card is a plated circuit board filled with probe needles. It is the interface between the probing machine and the wafer under test and analysis. When the manufacture of the wafer is complete, the

probe card is needed for probing the quality of the wafer and separating the fine-quality IC (integrated circuit) from the wafer of poor quality (defective product). The subsequent packaging process only allows the fine-quality IC to enter the packaging step, and the poor-quality IC will not enter the packaging step to avoid unnecessary waste of the cost.

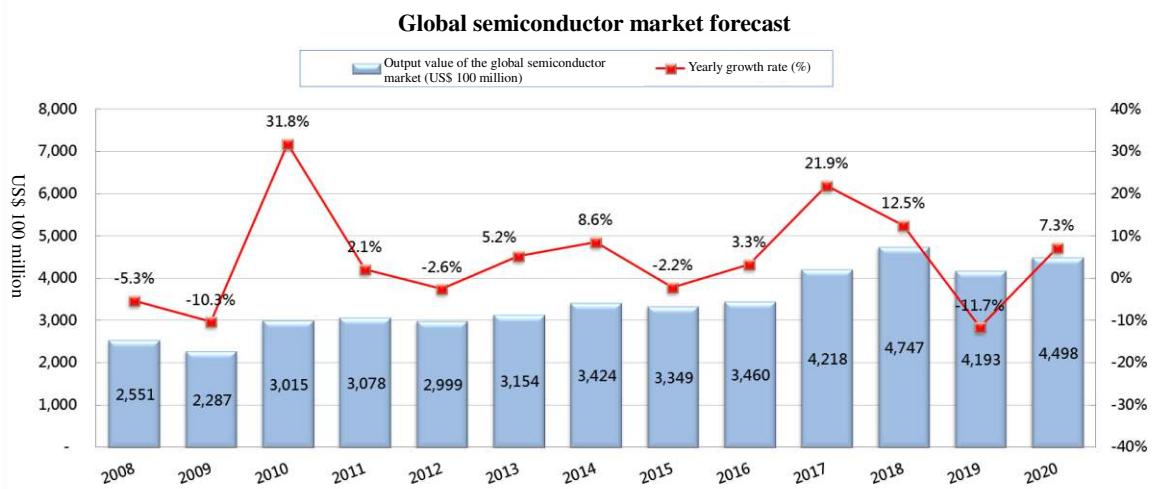
Each IC type requires at least one corresponding probe card. The operation principle of the probe card is that the probe needles on the probe card contact with the pads or bumps on the devices under test (DUT) to perform probe test and input/output the chip signal to perform electrical measurement. Automated measuring is realized with the help of the peripheral probing instrument and controlling software.

After the wafer probing test is done, the wafer is divided into individual dies. After that, qualified dies are allowed to enter the back-end IC packaging process covered with plastics, ceramics or metals to protect the die from any contamination and also facilitate subsequent packaging process, to achieve the connection of electricity property and heat dissipation of chips and electronic systems. The cost of packaging takes up a great percentage of the overall cost of IC production. Therefore, preventing the defective products from entering the back-end packaging process will result in effective cost-reduction and avoid unnecessary waste.

Electronic devices with slim structure, multiple functions and lower power consumption have become the trend. Advanced packaging cost will increase accordingly. This is why wafer probe test technology with lower cost has become very important in the IC industry.

Taiwan's IC packaging and test industry ranks the first place in the world stably. Following the emerging IoT applications, Taiwan's IC packaging and test service providers continue to deploy high-end packaging and heterogeneous integration technology, in order to expand their differentiation with competitors. At the same time, probe card suppliers and testing equipment manufacturers are also striving to follow the trend and develop new technologies to maintain their leading position.

## Global semiconductor market forecast



Source of data: Gartner (01/2021); compiled by MPI

The wafer probe card is closely related to the semi-conductor industry. The rise and fall of the semi-conductor market will affect the wafer probe card market directly.

The outbreak of Covid-19 in China at the beginning of 2020 spread the pandemic globally. The huge impact posed to the global economy and industries affected all walks of life adversely. The global Covid-19 pandemic in 2020 changed consumers' daily life and consumption pattern significantly. Notwithstanding, the total operating revenue generated by the global semi-conductor industry was still growing in 2020. According to the survey report provided by the market survey institution, Gartner, the global semi-conductor industry's operating revenue amounted to US\$449.8 billion in 2020, growing by 7.3% from 2019. The outbreak of epidemic in 2020 forced people to work and study from home, and also drove the increasing demand for servers, PCs and ultramobile products, thus boosting the semi-conductor product sales growth.

Covid-19 has posed impact to the world, as no countries could be exempted from its effect. While various industries' demand was declining all over the world, the stay-at-home economic were emerging therefor, driving the demand for chips of NB and cloud services and benefiting the global technology industry's growth instead under the impact posed by the epidemic.

The forecast report released by SEMI in March 2021 looks forward to the entire market's prospective optimistically in 2021, indicating that the main markets, including GDP, sales of terminals and electronic products, sales of semi-conductor and capital expenditure, are expected to grow positively; meanwhile, benefiting from popularization of the applications including 5G, data center, HPC and AI, such applications will still be the main force to drive the

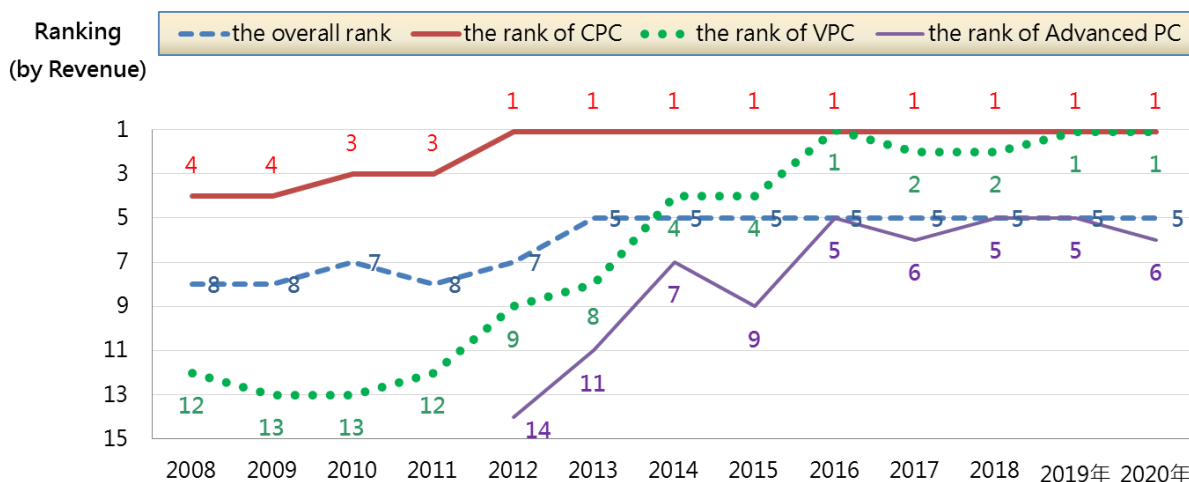
semi-conductor industry's development. In terms of products, the strong demand for laptops and servers will also continue until 2021.

Further, in terms of the trend in the global semi-conductor equipment market and the forecast thereof, due to the memory market's recovery, advanced logic production process and continuous investment in foundries, SEMI predicts that the front-end wafer fab equipment market is expected to grow by a double-digit rate in 2021. The semi-conductor testing equipment market grew by 16% in 2020, attaining the scale of US\$5.8 billion. In 2021 and 2022, it is expected to keep growing. The assembly and packaging equipment departments are expected to grow by more than 8% in 2021, given the advanced packaging and wire bonding.

The global semi-conductor industry tends to grow positively and also drive the entire industries in Taiwan. Taiwan's semi-conductor supply chain plays an important role globally. In 2020, its total output value amounted to more than NT\$3.2 trillion, ahead of South Korea, and became the second largest semi-conductor supply chain globally, after the USA. Taiwan's advanced production process of semi-conductor took the leading position globally, with the output value of wafer foundry and packaging & test ranking 1st place in the world, and IC design ranking 2nd place in the world. The market survey institution optimistically forecast that Taiwan's semi-conductor industry chain, including IC design and wafer foundry, and even back-end packaging and test foundry, has positive outlook from 2021 to 2022.

In conclusion, the rampant epidemic has drive the demand for work from home, and also for the chips related to NB and cloud services. Besides, the 5G applications also drove the development of 5G mobile phone and HPC. Given the advanced deployment of advanced manufacturing processes and packaging technologies, Taiwan's semi-conductor industry's clustering effect keeps expanding. The demand for packaging and testing, driver ICs, and memory IC-related materials is expected to keep booming, and boost the operations throughout 2021.

## MPI's ranking in the global probe card market the relative position of MPI



Source of data: VLSI Research Inc. (2020/4); Compiled by MPI (2020/4)

According to the survey report of global probe card suppliers made by the VLSI Research Inc. in April 2021, MPI ranked the 5th place among other suppliers in 2013. Since then, we have kept investing resources and expanded the sale in order to maintain the outstanding achievement and to pursue more excellent ranking. MPI ranked 5th place in the global probe card market in 2020. Among the other things, MPI took the 1st place in the global market share of epoxy/cantilever probe cards, the 1st place in the global market share of vertical probe cards again, and the 6th place in the global market share of advanced probe cards.

Both our production value of probe cards and the global ranking gradually grow year by year. We have earned ourselves the leading place in the market. The operational strategies emphasize the R&D investment and technology innovation. We will keep growing by adopting leading-edge technology to maintain our competitive advantages.

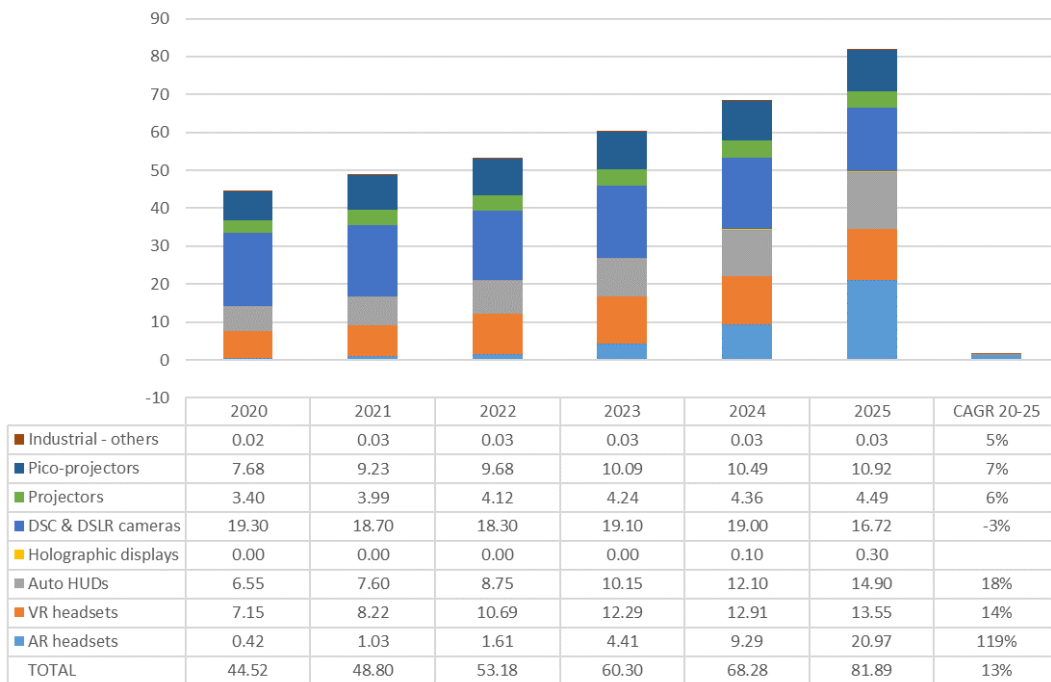
(b) Automated photoelectric semi-conductor equipment (LED industry)

Through the booming development for one decade, LED components have generated the high penetration rate in the fields of lighting applications and flat panel display's back-light modules and, therefore, played an indispensable part in people's daily life. According to the report of LED Inside, this year will be the starting year for Mini LED. Various new products applied to pads or TVs have been emerging and innovating. The back-light modules or RGB displays have driven strong demand in the consumer electronics market.



The market of the Mini LED is growing rapidly. The technology of the next generation, micro LED display technology, is also developing as well. The performance of micro LED is extraordinary. It can be used in watches, cell phones, displays for cars, AR/VR, displays and TVs. Considering the cost and technology, micro LED might be more suitable to be used in advanced TVs, displays and displays in vehicles.

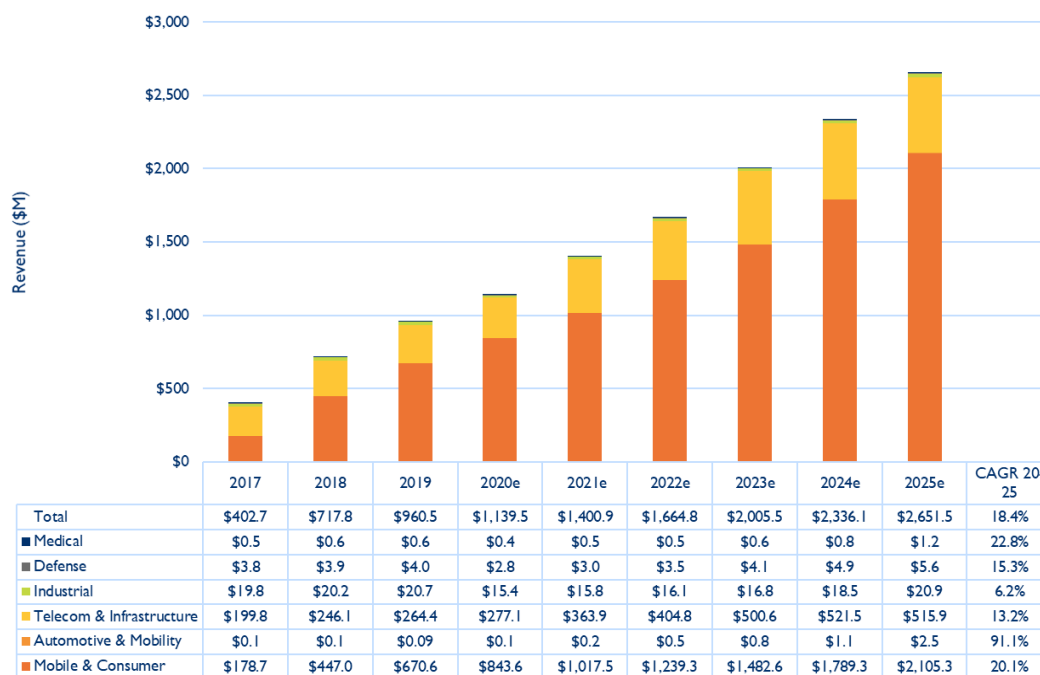
TAM for microdisplays by end-system (Munits) - Split by application



Source of data: Yole 2020 Report

Emerging infrared sensor component applications, such as VCSEL 3D sensor market, grew less than the expectation due to the impact posed by the epidemic. Notwithstanding, according to Yole's market analysis, such market could still keep the high annual compound growth rate, 18.4%, from 2020 to 2025. Generally, its aggregate demand still appears to be very strong. In the future, when the ADAS or Robotic cars trend is confirmed in the automotive market, the LiDAR system will become more and more popularized. Its annual compound growth rate is expected to attain 77% before 2025 therefor. Therefore, the system will become the mainstream in the high growth of next generation photoelectric semi-conductor components.

Market revenue (\$M) of VCSELs split by market segment (2017-2025)



Source of data: Yole 2020 Report

LiDAR volume by application - Munits



Source of data: Yole 2020 Report

(2) Status of domestic industry

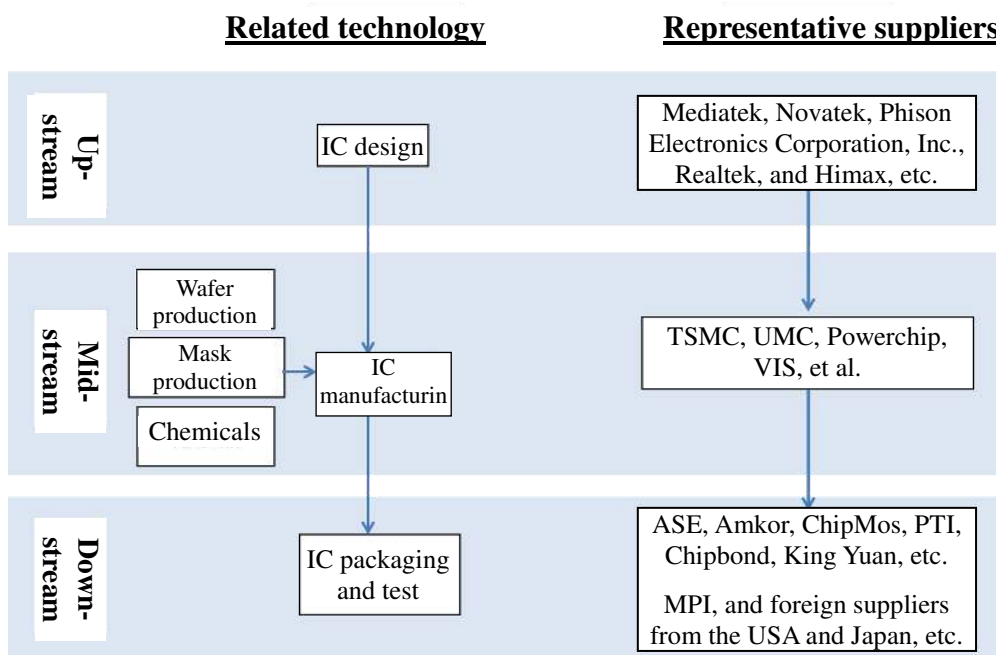
(a) Wafer probe card (semi-conductor industry)

The semiconductor industry is one of the most important industries in Taiwan. With the active support from the Government and much effort of the industry for decades, a comprehensive supply chain has been formed for the semiconductor industry; there is a complete industry structure and

professional division of labor system. Professional companies in Taiwan have been engaged in the IC design in the upstream sector, wafer fabrication in the midstream sector, and IC packaging as well as testing in the downstream.

From 2021 to 2022, the semi-conductor industry chain, including IC design, wafer foundries, and back-end packaging and test industries, had the prospective and vision to be expected positively. The semi-conductor industry has a close positive relationship with the global economic conditions. If the global economy is brilliant, the overall semi-conductor industry and the manufacturing sector will grow stably. This will drive the growth and demand of the advanced packaging and test industry. 5G, data centers, HPC and in-vehicle electronics, as well as AI, are forecast to be the main force driving the industry’s development in next few years. Various institutions have forecast that GDP, sales of terminals and electronic products, sales of semi-conductor and capital expenditure, are expected to grow positively; therefore, they successively adjusted the forecast value about the global semi-conductor industry and Taiwan’s semi-conductor industry upward. This growth trends is forecast to drive various demands in the semi-conductor industry therefor, and the semi-conductor market is expected to enter the super cycle.

Relation Diagram for up-stream, mid-stream and down-stream dealers in the semi-conductor industry



Source of data: MPI (2021/4)

Industrial Technology Research Institute predicts the output value of the semi-conductor industry in Taiwan (including IC design, IC manufacturing, IC packaging, and IC test) will exceed NT\$881.7 billion in Q4 of 2020, growing by 1.7% from Q3 of 2020 and by 16.9% from the same period in 2019. Among the other things, the IC design industry's output value will be NT\$247 billion, growing by 1.4% from Q3 and by 30.6% from the same period in 2019. The IC manufacturing industry's output value will be NT\$493.2 billion, growing by 2.6% from Q3 and by 15.7% from the same period in 2019.

The data show that the output value of memories in the IC manufacturing industry and other manufacturing industries will be NT\$56.3 billion, growing by 14.7% from Q3 and by 36.7% from the same period in 2019, the largest growth range. The wafer foundry industry's output value will be NT\$436.9 billion, growing by 1.3% from Q3 and by 13.5% from the same period in 2019. Meanwhile, the IC packaging industry's output value will be NT\$98 billion, declining by 1% from Q3 and growing by 1.6% from the same period in 2019. The IC test industry's output value will be NT\$43.5 billion, declining by 1.1% from Q3 and by 2.4% from the same period in 2019.

The grand total of Taiwan IC industry's output value would amount to NT\$3.2222 trillion in 2020, growing by 20.9% from 2019, a new record hitting the history. Among the other things, the IC design industry's output value will be NT\$852.9 billion, growing by 23.1% from 2019. The IC manufacturing industry's output value will be NT\$1.8203 trillion, growing by 23.7% from 2019.

The output value of wafer foundry in the IC manufacturing industry will be NT\$1.6297 trillion, growing by 24.2% from 2019. The output value of memories and other manufacturing industries will be NT\$190.6 billion, growing by 19.4% from 2019. Meanwhile, the IC packaging industry's output value will be NT\$377.5 billion, growing by 9% from 2019. The IC test industry's output value will be NT\$171.5 billion, growing by 11.1% from 2019. According to the analysis on output value of sub-industries related to the IC industry in Taiwan, all of them, except those for memories and other manufacturing, have created the new high output value hitting the history in 2020.

Table. 2017~2021 IC Industry Output Value and Annual Growth in Taiwan

NT\$ 100 million	2017	2017 Growth rate	2018	2018 Growth rate	2019	2019 Growth rate	2020	2020 Growth rate	2021 (e)	2021 (e) Growth rate
Output value of IC industry	24,623	0.5%	26,199	6.4%	26,656	1.7%	32,222	20.9%	34,981	8.6%
IC design industry	6,171	-5.5%	6,413	3.9%	6,928	8.0%	8,529	23.1%	9,459	10.9%
IC manufacturing industry	13,682	2.7%	14,856	8.6%	14,721	-0.9%	18,203	23.7%	19,657	8.0%
Wafer OEM	12,061	5.0%	12,851	5.0%	13,125	2.1%	16,297	24.2%	17,675	8.5%
Memories and other manufacturing industries	1,621	-11.8%	2,006	23.7%	1,596	-20.4%	1,906	19.4%	1,982	4.0%
IC assembly industry	3,330	2.8%	3,445	3.5%	3,463	0.5%	3,775	9.0%	4,025	6.6%
IC testing industry	1,440	2.9%	1,485	3.1%	1,544	4.0%	1,715	11.1%	1,840	7.3%
Output value of IC products	7,792	-6.9%	8,418	8.0%	8,524	1.3%	10,435	22.4%	11,441	9.6%
Global Semiconductor Market (unit: US\$100 million) and Growth rate (%)	4,122	21.6%	4,688	13.7%	4,123	-12.0%	4,404	6.8%	4,883	10.9%

Note: Output value of IC industry=output value of IC design industry+IC manufacturing industry+IC assembly industry+IC probing industry

Source of data: The Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2021/02)

Looking forward to 2021, as the epidemic tends to be stable and various countries are implementing the vaccination, it helps recovery of the booming global economy. Meanwhile, the recovery of electronic terminal product sales also drove the entire market's recovery. As Taiwan owns the most advanced packaging & test and heterogeneous integration technologies able to satisfy the demand for high integration and high performance of chips needed by the global electronic terminal products, the output value of Taiwan's packaging & test industry is expected to attain NT\$586.5 billion in 2021, growing by 6.8% from 2020. The probe card industry relies significantly on the semi-conductor industry. Thus, the advanced packaging need due to the end-application, the continual growth of the packaging market, or the new material introduction in the semi-conductor industry will increasingly promote the growth of the probe card market.

(b) Automated photoelectric semi-conductor equipment (photonics automation industry)

In the global semi-conductor industry's supply chain, Taiwan always plays an important role for foundry and manufacturing. Besides, given the Sino-US trade war, Taiwan has become the most critical semi-conductor production location in the world. Several leading gallium arsenide (GaAs) manufacturers based domestically have successively expanded their production volume. At the same time when they were expanding their

investment, they also needed high-class optoelectronic semi-conductor automation equipment more eagerly.

The Company continues to focus on the development and application of the engineering and production equipment required in the photoelectric component process. We have earned ourselves a high market share in the field of traditional LED epitaxy testing and sorting equipment. The Company cooperates with the companies that have leading technology and develop all kinds of testing equipment required in the micro LED mass production process. With the rise of the VCSEL and LiDAR infrared ray sensing elements, the Company uses the best effort to collaborate with international companies and academic units to improve core relevant core technologies and make progress with the growth of the industry in the challenging environment.

(b) Correlation between the up-stream, mid-stream and down-stream dealers in the industry

The Company’s main products include wafer probe cards and automated photoelectric semi-conductor equipment. The complicated machining process in the machinery industry requires lots of components/parts. Therefore, some part machining in the manufacturing process is outsourced to the subcontractors. In terms of the correlation between the up-stream and down-stream in the industry, the Company is identified as a down-stream company engaged in R&D, design & assembly and selling of various wafer probe cards and machines to companies in the semi-conductor and LED industries. The up-stream companies are responsible for supplying parts/components and raw materials including PCB, probes, microscopes, slide rails and automatic control components. The correlation between the up-stream and down-stream companies in the industry is as follows:

A. Wafer probe card: Up-stream	Mid-stream	Down-stream
Measuring instrument industry		
PCB industry	Probes for probing	IC design industry
Ceramic industry	Special jigs	IC manufacturing industry
Synthetic resin manufacturing industry	Wafer probe card probing device	IC probing industry
Passive component industry		

B. Automated photoelectric semi-conductor equipment:

Up-stream	Mid-stream	Down-stream
PCB industry	Computer	LED industry
Machinery processing industry	Automated control testing jig and equipment	Optoelectronic manufacturing industry
Automatic control components	Probes	Split-type component industry
Measuring instrument industry		Communication industry
Computer device industry		
Optoelectronic components		
Electronic parts		

(c) Development trends of products

(1) Wafer probe card (semi-conductor industry)

The development of probe cards has high correlation with that of electronic packaging in the IC industry. For the time being, the demand for System in Package (SiP), 2.5D & 3D IC Packaging, Fan Out Packaging, MEMS and Sensor Packaging, and high-frequency test still needs to rely on different probe testing technologies. The IC industry imposes very strict cost requirements at the packaging and test stage. Meanwhile, following the evolution of IC process technology, the technical requirements for the packaging and test stage is also getting stricter and stricter.

The following ten development trends are concluded:

① Miniaturization of needle gauge

The overall semi-conductor technology would continue to make progress in the miniaturization of circuit interval. In response to the future micro technology for IC process and continual miniaturization of the chip size, the Company will construct the bonding technology with a view to pursuing the shortest connection length, best electrical characteristics, and high output/input contact density so as to cut the IC size and increase the number of unit dies. Better fine pitch technology for the wafer probe cards will be developed to comply with the requirement of IC process.

② Processing of high-speed signal interruption

The System in Package (SiP) and multi-chip packaging systems have become the mainstream in the IC development. As the SiP cost still stays high, it is necessary to confirm the yield of each single chip and probe testing performed on each chip in the chip stack before proceeding with the multi-chip packaging, and complete the packaging upon confirmation of the yield rate to prevent any additional expenditure. As it is necessary for high-speed signals in the System in Package (SiP) and multi-chip packaging to deal with certain problems about integration of signals and electromagnetic interference (signal performance), the

technical difficulty is also increasing.

### ③ Processing of problems about thermal effects

The applicable working environment of different IC products varies. Using environment (high and low temperature) of the product shall be simulated during wafer probing to ensure the impact of temperature will not affect normal operation of the electronic circuit of the IC product.

Test of these chips needs to take into account thermal effects or high and low temperature testing issues. The thermal effect problem derived from the high performance chips becomes critical at the wafer testing stage and back-end packaging stage. Meanwhile, the increasing demand for in-vehicle chips also signifies the importance of thermal effect problem. Some wafer types might require longer testing time and more complicated testing environment.

Therefore, the probe card design must consider the increase/decrease in temperature and temperature restrictions and changes in the probe cards caused by the thermal effect at the time of wafer testing.

### ④ HF high-speed probe card

In consideration of the increasing high speed SerDes interface applications, such optical fiber transmission communication interface testing requires the precision of fiber alignment strictly required. The test needed by optical communications also needs to rely on some new test method. It is necessary to develop new probe card designs to overcome the bottleneck suffered by the optical communication test currently.

Due to the increasing demand of 5G communication, in-vehicle electronics, VR wireless transmission, internet application in the recent years, the demand for high-speed communication chips multiplies drastically. The demand drives the development of IC in the high-speed signal communication field. The most important thing in the design of high-speed communication chips is the signal transmission. Therefore, the impedance matching of the signal transmission path and completeness of signal are significant. The circuit design and manufacturing precision of the probe card are the development keys for ensuring the completeness of signal transmission.

### ⑤ Multi-chip parallel testing

The strategy for the probe card that is able to complete multi-chip probing with only one contact adopted in order to save the probing time and improve cost effectiveness has increased the difficulty in designing probe cards. In the meantime, in order to achieve the purpose of multi-chip parallel test, more number and larger size of chips must be designed for the same test. Meanwhile, it is necessary to achieve the consistency between DUT and DUT and control fair flatness, etc.. Fulfillment of said requirements need to rely on better probe card design and manufacturing technologies.

### ⑥ Application of different semi-conductor materials and technology

The innovation and development of new semi-conductor process and technology will lead to the creation of different types of chip bonding pads and materials. The probe card technology will vary when using different bonding pad materials with DUT.

### ⑦ Low contact resistance

In order to meet the requirement of energy reduction for the portable mobile devices, the voltage during the operation will become lower. As a result, contact resistance applied when the probe card is probing the chip shall not be too high. Therefore, probe card with low contact resistance is the focus of the design and



development.

⑧ Few pin cleaning

The poor quality of pin contact on the probe card will fail to deliver the probing function. Cleaning thus is needed for continuous probing. However, the pin contact will be worn during cleaning the life span of the pin will decrease as a result. Therefore, developing probe cards with less cleaning need has become a key for the product.

⑨ Low k chip probe card

Low-k dielectrics are used as connection materials to decrease the RC delay in copper wire connection in the micro semi-conductor process. Most low-k materials are fragile with porosity; thus, it is critical to control the pin pressure range of the probe cards to avoid damaging the chip during wafer probe test.

⑩ High-power chip testing

The demand for high-power and high-voltage power chips rises rapidly in the industrial, communication and netcom equipment markets. This renders the IC manufacturers to develop related products. Industrial equipment, communication equipment and netcom equipment need high-power chips that allow high current input. Therefore, the development of the probe card applicable to high-power chip probing becomes a significant trend.

(2) Automated photoelectric semi-conductor equipment (LED industry, VCSEL industry, Micro Display industry)

① Measurement capability

Photoelectric components are commonly used in lighting, backlight illuminating, 3D sensing and micro display products. In addition to measuring the basic optical and electrical property, the ability to measure the Far field and Near field of the optics types, photocurrent responses with different wavelengths, RGB property of the micro display and optical property with different current is the main focus of the market. Given the demand for optical communication industry and BOLED (Behind OLED) technology, the SWIR photoelectric property measurement will be considered as the orientation of technological development at next stage.

② Precision

The sizes of the components utilized in mini and micro LEDs reduce drastically. The mechanical positioning precision of the mechanism must be improved. Shield environment ability for the automated equipment will become a basic requirement for the photoelectric components in the future.

③ Automatic production

The capacity of the industry is expanding with the extending application of the photoelectric products, and more automatic equipment is introduced in the process to decrease manual operation. Highly automated equipment in line with the features of the photoelectric components (slim chip, low temperature testing) will be required in the industry.

④ Production management

In addition to the output efficiency of a single machine, the output efficiency of a whole production line is also an important indicator for each fab. The integration of the data flow and the most efficient production process, and the application and design of machines must be improved non-stop.

(d) Status of competition of products

Name of primary competitor, and business lines or competitive business lines of the competitor

(1) Wafer probe card

According to the survey of VLSI Research Inc., among the domestic leading wafer probe card manufacturers, MPI is the only company that is listed as the Top 10 global wafer probe card manufacturers. MPI has also managed to maintain the ranking 5th place in the world for a couple of years consecutively.

The others in the same trade	Competitive products
JEM TAIWAN PROBE CORP. (a company incorporated by Japan-based JEM in Taiwan)	Wafer probe card
SV Probe (Taiwan Branch of the U.S.-based Nidec SV TCL Group)	Wafer probe card
FormFactor (a branch company of the U.S.-based FormFactor)	Wafer probe card
Technoprobe Taiwan Co., Ltd. (Taiwan Branch of the Italy-based Technoprobe Group)	Wafer probe card

(2) Photoelectric semi-conductor automated equipment

The Company's automated photoelectric semi-conductor equipment has earned the recognition from the customers with the outstanding technology and performance. With the growth of the photoelectric industry, more and more local equipment manufacturers start the development of related automated photoelectric semi-conductor equipment. We maintain our leading position in the highly competitive market with our own technology, the philosophy of "Customer First", and high production volume. The competitors are described as follow:

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Fittech Co.,LTD	Wafer prober
Chroma ATE Inc.	Wafer prober
ASM	Die bonder
Innobiz, Korea	Die bonder
Cascade, USA	Wafer prober
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device

SIDEA, China	Wafer prober
Han's Photoelectric Equipment Co.,Ltd, China	Flip-chip Wafer prober

(III) Overview of technology and R&D

1. R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: NTD thousands

Year	2020	Ending March 31, 2021
R&D expenses	682,471	179,299

2. Technology or product developed successfully in the last five years

Year	Technology name/product name
2020	Advanced vertical type probe card (FW) development plan Low/medium/high-frequency signal (Hybrid Pogo) probe card development plan Adjustable probe card device for high-level bond substrate impedance testing development plan Micro LED wafer level high-speed photoelectric measurement system. Wafer level test system with high-speed, high-current and high-power Laser Diode and VCSEL. Three-temperature full automatic probe station, wafer-level and PCB-level photoelectric measurement PCB
2019	High-speed spring-loaded type probe card development technology Micro-distance vertical probe card development technology VCSEL wafer level automated three-temperature probing device S2CT Prober Multi-band photocurrent measurement technology for photo diodes Micro LED small contact force probing technology
2018	WAT probe card used in advanced semi-conductor process Vertical probe card with high current endurance design VCSEL wafer level automated probing device S1 Prober High-speed VCSEL die sorting equipment M60V Sorter VCSEL manual low-temperature testing device LS8T Prober VCSEL TOF package multi-probing equipment LDP80V System
2017	High-speed vertical probe card development technology Large-size spring-loaded type probe card development technology Large OD micro-distance MEMS type probe card development technology probing system LTP-100 VCSEL single chip multi-probing equipment LP76 Photocurrent and capacitance measurement technology for photo diode Micro LED probing system C1 / M1
2016	High probing speed cantilever probe card development technology Micro-distance pin pressure vertical probe card development

	technology MEMS type probe card development technology for mobile communication power amplifier High-speed AOI photoelectric inspection equipment A3000 Laser wafer prober W1 / S1
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(IV) Long-term and short-term business development plans

1. Long-term business development plan
  - (1) Develop the market in the U.S.A. to support customer's need;
  - (2) Apply accumulated technology and human resource to develop horizontally in the e-testing field;
  - (3) Train human resource and ability in internationalized division of labor and production & marketing;
  - (4) Continue to improve the enterprise's constitution in all respects;
  - (5) Accelerate domestic application of thin chips;
  - (6) In the case of sufficient sources of materials in the future, extend the business lines of crystal growth fab.
2. Short-term business development plan
  - (1) Enhance HR training
  - (2) Market development & marketing
  - (3) Establish various departments' routine management systems and fulfill departmental management

**II. Overview of market and production & marketing**

(I) Market analysis

1. Territories where main products (services) are sold (provided)

The Company primarily sells (provides) the products (services) in Taiwan. Other sales territory includes the USA, Japan, Europe and China. The main wafer foundries, fabless IC design companies and OSAT fabs are all customers of the Company.

2. Market share

MPI specializes in design and manufacturing of semi-conductor wafer probe card for probing, which is the largest manufacturer in the relevant field. Among the other competitors in the same trade, MPI is the one with the most complete production capacity, R&D and manufacturing ability and financial structure. According to the 2020 global wafer probe card report published by VLSI Research Inc. in April 2021, MPI ranked as one of the Top 5 among the global probe card companies and was the only Taiwanese enterprise among the Top 10 probe card suppliers. MPI is the first leading probe card supplier in the cantilever probe card market. In 2020, it won the sales champion in the vertical probe card market again. In Taiwan, MPI is the leader in the probe card market. Our products include probe cards, cantilever probe cards, vertical probe cards, LCD driver IC, and high-frequency probe cards. Our product quality and sale volume are deemed the indicators for other companies in the industry.

### 3. Future supply & demand and growth of market

#### (1) Demand:

Taiwan owns the most complete industry clusters and robust up-stream and down-stream supply chain, i.e. competitive advantages residing in the semi-conductor industry of Taiwan. The IC assembly size has become smaller, and the assembly cost becomes higher. Wafer probing test is now a very important part of the IC process. Therefore, consumption of wafer probe card and IC manufacturing volume are related to a certain degree.

Recently, functions of the consumable electronic products become more complicated and diverse. 5G communication, cloud computing, automobile/industrial application and IoT are developing. Consumers want the products to be light, slim, short, and small. Their demand for functionality increases. Domestic and foreign leading semi-conductor suppliers continue to increase capital expenditure and expand production capacity in order to take up more market share. In addition to the increase of chip production volume, the chip packaging technology aims at slim type chip, low-cost system and high performance. Therefore, the requirement for wafer probing test will become stricter.

According to the statistics gathered by the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute, the output value of the semi-conductor industry of Taiwan would exceed NT\$3 trillion for the first time and amount to NT\$3.22 trillion in 2020, a YOY 20.9%. The total output value was 2nd place in the world, following 1st place, the USA. Taiwan's IC design industry has created the output value amounting to NT\$852.9 billion last year, a YOY 23.1%. Taiwan's IC manufacturing industry has created the output value amounting to NT\$1.82 trillion last year, a YOY 23.7%, as a sub-industry outperforming the others. The IC test industry has created the output value amounting to NT\$171.5 billion, a YOY 11.1%. The IC packaging industry has created the output value amounting to NT\$377.5 billion, a YOY 9%.

According to the statistics gathered by Taiwan Semiconductor Industry Association, the output value of Taiwan's semi-conductor industry accounts for the largest proportion of that of the wafer foundry industry in Taiwan this year. The output value is expected to attain NT\$1.53 trillion, about 51% of that of Taiwan's semi-conductor industry. In terms of its performance for the past few years, the output value of wafer foundry has outperformed the others in the semi-conductor industry each year; therefore, the wafer foundry became the strongest force to boost the growth of Taiwan's semi-conductor industry.

Taiwan's wafer foundry industry ranks the first place in the world, and packaging and test industry also the first place and IC design industry the second place globally, only after the USA. The semi-conductor industry's comprehensive clustering effect appears to be the competitive strength of Taiwan's semi-conductor

industry.

The packaging and test industry is growing with IC manufacturing and IC design industries simultaneously. All of them form the force to keep Taiwan's semi-conductor industry growing. As the probe card is primarily applied to inspection of the yield rate of wafers, the wafer foundry industry's development is expectable. Meanwhile, the probe card market is expected to grow therefor. The design of the probe card is getting complicated, and this results in the requirement for the quality and volume of probe cards from the semi-conductor industry.

(2) Supply:

The competition in the global probe card market is highly-competitive. Each probe card supplier specializes in different products and technology, and collaborates with different customers. For example, some foreign suppliers tend to have more control in the memory products. MPI Corporation has been a leading company in the domestic market, and specialized in cantilever probe card, LCD driven IC, and vertical type and high-speed HF probes cards. Currently, most domestic companies are the long-term customers of MPI Corporation. MPI Corporation has been actively developing major foreign markets to meet the market needs with its probe cards, while having a foothold in Taiwan and keeping a close watch on the development of industrial technologies in Taiwan.

MPI's manufacturing technology for the products of high pin count, fine pitch and high-speed/high-frequency has matured. We are the leading company with the established technology in the industry and provide the products including cantilever, vertical and MEMS probe cards. We are able to provide probe cards for general probing and high-frequency probing. With the advantages of fine pitch and high DUT count, the wafer probing cost can be saved and the probing precision will increase. MPI will uphold the idea of technology innovation to continue putting ourselves in the R&D work of the advanced probe cards of the next generation.

4. Competition niches

- A. With the outstanding and stable technology and products we provide, we have established a stable cooperative relationship with the customers over the years.
- B. We provide total solution, real-time customer service and know how application of relative fields for the customers.
- C. Continuous innovation: In the ever-changing technology industry, the application of new technology and the demand for new technology need to be satisfied. In addition to the continuous investment of resources in R&D for ensuring our leading place, MPI invests a great amount of R&D budget for technology development, especially for new technology skill development. These will make sure MPI stays competitive in the industry and that technical barriers are created.

For the market of advanced vertical probe cards, the Company has direct contact with the foreign IC design companies. We have established a close directly to establish partnership and invest lots of R&D resources to ensure the growth in the future.

D. Complete patent plan: We filed for 1,186 patent applications. A total of 857 letters of patent were granted to the Company. (As of the end of 2020.)

5. Advantages and disadvantages for future development, and the countermeasures

(1) Advantages

- (a) The product quality and stability have been recognized by most domestic/foreign leading semi-conductor manufacturers. We have successfully entered the supply chain of international manufacturers. The Company is recognized as the best supplier by the public domestically.
- (b) We possess complete and diversified R&D capacity and talents. We are able to make careful and complete plan with for the development trend in the industry in the future.
- (c) The market tends to favor the high pin count, fine pitch and high-speed/high-frequency design for signal transmission. The Company is highly competitive since our products have high quality and are stable. We hope the expanding market demand will boost the Company's operating revenue.
- (d) Complete product line: With our core automated technology, we continue to develop various automatic applied technology. The products are designed to allow rapid replacement to meet different requirements. They are applicable to relative product testing in the semi-conductor industry. This will greatly reduce the risks caused by economic condition change of single-industry structure.
- (e) Sensitive market control ability: We own the complete sale and service channels that can reflect the market conditions immediately as feedbacks to ensure our competitiveness.

(2) Disadvantages

- (a) Small-scale suppliers might engage in price war to survive in the industry. This will increase the risk in market price fluctuation.
- (b) The growth of the traditional wafer probe card market is limited. Therefore, it is necessary to continue developing MEMS and vertical probe card technology to satisfy the need resulting from the substantial growth of the advanced packaging.
- (c) Most of the precise mechanical parts of automated probing equipment are imported from abroad. The cost is high and the delivery period is long. These might cause difficulty for on-time delivery to the domestic customers.

(3) Countermeasures

- (a) We will upgrade the production quality of wafer probe cards and shorten the delivery term to satisfy customers' need and get a reasonable price.
- (b) We will invest resources in R&D to cope with new technical challenges and ensure our leading position.
- (c) We will improve the probing equipment business and perform market survey to increase the accuracy of market demand forecast. Moreover, we will establish the safety inventory amount for parts/components imported from abroad according to the market demand. Semi-finished product inventory system will be established to ensure the fulfillment of the delivery term.

(II) Important purpose and manufacturing processes of main products

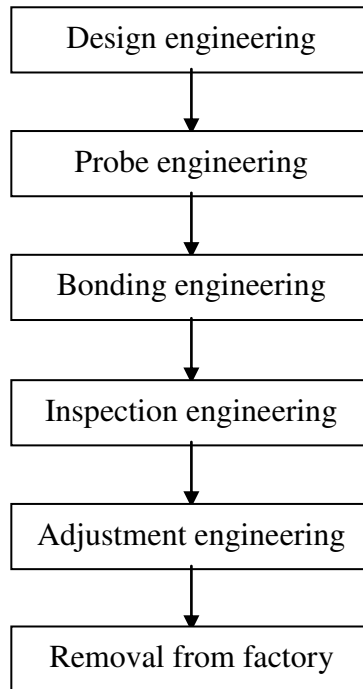
(1) Important purpose of main products:

Product or service	Main purpose or function
Wafer probe card for wafer probing	The measuring interface at the wafer probing stage is the bridge between the wafer to be tested and the probing device. It is widely used on the wafer level probing for logic components, memory components and LCD driver components.
Wafer probe card for LCD Driver IC Final Test	The testing interface after packaging is the bridge of signal transmission between the LCD Driver IC to be tested, tape and the probing device.
Vertical probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
MEMS probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
Photoelectric semi-conductor die testing equipment	It is used to test the optical properties of the die and perform data analysis for the bin value after the photoelectric semi-conductor wafer is manufactured.
Photoelectric semi-conductor die testing and sorting equipment	It is used on the sorting of dies based on their optical properties after the photoelectric semi-conductor die is manufactured.
Automatic AOI equipment	The equipment will sort out and mark the die with defects by adopting AOI after the photoelectric semi-conductor testing and sorting are complete.

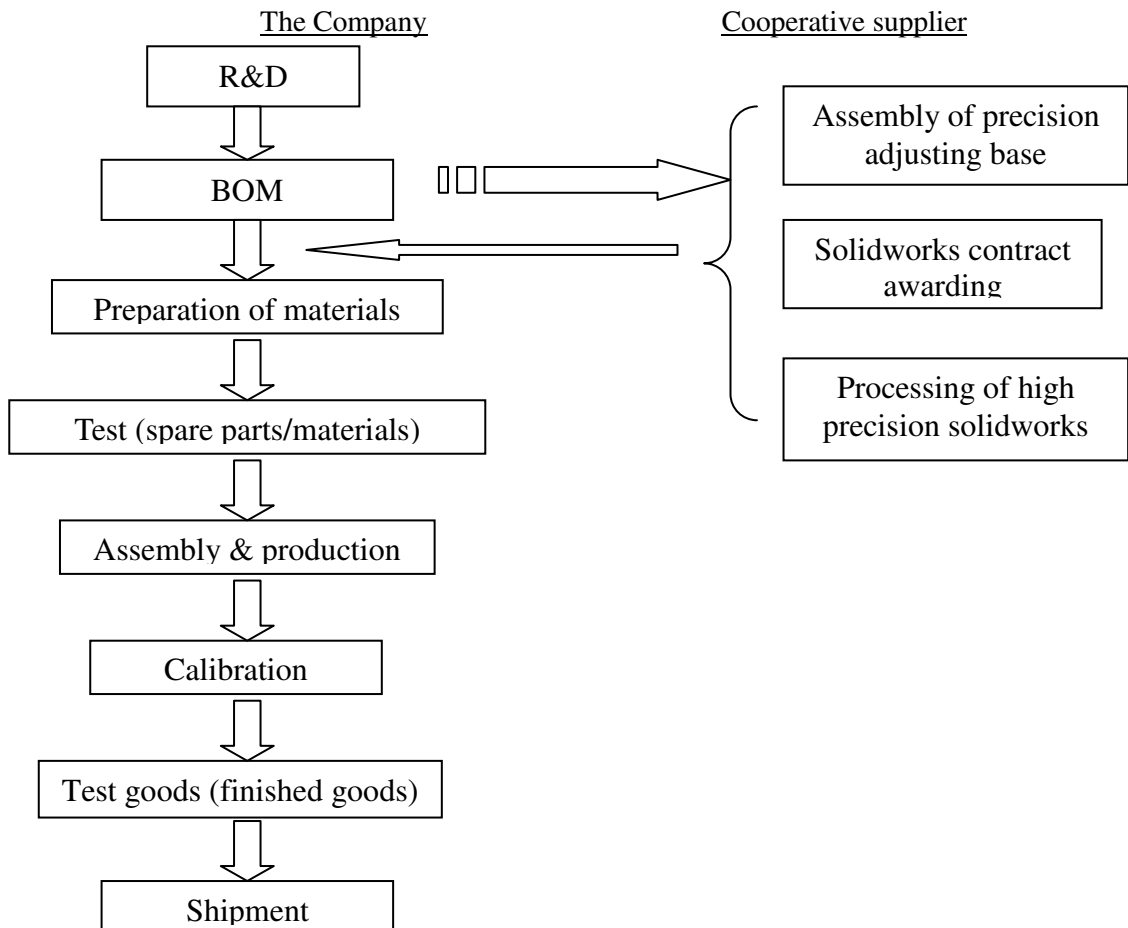


(2) Manufacturing process of products

(a) Wafer probe card



(b) Photoelectric semi-conductor automated equipment



(III) Supply of main raw materials

The Company's main products include wafer probe cards and automated photoelectric semi-conductor equipment. The raw materials of wafer probe cards include PCB, probe and tube, etc. The raw materials of automated photoelectric semi-conductor equipment include microscope, lathe, milling machine, screw rail, motor and industrial computer. The Company maintains great partnership with domestic/foreign raw material suppliers. Moreover, we have 2 or more suppliers for the key materials and parts/components to keep the procurement choice flexible and reduce the risk of concentrated procurement of raw materials.

(IV) Name list of principal suppliers and clients

(1) Name list of any suppliers that have supplied 10 percent or more of the Company's procurement in the recent two years

Unit: NTD thousands

2019				2020				Ending Q1 of 2021			
Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Net procurement ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	1,246,642	100.00%	N/A	Others	1,574,407	100.00%	N/A	Others	360,152	100.00%	N/A
Net procurement	1,246,642	100.00%		Net procurement	1,574,407	100.00%		Net procurement	360,152	100.00%	

Analysis of variations: The Company had no supplier that supplied 10 percent or more of the Company's net procurements in 2019 and 2020.

(2) Name list of the customer to whom the Company has sold 10 percent or more of the Company's sales in the recent two years

Unit: NTD thousands

2019				2020				Ending Q1 of 2021			
Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Net sales ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	5,515,200	100.00%	N/A	Others	5,925,601	100.00%	N/A	Others	1,424,166	100.00%	N/A
Net sales	5,515,200	100.00%		Net sales	5,925,601	100.00%		Net sales	1,424,166	100.00%	

Analysis of variations: The Company had no customer that we sold 10 percent or more of the Company's sales in 2019 and 2020.

(V) Production value over the last two years

Unit quantity: Probe card: PIN  
 Unit quantity: Prober: set  
 Unit: NTD thousand

Year Production value Main products (or by department)	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Wafer probe card	12,350,000	10,226,341	1,772,911	12,350,000	10,413,968	1,950,627
Photoelectric semi-conductor automated equipment	1,000	940	926,496	1,100	1,064	958,560
Total	12,351,000	10,227,281	2,699,407	12,351,100	10,415,032	2,909,187

(VI) Sales value over the last two years

Unit quantity: Probe card: PIN  
 Unit quantity: Prober: set  
 Unit: NTD thousand

Year Sale volume Main products (or by department)	2019				2020			
	Domestic marketing		Export		Domestic marketing		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card	5,187,691	1,877,588	2,733,508	940,065	5,478,117	1,938,706	4,935,851	1,514,113
Photoelectric semi-conductor	122	225,861	776	1,151,376	97	121,440	970	943,150
Others		262,153		1,058,157		151,180		1,257,012
Total		2,365,602		3,149,598		2,211,326		3,714,275

### III. Employee information

Information about the employees employed for the recent two years and as of the date on which the annual report is printed

Year		2019	2020	Ending April 30, 2021
Number of employees	Indirect employees	864	868	827
	Direct employees	644	694	748
	Total	1508	1562	1575
Average age		36	36.6	36.7
Average years of service		7.49	7.95	8.08
Qualification (%)	Doctoral degree	0.27	0.32	0.32
	Master's degree	16.24	16.71	16.38
	University/college	68.57	68.56	68.57
	High school	14.39	13.83	14.1
	Below high school	0.53	0.58	0.63

### IV. Environment protection expenditure information

The Company has acquired the certificate for environmental management system (ISO 14001). We review the impact of the process on the environment and continue to make improvement. The Company has established a service unit responsible for managing, maintaining and improving the environmental management system. It is also responsible for the external and internal communication regarding environmental issues. The impact our products have on the environment during the manufacturing process is slight. The main pollution includes waste, air pollution and wastewater. We put emphasis on pollution prevention work to reduce the impact on the environment. MPI endeavors to the establishment of the pollution prevention equipment, hoping to decrease the effect of pollution under effective management. We perform inspections on the operations, and the employees in charge of the production line have better environmental awareness now. The Company establishes annual improvement plan and executes control on the discharge of polluted air, water and waste in the hope to prevent pollution and realize our commitment to reducing environmental impact.

We learn from system operation that the main energy consumption occurs in the use of the electricity and, thus, we try to reduce the consumption of the electricity as much as possible. We set the energy performance indicator to an average annual energy saving rate of more than 1%.

(I) A permit for polluting facility establishment or a pollution discharge permit must be acquired, the pollution prevention fee must be paid or a designated unit for environmental protection must be established according to the legislations. The

status of the application, payment and establishment are listed down below:

1. According to the environmental protection laws and regulations, the Company's 2nd Plant in Zhubei, Xinpu Plant and Hukou Plant have acquired the water pollution prevention permit and operation permit for stationary sources of pollution. Designated personnel for polluted water discharge (class B) and designated personnel for air pollution prevention (class A) are established.
  2. The Company reports and pays the pollution prevention fee according to the environmental protection laws and regulations.
- (II) The investment for pollution prevention equipment of the Company, the purpose of the Company and its potential benefits:  
The pollution prevention equipment is used to process the wastewater and gas from the manufacturing process to reduce environmental pollution and comply with the environmental laws and regulations.
- (III) The process annual the Company, and the process of pollution dispute handling (if there's any) in the most recent year and until the date of publication of this annual report shall be described: The Company did not cause any environmental pollution in the most recent year and until the date of publication of this annual report.
- (IV) 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, the substance of the legal violations, 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: The Company did not commit any incident in the most recent fiscal year and up to the annual report publication date.
- (V) Explaining the current condition of pollution and the impact of improvement on the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming 2 years: None.
- (VI) Information about RoHS: Not applicable, due to the characteristics of the Company's business lines.

## **V. Labor relations**

- (I) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements made between employers and employees, and the protection of employees' rights:

(1) Employee welfare:

The Company drafts and promotes various welfare primarily to ensure the safety and health of the employees in work. The Employee Welfare Committee organized by employees enables employees to enjoy participating in planning and implementation of physical activities, in order to make the activities more characteristic and practical to achieve the purpose of physical and mental relaxation. The Company also realizes that employees symbolize the important drive boosting the Company's growth. In addition to operating said Commission to process employees' welfare, the Company also provides the following benefits:

- (a) Favorable yearly salary for the promotion of the quality of life.
- (b) Dragon Boat Festival and Mid-Autumn Festival bonus, annual bonus and gift certificates for the three major holidays.
- (c) Remuneration payable to employees depending on work performance to have employees share profit,
- (d) Regular wage adjustment based on the work performance.
- (e) Performance bonus based on the work performance.
- (f) Allowances for domestic and overseas travels, purchase of books and recreational activities.
- (g) Flexible paid leaves superior to those specified in the Labor Standards Act
- (h) The canteen established by the Company provides four free meals per day to take care of the employees' health.
- (i) Free health examinations are available to employees every year. We employ professional physicians to provide free health consultation for the employees at factories twice every month.
- (j) Offering subsidy for housing, free parking lots for automobiles and motorcycles, fitness and aerobics rooms etc.
- (k) Comfortable reading place with free books, newspapers, and magazines.
- (l) Free self-made coffee and tea bags, and agency sale of coupons.
- (m) Subsidies for wedding, funeral and childbirth.
- (n) Comprehensive education and training
- (o) Labor, health and group insurance programs, and labor pension

2020 employee welfare policies:

Tourism activities	Number of subsidy recipient	Amount of subsidy
Subsidy for pandemic-safe travel	55 persons	706,954 (NT\$)
Subsidy for employee travel	1055 persons	8,299,795 (NT\$)
Domestic travel for employees	162 persons	661,326 (NT\$)

Other activities	Number of participants
Mother's Day events	1,468 persons
Epidemic prevention gifts (alcohol + face mask cover)	1,530 persons
Moon Festival gifts (gift box+face mask)	1,546 persons
Distinguished Dragon Boat Festival	1,527 persons
2020 Halloween Facebook	1,085 persons
Year-end party	1,576 persons

(2) Continuing education and training systems, and the status of their implementation:

The Company has the dedicated personnel from HR Dept. arrange and plan the competency education and training courses (including the training courses co-organized by other entities and units commissioned by the Company), to be in line with the Company's operating policy and development objectives, upgrade the employees' quality, enrich their basic knowledge, improve their skills and exert their potential, and also to be in line with the propagation under laws and regulations. The Company's education training systems are categorized into internal training, external training and overseas continuing education to satisfy employees' personal need for self-actualization.

2020 Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	3	145	1,087.5	0
2. Professional competency training	117	1,134	3,777.5	1,019,694
3. Supervisor's competency training	14	94	1,440	402,150
4. General education training	71	2,011	6,705	214,620
5. Self-inspiration training	16	1472	1,936.5	307,780
Total	221	4,856	14,946.5	1,944,244

(3) Retirement system and the status of its implementation:

**Retirement - Applicable to those who chose the old system**

The Company allocates the retirement reserve fund every month in accordance with the related regulations of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement.

In any of the following circumstances, the employee shall apply for voluntary

retirement:

- I. Where the employee ages at least 55 and worked for 15 years or more.
- II. Where the employee worked for 25 years or more.
- III. Where the employee ages at least 60 and worked for 10 years or more.

In any of the following circumstances, the employee shall be forced to retire:

- I. Where the employee ages at least 65.
- II. Where the employee is unable to perform his/ her duties due to mental incompetency or disability.

The business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature. However, the age shall not be reduced below 55. The household registration data shall be used as the standard to determine the retirement age of the employee and the age shall be fully calculated since the date of birth.

The criteria for payment of employee pensions shall be as follows:

- I. Two bases are given for each full year of service rendered. But for the years of service over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. For other years of service, the length of service is calculated as half year when it is less than six months and as one year when it is more than six months.
- II. As set forth in Subparagraph 2 of Article 61, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to employees forced to retire due to mental incompetency or disability incurred from the execution of their duties.

The retirement pension base shall be one month's average wage of the employee at the time when the retirement is approved. The average wage means the total wages obtained within 6 months before the date of retirement divided by 6.

When calculating the average wage, wages and the number of days in the following days or periods shall be excluded from calculation:

- I. The date of retirement of the employee.
- II. The period of medical treatment for occupational injury.
- III. Female employees receiving wages at half of the regular payment because their period of service is less than six months and they are unable to work due to maternity leave.
- IV. Where, due to a natural disaster, an unexpected event, or other force majeure, the employer cannot continue business operations which results in employees are unable to work.
- V. The period when the employee receiving wages at half of the regular



payment or no payment due to ordinary sickness or unpaid leave. The pensions shall be paid within 30 days from the day of retirement. The right of an employee to claim retirement benefits shall be aborted if it is not exercised within five years from the month following the effective date of retirement. Other related matters regarding the retirement is conducted in accordance with the employee retirement plan of the Company and the Labor Standards Act.

**Retirement - Applicable to those who chose the new system**

The Company allocates the labor pension every month in accordance with Labor Pension Act of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement. The central competent authority shall entrust the Bureau of Labor Insurance to take charge of the revenues, expenditures and safeguard of labor pension, the imposition of late payment charges and the compulsory execution. For employees who work for the Company after the enforcement of new labor retirement system, their seniority prior to their application to the new system shall be temporarily reserved. When the labor contract complies with each retirement regulations of the Labor Standards Act, the Company shall use the average wage at the time of terminating labor contract to calculate the severance or retirement payment for the reserved seniority in accordance with the regulations of each laws.

The amount of labor pension borne by the Company shall not be less than 6% of the employee's monthly wage.

The labor pension for an employee counts from the first date of employment to the date that the employee resigns.

The Company shall apply and report in writing to the Bureau of Labor Insurance for terminating the contribution to the pension within 7 days from the date when an employee is on leave without pay, serving in military, suspended from duties because of lawsuit or detained prior to a final judgment of the court. The labor pension shall be paid and calculated as follows:

- I. Employees who begin their work or resign and are re-employed after July 1, 2005, shall be subject to the new labor retirement system. Employee who is sixty years or older (free from the restriction of the years of service) may claim for the accumulated pension in their individual accounts to which the new labor retirement systems apply from the Bureau of Labor Insurance.
- II. Monthly pension payment: 1. The principal and accrued dividends from the employee's individual account of labor pension are paid in fixed

installments. The amount of each installment shall be calculated based upon the life chart of annuity, average life expectancy, interest rate and other factors.

- III. Lump-sum payment: The principal and accrued dividends from an employee's individual account of labor pension are claimed in lump sum at one time. The return rate generated from the utilization of employees' pension contributed in accordance with this Article shall not be less than the interest rate of a two-year fixed term deposit by local banks; in the event of any deficiency, the Treasury shall make up the shortfall.

Pension system	Old system	New system
Applicable legal basis	Labor Standards Act	Labor Pension Act
Contribution method	The Company contributes 2% of the employees' total salary on a monthly basis to the pension fund and deposit at the special pension account under the name of the Pension Reserve Monitoring Committee at the Bank of Taiwan.	The Company contributes 6% of the employees' monthly salary, subject to the employees' insurance enrollment level, to the individual pension accounts of the employees at Labor Insurance Bureau.
Contributed amount	As of December 31, 2020, the balance of the pension contribution by the Company into the special account at the Bank of Taiwan amounted to NT\$103,278 thousand.	The pension contributed by the Company amounted to NT\$59,207 thousand in 2020.

- (4) Agreements between labors and management:

The Company is a business applicable under the Labor Standards Act, operates in accordance with Labor Standards Act and has a harmonious labor relation.

- (5) Measures to preserve the rights and interests of employees:

The Company upholds the philosophy of sharing earnings with employees by defining the ratio of employee bonus in the Articles of Incorporation to encourage

the participation of employees in the management. Meanwhile, the Company has installed the “Opinion Mailbox” to promote the suggestion system. Any approaches for improvement or suggestions helpful for the management or system or facilities of the Company may be sent to the Mailbox. To encourage employees to put forward suggestions, the Company will grant reward subject to the circumstances to provide a communication and opinion exchange channel for employees in life and work.

(6) Work environment and protection measures against the personal safety of employees:

In order to build a safe environment, the Company assigns security guards to guard at the entrance of the Company for 24 hours a day, and installs the access control system and CCTV at various entries/exits. Parking lots are equipped with emergency call buttons. Meanwhile, the Company will inspect and maintain various facilities including the buildings, fire protection equipment, electric equipment, fountains and elevators periodically to protect the personal safety of employees.

The Company has passed the certification of the Occupational Safety and Health Management System (ISO45001). The dedicated department and personnel for the occupational safety are responsible for the planning, execution and supervision of related operations, educational training and external and internal communication. We established the Occupational Safety and Health Committee in compliance with the Occupational Safety and Health Act and regularly hold a meeting every three months to implement the occupational safety and health management of the employees and further protect the safety and health of employees. The Company has established the disaster prevention and management regulations for labor safety and health, emergent response and safety and health of contractors and has work rules of labor safety and health. Meanwhile, we conduct self-inspection and safety and health education and drills necessary for the prevention of disaster every month to increase employees’ awareness of the hazards in the work environment and their emergency response capability and to ensure the efficiency of the implementation of the emergency response plan.

For possible factors that may have impact on the safety and health of employees in the workplace, the Company arranges regular cleaning, disinfection and operating environment inspections. We provide free health examination for the employees every year, employ physicians to factories for health consultation and organize health promotion activities to provide employees with a comfortable and safe work environment.

(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and 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.

(III) Disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures: The labor relations of the Company are good and the communication channels between both parties are free from any trouble, therefore, no amount about labor dispute expected to be incurred for the future.

## VI. Important contract

Nature of contract	Concerned party	Duration	Contents	Restrictive clause
Lease	Chain-Logic International Corp.	January 1, 2019~December 31, 2019 (Renewed automatically upon expiration)	Sublet the factory premises building and parking lots at Wenshan Road, Xintpu Township, Hsinchu County	N/A
Long-term loan	Chang Hwa Bank - Chengnei Branch	November 8, 2019 ~ October 15, 2029	Loan secured by land and building	N/A
Long-term loan	Chang Hwa Bank - Chengnei Branch	September 23, 2020~September 23, 2027	Loan secured by land and building	N/A
Agency	Chain-Logic International Corp.	January 1, 2011~undefined (Where neither party agrees to terminate the Contract, the Contract shall be considered remaining effective.)	Exclusive agency of semi-conductor related equipment	N/A

## Six. Overview of finance

### I. Condensed balance sheet and comprehensive income statement of the most recent five years

#### (I) Condensed balance sheet and comprehensive income statement - IFRSs

##### (1) Condensed balance sheet

Unit: NTD thousands

Year Item		Financial information in the most recent five years (Note 1)					Financial information ending March 31, 2021
		2016	2017	2018	2019	2020	
Current assets		3,662,553	4,066,956	4,889,193	4,815,929	5,240,696	5,151,444
Real estate, plant and equipment		2,971,021	3,294,748	3,030,643	2,933,943	3,203,429	3,227,686
Intangible assets		35,923	41,424	41,575	34,803	42,546	29,875
Other assets		595,497	304,551	228,787	394,226	489,921	498,858
Total assets		7,264,994	7,707,679	8,190,198	8,178,901	8,976,592	8,907,863
Current liabilities	Before distribution	2,974,021	3,267,355	3,059,027	2,646,350	2,477,548	2,259,287
	After distribution	3,308,364	3,307,306	3,218,830	2,846,247	2,893,264	N/A
Non-current liabilities		331,191	655,423	1,014,240	1,152,706	850,126	841,003
Total liabilities	Before distribution	3,305,212	3,922,778	4,073,267	3,799,056	3,327,674	3,100,290
	After distribution	3,639,555	3,962,729	4,233,070	3,998,953	3,743,390	N/A
Equity attributable to the parent company		3,946,956	3,767,978	4,106,841	4,370,704	5,639,945	5,798,901
The Company		796,054	799,014	799,014	799,587	920,802	923,814
Capital surplus		885,735	909,204	977,255	980,325	1,630,283	1,646,535
Retained earnings	Before distribution	2,295,344	2,102,069	2,384,802	2,659,269	3,168,094	3,306,581
	After distribution	1,961,001	2,062,118	2,224,999	2,459,372	2,752,378	N/A
Other equities		(30,177)	(42,309)	(54,230)	(68,477)	(79,234)	(78,029)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		12,826	16,923	10,090	9,141	8,973	8,672
Total equity	Before distribution	3,959,782	3,784,901	4,116,931	4,379,845	5,648,918	5,807,573
	After distribution	3,625,439	3,744,950	3,957,128	4,179,948	5,233,202	N/A

Note 1: Said information was already audited and certified by the CPA.

Note 2: Said titles are free from revaluation of assets.

## (2) Condensed comprehensive income statement

Unit: NTD thousands

Item \ Year	Financial information in the most recent five years (Note 1)					Financial information ending March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	4,961,755	4,448,454	5,386,356	5,515,200	5,925,601	1,424,166
Gross profit	2,296,862	1,759,911	2,140,251	2,228,901	2,585,565	587,873
Operating profit or loss	685,942	179,679	323,282	477,248	860,029	150,202
Non-operating revenue and expense	(34,454)	25,151	74,336	11,783	(15,314)	13,804
Profit before tax	651,488	204,830	397,618	489,031	844,715	164,006
Net profit of continuing department	560,837	149,267	337,628	427,984	714,221	138,526
Loss of discontinued department	0	0	0	0	0	0
Net profit (loss)	560,837	149,267	337,628	427,984	714,221	138,526
Other comprehensive income in the current period (net after tax)	(59,284)	(16,234)	(19,837)	(8,910)	(16,424)	865
Total comprehensive income	501,553	133,033	317,791	419,074	697,797	139,391
Net profit attributable to parent company	563,279	145,767	334,562	428,370	714,482	138,487
Net profit attributable to non-controlling interests Equity	(2,442)	3,500	3,066	(386)	(261)	39
Total comprehensive income attributable to parent company	504,565	128,936	315,339	420,023	697,965	139,692
Total comprehensive income attributable to non-controlling interests	(3,012)	4,097	2,452	(949)	(168)	(301)
EPS	7.09	1.83	4.19	5.36	8.41	1.50

Note 1: Said information was already audited and certified by the CPA.

## (II) Condensed balance sheet and comprehensive income statement - Individual

## (1) Condensed balance sheet

Unit: NTD thousands

Year Item		Financial information in the most recent five (5) years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		3,226,583	3,516,619	4,267,706	4,028,294	4,406,124
Real estate, plant and equipment		2,612,388	2,931,444	2,784,489	2,768,524	3,060,758
Intangible assets		35,293	40,955	41,237	34,449	42,320
Other assets		1,256,904	1,139,890	1,040,923	1,098,411	1,268,873
Total assets		7,131,168	7,628,908	8,134,355	7,929,678	8,778,075
Current liabilities	Before distribution	2,907,588	3,224,908	2,965,539	2,313,662	2,139,621
	After distribution	3,241,931	3,264,859	3,125,342	2,513,559	2,555,337
Non-current liabilities		276,624	636,022	1,061,975	1,245,312	998,509
Total liabilities	Before distribution	3,184,212	3,860,930	4,027,514	3,558,974	3,138,130
	After distribution	3,518,555	3,900,881	4,187,317	3,758,871	3,553,846
Equity attributable to the parent company		3,946,956	3,767,978	4,106,841	4,370,704	5,639,945
Share capital		796,054	799,014	799,014	799,587	920,802
Capital surplus		885,735	909,204	977,255	980,325	1,630,283
Retained earnings	Before distribution	2,295,344	2,102,069	2,384,802	2,659,269	3,168,094
	After distribution	1,961,001	2,062,118	2,224,999	2,459,372	2,752,378
Other equities		(30,177)	(42,309)	(54,230)	(68,477)	(79,234)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,946,956	3,767,978	4,106,841	4,370,704	5,639,945
	After distribution	3,612,613	3,728,027	3,947,038	4,170,807	5,224,229

Note 1: Said information was already audited and certified by the CPA.

Note 2: Said titles are free from revaluation of assets.

## (2) Condensed comprehensive income statement

Unit: NTD thousands

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2016	2017	2018	2019	2020
Operating revenue	4,422,606	3,905,162	4,704,220	4,880,918	5,168,689
Gross profit	2,154,290	1,536,466	1,887,597	1,971,935	2,218,608
Operating profit or loss	636,251	118,816	318,625	487,427	787,797
Non-operating revenue and expense	(2,636)	53,588	62,144	(4,405)	40,123
Profit before tax	633,615	172,404	380,769	483,022	827,920
Net profit of continuing department	563,279	145,767	334,562	428,370	714,482
Loss of discontinued department	0	0	0	0	0
Net profit (loss)	563,279	145,767	334,562	428,370	714,482
Other comprehensive income (after tax)	(58,714)	(16,831)	(19,223)	(8,347)	(16,517)
Total comprehensive income	504,565	128,936	315,339	420,023	697,965
Net profit attributable to parent company	563,279	145,767	334,562	428,370	714,482
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to parent company	504,565	128,936	315,339	420,023	697,965
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS	7.09	1.83	4.19	5.36	8.41

Note 1: Said information was already audited and certified by the CPA.

## (3) The names of CPAs conducting financial audits in the most recent five years and their audit opinions.

Year	Firm Name	Name of CPA	Audit opinions
2016	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, Tsan-Huang	Unqualified opinions
2017	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, Tsan-Huang	Unqualified opinions
2018	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, Tsan-Huang	Unqualified opinions
2019	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions
2020	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions



## II. Financial analysis in the most recent five years

### (I) Financial ratio for the most recent five years - IFRSs

Item (Note 3)		Year (Note 1)	Financial information in the most recent five years				
			2016	2017	2018	2019	2020
Financial structure	Debt to assets ratio (%)		45.50	50.89	49.73	46.45	37.07
	Long-term funds to PPE ratio (%)		144.43	134.77	169.31	188.57	202.88
Solvency	Current ratio (%)		123.15	124.47	159.83	181.98	211.53
	Quick ratio (%)		54.01	51.98	72.68	92.88	106.59
	Times interest earned ratio		34.43	12.72	17.92	20.43	52.79
Utility	Receivables turnover ratio (time)		5.81	4.99	5.38	4.64	4.77
	Average cash collection days		62.82	73.14	67.84	78.66	76.51
	Inventory turnover ratio (time)		1.48	1.27	1.34	1.37	1.41
	Payables turnover ratio (time)		6.48	6.37	7.19	7.49	7.15
	Average sales days		246.62	287.40	272.39	266.42	258.86
	PPE turnover ratio (time)		1.67	1.42	1.70	1.85	1.93
	Total asset turnover ratio (time)		0.71	0.59	0.68	0.67	0.69
Profitability	ROA (%)		8.29	2.19	4.48	5.48	8.48
	ROE (%)		14.74	3.85	8.55	10.07	14.24
	Income before tax to paid-in capital ratio (%)		81.84	25.64	49.76	61.16	91.74
	Net profit margin (%)		11.30	3.36	6.27	7.76	12.05
	EPS (NT\$) (Note 2)		7.09	1.83	4.19	5.36	8.41
Cash flow	Cash flow ratio (%)		32.59	-6.92	26.36	25.39	45.80
	Cash flow adequacy ratio (%)		33.85	24.41	37.44	43.24	74.74
	Cash flow reinvestment ratio (%)		13.45	-9.56	11.11	8.62	10.98
Leverage	Operating leverage		2.70	7.05	4.73	3.31	2.27
	Financial leverage		1.03	1.11	1.08	1.06	1.02

Please describe the causes resulting in changes in financial ratios in the most recent two years. (Not required, if the changes are less than 20%.)

- (1) Decrease in the debt to assets ratio: This is due to the increase in the Company's conversion of bonds into common stocks in the current period.
- (2) Increase in times interest earned ratio: This is due to the increase in the current net income before tax.
- (3) Increase in ROA: This is due to the increase in the current net income before income.
- (4) Increase in ROE: This is due to the increase in the current net income after tax.
- (5) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.
- (6) Increase in net profit margin and EPS: This is due to the increase in the current net income after tax.
- (7) Increase in the ratio, adequacy ratio and reinvestment ratio of the cash flow: This is due to the effect of net cash inflow from operating activities in the current period.
- (8) Decrease in operating leverage: This is due to the increase in the current operating profit.

## (II) Financial ratio for the most recent five years - Individual

Item (Note 3)		Year (Note 1)	Financial information in the most recent five years				
			2016	2017	2018	2019	2020
Financial structure	Debt to assets ratio (%)		44.65	50.61	49.51	44.88	35.75
	Long-term funds to PPE ratio (%)		161.68	150.23	185.63	202.85	216.89
Solvency	Current ratio (%)		110.97	109.05	143.91	174.11	205.93
	Quick ratio (%)		43.14	38.31	59.03	79.99	95.78
	Times interest earned ratio		35.05	11.27	17.66	21.84	59.05
Utility	Receivables turnover ratio (time)		5.47	4.82	5.00	4.10	3.85
	Average cash collection days		66.73	75.73	73	89.02	94.81
	Inventory turnover ratio (time)		1.31	1.15	1.21	1.27	1.33
	Payables turnover ratio (time)		5.87	5.93	6.62	7.25	7.15
	Average sales days		278.63	317.39	301.65	287.4	274.44
	PPE turnover ratio (time)		1.70	1.41	1.65	1.76	1.77
	Total asset turnover ratio (time)		0.65	0.53	0.6	0.61	0.62
Profitability	ROA (%)		8.47	2.16	4.48	5.56	8.69
	ROE (%)		14.86	3.78	8.5	10.11	14.27
	Income before tax to paid-in capital ratio (%)		79.59	21.58	47.65	60.96	89.91
	Net profit margin (%)		12.74	3.73	7.11	8.78	13.82
	EPS (NT\$) (Note 2)		7.09	1.83	4.19	5.36	8.41
Cash flow	Cash flow ratio (%)		29.45	-12.73	23.16	11.93	45.54
	Cash flow adequacy ratio (%)		34.64	19.32	31.01	31.72	60.10
	Cash flow reinvestment ratio (%)		12.06	-11.91	10.03	1.68	9.56
Leverage	Operating leverage		2.68	9.24	4.41	2.97	2.22
	Financial leverage		1.03	1.16	1.08	1.05	1.02

Please describe the causes resulting in changes in financial ratios in the most recent two years. (Not required, if the changes are less than 20%.)

- (1) Decrease in the debt to assets ratio: This is due to the increase in the Company's conversion of bonds into common stocks in the current period.
- (2) Increase in times interest earned ratio: This is due to the increase in the current net income before tax.
- (3) Increase in ROA: This is due to the increase in the current net income before income.
- (4) Increase in ROE: This is due to the increase in the current net income after tax.
- (5) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.
- (6) Increase in net profit margin and EPS: This is due to the increase in the current net income after tax.
- (7) Increase in the ratio, adequacy ratio and reinvestment ratio of the cash flow: This is due to the effect of cash inflow from operating activities in the current period.
- (8) Decrease in operating leverage: This is due to the increase in the current operating profit.

## Equation of financial analysis:

Note 1: Said information in the most recent five years was already audited or reviewed by the CPA.

Note 2: EPS is calculated based on the quantity of shares under weighted average method after being adjusted retroactively.

Note 3: The equation of said items is stated as following:

### 1. Financial structure

(1) Debt to assets ratio = Total liabilities / total assets.

(2) Long-term funds to PPE ratio = (Total equity+non-current liabilities) / net property, plant and equipment.

### 2. Solvency

(1) Current ratio = Current assets / current liabilities

(2) Quick ratio = (Current assets-inventory-prepayment) / current liabilities

(3) Times interest earned ratio = Earnings before interest and tax / interest expenses for the period.

### 3. Utility

(1) Receivables turnover ratio (including accounts receivable and notes receivable resulting from operation) = Net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from sales) for the period.

(2) Average cash collection days = 365 / receivables turnover ratio.

(3) Average sales days = 365 / inventory turnover ratio.

(4) Payables (including accounts payable and notes payable arising from sales) turnover ratio = Cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from sales) for the period.

(5) Average sales days = 365 / inventory turnover ratio.

(6) PPE turnover ratio = Net sales / average net PPE.

(7) Total asset turnover ratio = Net sales / average total assets.

### 4. Profitability

(1) ROA = [Profit and loss after tax + Interest expense × (1- tax rate)] / average total assets.

(2) ROE = Profit and loss after tax / average net shareholder's equity.

(3) Net profit margin = Profit and loss after tax / net sales.

(4) Earnings Per Share = (income attributable to parent company – dividends from preferred shares) / weighed average quantity of outstanding shares.

### 5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross of property, plant and equipment+long-term investment+other non-current assets+working capital).

### 6. Leverage:

(1) Operating leverage = (Net operating revenue-changed operating costs and expenses) / operating income.

(2) Financial leverage = Operating income / (operating income-interest expenses).

Note 4: The following shall be considered in assessing the equation Earnings Per Share as

aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.
3. If any additional shares were issued against retained earnings or capital surplus, the full year or half-year earnings per share must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.
4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss. If preference shares were non-cumulative, the preference shares dividends must be deducted from after tax net profit; no adjustment is required from after tax net loss.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow for annual capital investments.
3. The increase in inventory is included only when the balance at the ending is greater than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero.”
4. Cash dividend includes cash dividend for common stock and preferred stock.
5. Gross property, plant and equipment refers to the total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonableness and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation about the ratio of the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

### **III. Audit Committee' Review Report on the Financial Statement for the Most**

**Recent Year:** Please refer to Page 132 of the annual report.

**IV. Financial Statement for the Most Recent Year:** Please refer to Pages 210~293 of the annual report.

**V. Standalone Financial Statement for the Most Recent Year audited and certified by the CPA:** Please refer to Pages 133~209 of the annual report.

**VI. In the case of any insolvency of the Company and its affiliates in the most recent year and up to the publication date of the annual report, specify its effect on the Company's financial status:** N/A

## Seven. Review and Analysis of Overview of Finance Status and Performance, and Risk Management

### I. Financial status

Comparative analysis of financial status in the most recent two years

Unit: NTD thousands

Item \ Year	2020	2019	Variance	
			Amount	%
Current assets	5,240,696	4,815,929	424,767	8.82
Real estate, plant and	3,203,429	2,933,943	269,486	9.19
Right-of-use assets	111,428	146,710	-35,282	-24.05
Intangible assets	42,546	34,803	7,743	22.25
Deferred income tax assets	118,180	124,291	-6,111	-4.92
Other non-current assets	260,313	123,225	137,088	111.25
Total assets	8,976,592	8,178,901	797,691	9.75
Current liabilities	2,477,548	2,646,350	-168,802	-6.38
Non-current liabilities	850,126	1,152,706	-302,580	-26.25
Total liabilities	3,327,674	3,799,056	-471,382	-12.41
Share capital	920,802	799,587	121,215	15.16
Capital surplus	1,630,283	980,325	649,958	66.30
Retained earnings	3,168,094	2,659,269	508,825	19.13
Other equities	(79,234)	(68,477)	-10,757	15.71
Total equity	5,648,918	4,379,845	1,269,073	28.98

- (I) Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20% and the amount of change reaches NT\$10,000,000)
- (1) Decrease in the right-of-use assets: Due to failure to renew the agreement upon expiration of the lease of machine & equipment.
  - (2) Increase in intangible assets: Due to the increase in the cost of computer software.
  - (3) Increase in of other non-current assets: Due to the increase in prepayment for purchase of equipment and refundable deposits.
  - (4) Decrease in non-current liabilities: Due to the decrease in corporate bonds payable (restated into current liabilities) and long-term loan.
  - (5) Increase in capital surplus: Due to the corporate bond conversion premium in the current period.
  - (6) Increase in total equity: Due to the corporate bond conversion premium and increase in retained earnings in the current period.
- (II) Future preventive policies: The finance status of the Company is good and has no material impact on the shareholders' equity.

## II. Financial performance

### (I) Comparative analysis of financial performances in the most recent two years

Unit: NTD thousands

Item \ Year	2020	2019	Increase (decrease) amount	Change ratio (%)
Operating revenue	5,925,601	5,515,200	410,401	7.44
Operating cost	3,340,036	3,286,299	53,737	1.64
Gross profit	2,585,565	2,228,901	356,664	16.00
Operating expense	1,725,536	1,751,653	-26,117	-1.49
Operating profit	860,029	477,248	382,781	80.21
Non-operating revenue and expense	(15,314)	11,783	-27,097	-229.97
Profit before tax	844,715	489,031	355,684	72.73
Tax expense	130,494	61,047	69,447	113.76
Current net profit	714,221	427,984	286,237	66.88
Other comprehensive income	(16,424)	(8,910)	-7,514	84.33
Total comprehensive income	697,797	419,074	278,723	66.51

(I) Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)

- (1) Decrease in operating income: Due to the gross profit growth and decrease in operating expenses.
- (2) Decrease in non-operating revenue and expenses: Due to the increase in the foreign currency exchange loss.
- (3) Increase in net income before tax, income tax expenses and current net profit: Due to the increase in the annual operating revenue, gross profit and operating profit.
- (4) Decrease in other comprehensive income: This is due to the increase in re-measurement of defined benefit plan recognized in the actuarial report on pension.
- (5) Increase in the total comprehensive income for the current period: This is due to the increase in the annual operating revenue, gross profit and operating profit.

(II) Cause of changes of the Company's main business contents: If material changes have occurred or are expected to occur in the operational policies, market conditions, economic environment or other internal or external factors, the fact and their impact on the future financial operations of the Company and the responsive policies of the Company shall be stated: None.

(III) The main factors influencing the expected sales volume in the coming year and the main factors for the Company's expected continued growth or decline of our sales volume: Please refer to "One. A Message to Shareholders" and "Five. Overview of operation" in the annual report.



## (II) Analysis of changes in gross profit

Unit: NTD thousands

Gross profit	Variance in increase/decrease from one period to the next	Cause of variance			
		Difference of selling price	Difference of cost price	Difference of sale portfolio	Difference of quantity
Wafer probe card	280,335	(233,847)	210,483	(11,133)	314,833
Automated photoelectric semi-conductor equipment Automated equipment	(87,158)	(82,360)	(9,579)	(415)	5,197
Subtotal	193,178	(316,207)	200,904	(11,549)	320,029

### Notes to analysis:

The effect posed by the declining selling price and declining costs resulted in the unfavorable differences of selling price and favorable difference of the cost of the probe cards. Notwithstanding, the increasing in the overall sale volume of the equipment resulted in favorable differences of quantity. The decrease in the gross margin and increase in the sales volume resulted in unfavorable difference of sale portfolio. Overall, the gross margin of the wafer probe cards in the current period increased by NT\$280,335 thousand in comparison to the previous period.

The effect posed by the declining selling price and increasing costs resulted in the unfavorable differences of selling price and cost of the equipment. Notwithstanding, the increasing in the overall sale volume of the equipment resulted in favorable differences of quantity. Overall, the gross margin of the equipment in the current period decreased by NT\$87,158 thousand in comparison to the previous period.

## III. Cash flow

### (I) Analysis of changes in the cash flow for the most recent two years:

Unit: NTD thousands

Item \ Year	2020	2019	Amount of variance	Increase (decrease) ratio (%)
Operating activities	1,134,829	672,005	462,824	68.87%
Investment activities	(799,800)	(326,140)	-473,660	145.23%
Financing activities	12,277	(341,002)	353,279	-103.60%
Total	347,306	4,863	342,443	7041.81%

Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)

- (1) Increase in cash inflow from operating activities is due to the increase in the current net income after tax.
- (2) The increase in cash outflow from investing activities is due to the increase in investment in fixed assets.
- (3) The increase in cash inflow from financing activities is due to the investment in fixed assets based on the bank loan.

(II) Liquidity analysis for the most recent two years:

Item \ Year	2020	2019	Increase (decrease) ratio (%)
Cash flow ratio	45.80	25.39	20.41
Cash flow adequacy ratio	74.74	43.24	31.50
Cash flow reinvestment ratio	10.98	8.62	2.36
Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)			
(1) Increase in cash flow ratio: Due to the increase in the current net income before tax resulting in the increase in the cash flow ratio from the previous period.			
(2) Cash flow adequacy ratio: The growth of the net cash inflow of the operating activities greater than the increase in the current inventories resulted in the significant growth of the cash flow adequacy ratio in comparison to the previous period.			

(III) Cash flow analysis for the coming year

Unit: NTD thousands

Balance of cash, beginning①	Projected Net Cash Flow from the year's operating activities②	Projected net cash inflow (outflow) from year-round investment and financing activities③	Projected cash balance (deficit)①+②-③	Remedy for estimated cash shortage	
				Investment plan	Financial plan
1,445,267	269,953	(134,494)	1,580,726	N/A	N/A
1. Analysis of changes in cash flows in current period:					
(1) Operating activities: Expected that the operating revenue continues to grow stably, and there will be net cash inflow from operating activities.					
(2) Investing activities: The net cash outflow from investing activities has successively arisen upon completion and payment of the self-construction factory buildings.					
(3) Financing activities: Because the fund for self-construction factory buildings was covered by the bank loan, the net cash inflow from financing activities took place.					
2. Remedy for projected cash shortage and cash flow analysis: None.					

**IV. Major capital expenditure and its impact on the financial operations of the Company in the most recent year:** None.

**V. Reinvestment policy in the most recent year, the main reasons for profit or loss and the corrective action plan and investment plan for the coming year:** The Company upheld the philosophy of conservation and stability for the reinvestment policy in the most recent year to be free from great expansion.

**VI. Risk issues in the recent years and as of the publication date of this annual report:**

- (I) Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future countermeasures:

Item	2020 (NT\$ thousand)	Proportion to net operating revenue %	Proportion to income after tax %
Interest expenses	16,309	0.28	2.28
Net exchange loss	49,226	0.83	6.89

- (1) Impact of interest rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The interest expenses of the Company were NT\$16,309 thousand in 2020, i.e. 0.28% of the annual net operating revenue and 2.28% of the profit and loss after tax. The Company will keep good relationships with banks to obtain a relatively better interest rate and will pay attention to the changes in the interest rate of the financial market to timely adjust the position of funds. Therefore, we estimate that the future interest rate fluctuation has no significant impact on the overall operation of the Company.

- (2) Impact of exchange rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The net exchange gain of the Company was NT\$49,226 thousand in 2020, i.e. 0.83% of the annual net operating revenue and 6.89% of the profit and loss after tax. The Company has a foreign exchange exposure and a great amount of foreign currency receivables due to the exported products. However, we have the demand for foreign exchange because the daily operation and expenses requires NTD for support. Therefore, the exchange rate fluctuation has significant impact on the profit and loss of the Company. We adopt the following countermeasures to avoid exchange risks.

- (a) We keep close contact with the foreign exchange departments of the correspondent financial organizations to continuously collect the information that may have impact on the foreign exchange market to control the trend of the exchange rate and respond to the effect brought by the fluctuation of exchange rate.
- (b) Besides adopting natural hedging, the Company also conducts purchase using the sale revenue of the same currency to avoid the foreign exchange risks. The finance and accounting unit will pay close attention to the fluctuation of the foreign exchange market and adjust the foreign currency position depending on the global macroeconomy, price level of the exchange rate and future demand of

funds to avoid the possible impact of the exchange rate fluctuation on the Company's operation.

- (c) The Company has established the "Operating Procedures for Engaging in Derivatives Trading" and the "Procedure for Acquisition or Disposal of Assets." The relevant foreign exchange transactions shall be conducted in accordance with these two procedures.

- (3) Impact of inflation on the profit and loss of the Company, and the future countermeasures:

The Company maintains good relations with our suppliers and the prices of the required raw materials remains stable without any sign of inflation. We will strive to reduce each cost in the future and focus on the changes in the prices of the raw materials to adopt countermeasures timely. We never have any adverse effect on the operation due to inflation to the date on which the annual report was printed, so the inflation has no significant impact on the Company.

- (II) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future countermeasures:

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds to others, endorsements and guarantees as well as transactions of financial derivatives. All transactions are conducted in accordance with the relevant requirements and countermeasures defined under the Company's "Operating Procedures for Derivatives Trading," "Operating Procedures for Loaning of Funds to Others," "Operating Procedures for Making of Endorsement/Guarantee"; and "Operating Procedures for Acquisition or Disposal of Assets." Meanwhile, the Company also makes announcement and reports according to the related laws and regulations.

- (III) Future R&D plans and expected R&D expenditure:

The R&D plans of the Company are all drafted to meet the customers' needs. In the most recent year, the Company's R&D plans have successfully developed multiple products and technologies. In the future, we will invest in the R&D and innovation and the estimate amount of investment will be NT\$400 million to NT\$500 million each year, occupying at least 10% of the operating revenue to respond to the rapid change in the market demand. The key factors to success of the Company's R&D reside in the recruitment, retention and training of talents to correspond to the challenges of new technology and ensure the leadership of the Company in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
Fine-pitch vertical type probe card (40um)	Structural design ability	Design under validation	NT\$150 million	2021
High speed vertical type probe card (PAM4-112Gbps)	Electricity and structural design ability	Design under validation	NT\$150 million	2021
Micro LED wafer level mass production-type fast measurement automated probing device	Digital optical system integration technology Laser measurement technology Microcurrent circuit testing technology	Design under validation	30 million	2022
AI intelligent optical inspection system	AI self-learning technology High-speed optical inspection technology High-speed image autofocus technology	Development under validation	20 million	2021
High-speed high-performance VCSEL wafer and measurement equipment	High-speed high-current probe card design technology Three-temperature probing system High-performance VCSEL wafer and measurement system	Still in the process of design and planning	50 million	2021

(IV) Impact on the Company's finance and business due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

The daily operation of the Company complies with the laws and regulations of the competent authorities. We pay attention to the development trends of important policies at home and abroad and the changes in laws and regulations at all times to evaluate their impact on the Company and take appropriate measures in advance to avoid possible adverse effects resulted by the policies and changes in laws and regulations. There is no significant impact of changes in important policies and laws at home and abroad on the financial operations of the Company to the date on which the annual report is printed.

(V) The effect of technological and industrial changes on the Company's finance and business, and corresponding countermeasures:

In response to the changes of technology and industry and to control the changes of

market from time to time, the Company accesses the industrial information by exhibitions, network, and related meetings held by industrial, trading and labor unions. We expand the business and precisely control the trend of industrial information in line with our upgrading R&D technology and outstanding competitive strength to immediately understand the market trends and grasp profitable business opportunities.

- (VI) Impact of changes in corporate image on the corporate crisis management, and countermeasures: Not applicable, as the Company has remarkable corporate identity.
- (VII) Expected benefits and possible risks of merger and acquisition, and countermeasures: N/A.
- (VIII) Expected benefits, risks and responsive measures associated with plant expansions: None.
- (IX) Risk from centralized purchasing or selling, and countermeasures: None.
- (X) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: None.
- (XI) Impact and risk associated with changes in management rights, and countermeasures: None.
- (XII) For litigious and non-litigious matters, please list major litigious, non-litigious or administrative disputes that have been resolved or are still proceeding involving the Company and/or any director, supervisor, president, any person with actual responsibility for the Company and any major shareholder holding a more than 10% of the shares, and the affiliated companies. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

Some former employee of the Company who worked for WinWay Tech. Co., Ltd. upon resignation from the Company was found suspected of infringing upon the Group's trade secrets. Given this, the Group has initiated a criminal complaint. Recently, Hsinchu District Prosecutors Office brought the indictment against WinWay Tech. Co., Ltd. and the former employee. The criminal action is now pending trial by Taiwan Hsinchu District Court.

The Group also initiated a civil action with monetary claim against the defendants.

Meanwhile, with respect to the dispute over IPR caused by said parties' infringement upon trade secrets, the Group has petitioned with the Intellectual Property Court for a provisional seizure by furnishing the security bond and execution expenses totaling NT\$54,080 thousand. The preliminary investigation and provisional seizure have been completed with respect to the action. Notwithstanding, considerable criminal facts and evidence still need to be assessed through criminal procedures. The civil action is now pending trial by Taiwan High Court.

The Group's operations remain unaffected by the case, and the Company's finance as well. Further, in order to maintain the fair competition in the industry and defend the IPR, the Group has appointed its attorney-at-law to pursue the defendants' civil and criminal liabilities.

(XIII) Other material risks and responsive measures:

#### **Information security governance**

##### **Management framework**

Led by the Company's president, the information security committee was established. Meanwhile, the information security representatives appointed across departments/offices are also dedicated to the information security issues. Since 2015, it has passed the certification of ISO27001 Information Security Management Framework. Now, it still keeps improving the information security system and information security protection means.

In 2020, the Company's president served as the convener, and the head of Information Management Office as the chairperson of information security management review meeting. The meeting was convened periodically to review the direction and strategies of information security development to enable the information security management system to keep operating stably. The recent information security governance report has been submitted to the Board of Directors on April 13, 2021.

##### **Information security policy**

1. Protect the Company's trade secret/business secrets, and confidentiality of important customers' information.
2. Protect the information application of the core operations, and availability and completeness of supporting services and equipment thereof.
3. Ensure validity and sustainability of the information security management mechanism.

In order to ensure the business sustainability and keep the promise to customers, the Company establishes the corporate information security policy, operating procedures and regulations, in order to solidify the information risk management, enhance the

information security control mechanism, practice the information security protection, upgrade the information security level, and provide the related staff from the Company's divisions/offices, and important partners, with some guidelines to follow.

### **Information security management program**

The specific information security management program is stated as following:

- (1) Check on the information framework
  1. Check the adequacy of related measures adopted for the business continuity  
Check whether any single point of failure exists in the framework and management mechanism for related measures, analyze risk over the adequacy of business continuity, and propose the information framework security evaluation results and suggestions.
  2. Check the maximum impact and risk profile for the single point of failure  
Evaluate whether the impact falls within the risk profile, and research and execute the corrective action plan.
- (2) Check Internet activities  
Check the access log and account authority on the device  
Check whether the access log and account authority on the Internet device, information security device and server and the monitoring mechanism satisfy the internal control regulations; check the account authority and access log on these devices based on the principle of least privilege to identify any abnormal log and verify the warning mechanism.
- (3) Inspect the Internet device, server and terminal, etc.  
Vulnerability scanning and correction  
Perform vulnerability scanning on Internet device, servers and terminals periodically or in a timely manner, and correct and fix any detected vulnerability. Evaluate the scope, operating model and vulnerability correction plan for the vulnerability scanning, and status of correction thereof; propose evaluation suggestions on the scanning results, primarily in order to detect potential vulnerability and bugs, and then correct and fix them in order to mitigate the entire information security risk.
- (4) Inspect the security settings  
Server security settings  
Check the settings about the "password policy" and "account lockout policy" in the server (e.g. Active Directory), and check whether the domain security policy settings satisfy the internal control regulations through analysis by tools and manual.
- (5) Internet Fraud Attack Protection
  1. Remind workers to be careful of any fraud messages online through continuous campaigns.



2. Perform physical educational training program to strengthen workers' awareness toward online messages and ability to identify genuine and fraud messages. Primarily aiming to enable workers to understand the risk over email scam, and improve workers' awareness toward prevention of social engineering scam, in order to mitigate the risk and loss potentially caused by the social engineering scam and to protect customers' data and important business information and services.

(6) Reporting and follow-up on information security incidents

There are relevant operating procedures in place with respect to reporting and processing of the Company's information security incidents.

1. Upon awareness of any information security incident, the worker shall report it to the committee member or the mailbox as a whistleblower.
2. The information security incident response team shall investigate and verify the information security incident, and propose the relevant corrective action and information security report.
3. If the incident is considered so material to affect the Company's competitiveness or financial position adversely, it is necessary to take relevant responsive measures to mitigate the damage as possible as it can.

In consideration of increasing new information security threat types, such as ransomware, social network attacks and email scams, etc., the Company strives to strengthen the employees' information security awareness and improve the information security protection ability thoroughly by adjusting and improving access to Internet and intranet, implementing backup precisely, and periodically arrange vulnerability scanning and penetration testing.

(XIV) Key Performance Indicator (KPI):

The KPI of the probe card operating center of the Company characteristics refer to the R&D of advanced probe card technology and the percentage of the probe card operating revenue thereof. The higher the percentage is, the better it is. The following is the list of the percentage of advanced probe card in the probe card operating revenue of the Company for the most recent two years:

Item of production and technology	2019	2020
Epoxy/Cantilever Probe Cards	48%	50%
Advanced Probe Cards	52%	50%

**VII. Other important disclosures: N/A.**

## Eight. Special notes

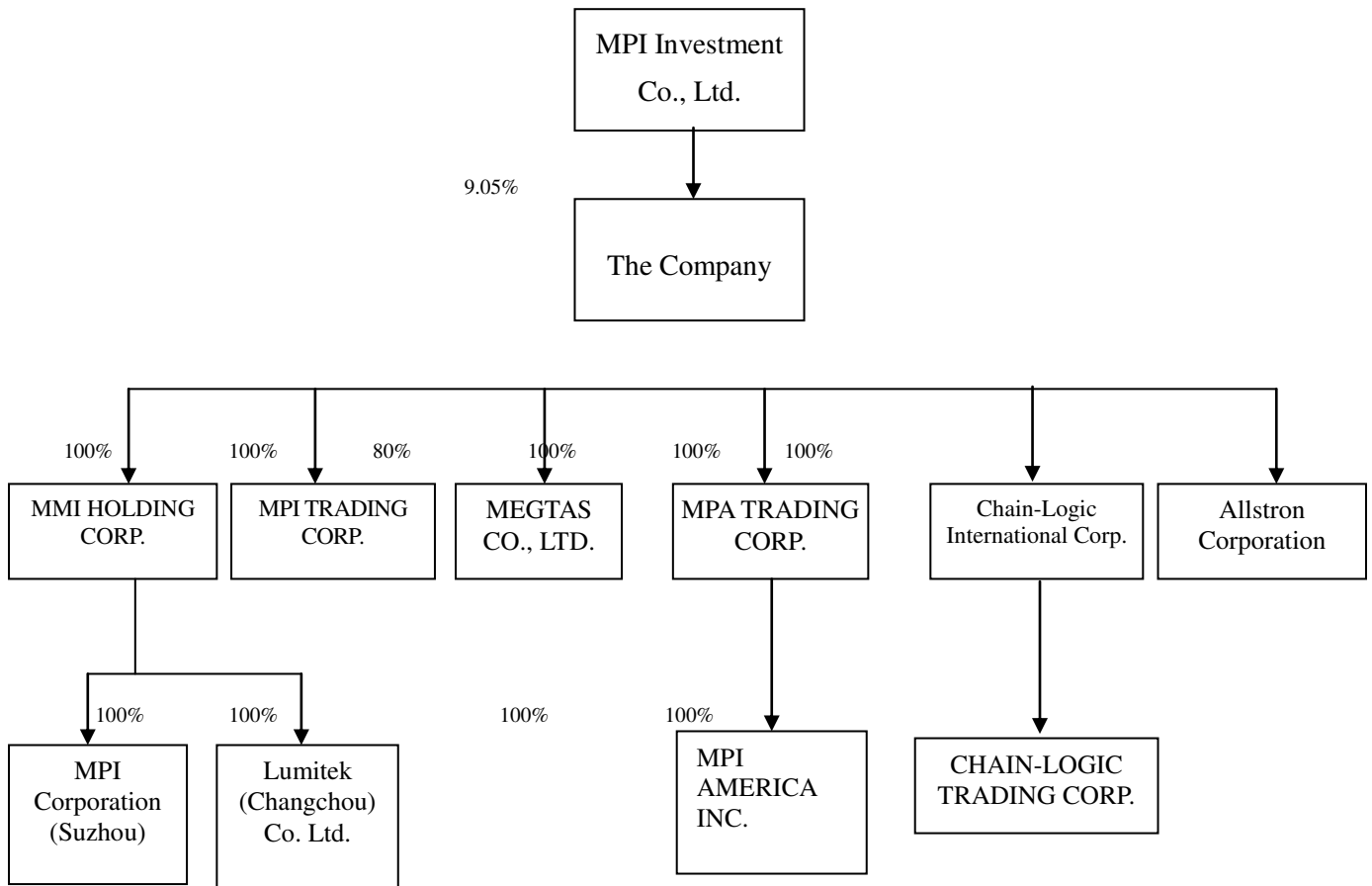
### I. Information on affiliate enterprises:

#### (I) Overview of affiliates

##### (1) Overview of of affiliates' organization

##### (a) Organizational chart of the affiliates

December 31, 2020



(b) The affiliates that meet Article 369-2 of the Company Act were included into the consolidated financial statements of the affiliated companies.

(c) Entities presumed in parent-subsidary relations according to Article 369-3 of the Company Act: None.

## (2) Basic information on affiliates

December 31, 2020; Unit: NTD thousand

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
MPI Investment Co., Ltd.	December 29, 2000	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Taiwan (R.O.C.)	1,107	General investment
Chain-Logic International Corp.	March 1, 1994	2F, No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County, Taiwan (R.O.C.)	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 22, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US\$1,000	Engage in Probe Card business
MMI HOLDING CO., LTD.	August 7, 2001	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US\$18,267,987	Holding company
MEGTAS CO., LTD.	September 1, 2010	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam, 331-811, Korea	2,500,000,000 KRW	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Allstron Corporation	March 31, 2006	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County, Taiwan (R.O.C.)	15,500	Information software wholesale, and wholesale and retail of electronic materials, telecommunication devices and precision instruments
MPA TRADING CORP.	April 12, 2017	Vistra (Anguilla) Limited of Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	US\$1,250,000	Holding company
Lumitek (Changchou) Co. Ltd.	January 10, 2014	No. 377, Wu Yi S. Road, China Wujin High-tech Industrial Development Zone	US\$16,000,000	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; domestic procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.
MPI Corporation (Suzhou)	July 11, 2017	No. 13, Chun Hui Road, Suzhou Industrial Park	US\$2,000,000	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new

				electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.
MPI AMERICA INC.	March 29, 2017	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	US\$1,200,000	Trading of probe cards and semi-automatic probers
CHAIN-LOGIC TRADING CORP.	November 19, 2001	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	US\$100	International trading

III. Entities presumed in parent-subsidary relations and information on identical shareholders: N/A.

IV. The industries housed in the same business location of the whole business group:

The business lines run by the Company and its affiliates include investment business; production, testing, R&D, manufacturing and trading of semi-conductor equipment and spare parts; agency of semi-conductor equipment; trading; supply service of electronic information; wholesale and retail of electronic appliances and materials and manufacturing of electronic spare parts.

V. Profiles of Directors, Supervisors and Presidents of affiliates

December 31, 2020

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Shares (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman	Ko, Chang-Lin	49,636 shares	44.83%
	Director	Li, Tu-Cheng	30,089 shares	27.17%
	Director	Steve Chen	10,029 shares	9.06%
	Supervisor	Scott Kuo	2,966 shares	2.68%
Chain-Logic International Corp.	Name of investor	MPI Corporation	5,000,000 shares	100.00%
	Chairman	Representative: Ko, Chang-Lin		
	Director	Steve Chen		
	Director	Scott Kuo		
	Supervisor	Rose Jao		
MPI TRADING CORP.	President	Chan, Chao-Nan	1,000 shares	100.00%
	Name of investor	MPI Corporation		
	Responsible person	Ko, Chang-Lin		

MMI HOLDING CO., LTD.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	18,267,987 shares	100.00%
MEGTAS CO.,LTD.	Name of investor Name of investor  Chairman Director Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: HUAN-SHENG LIN HUAN-SHENG LIN JUNG-JAE CHEUN Jang Dong Sung SHENG-YI CHEN	400,000 shares 100,000 shares	80.00% 20.00%
Allstron Corporation	Name of investor  Chairman Director Director Supervisor	MPI Corporation Representative: Scott Kuo Steve Chen Liu, Yung-Chin Rose Jao	15,500,000 shares	100.00%
MPA TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,250,000 shares	100.00%
Lumitek (Changchou) Co. Ltd.	Name of investor Responsible person	MMI HOLDING CO., LTD. Scott Kuo	US\$16,000,000	100.00%
MPI Corporation (Suzhou)	Name of investor Responsible person	MMI HOLDING CO., LTD. Chan, Yun-Fu	US\$2,000,000	100.00%
MPI AMERICA INC.	Name of investor Responsible person	MPA TRADING CORP. Rob Carter	1,200,000 shares	100.00%
CHAIN-LOGIC TRADING CORP.	Name of investor Responsible person	Chain-Logic International Corp. Ko, Chang-Lin	300,100 shares	100.00%

Note 1. If the affiliate is a foreign company, please list the one of equivalent job rank.

Note 2. If the investee is a limited company by share, please identify the quantity of shares and shareholding; otherwise, please specify the capital contribution and percentage thereof, and note the same.

Note 3. If the director or supervisor is a corporation, please disclose the information about its representative.

Note 4. If said affiliate does not appoint a president, the president shall be assumed by the Chairman (or responsible person or director) of the affiliate concurrently.

## Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2020; Unit: NTD thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Income (after tax)	EPS (Dollar) (after tax)
Chain-Logic International Corp.	50,000	545,621	323,755	221,866	349,077	34,824	36,750	7.35
MPI TRADING CORP.	32	58,685	—	58,685	—	(336)	(1,722)	(1,722)
MMI HOLDING CO., LTD.	573,502	561,107	—	561,107	44,136	44,108	44,345	2.37
MEGTAS CO., LTD.	66,509	49,750	4,888	44,862	51,070	(502)	(1,306)	(2.61)
Allstron Corporation	15,500	1,556	20	1,536	—	(53)	(42)	(0.03)
MPA TRADING CORP.	37,881	1,264	156,968	(155,704)	1	(50,409)	(50,494)	(40.40)
Lumitek (Changchou) Co. Ltd.	502,470	562,788	77,021	485,767	219,629	8,938	11,547	—
MPI Corporation (Suzhou)	60,180	426,553	362,779	63,774	545,817	26,597	32,574	—
MPI AMERICA INC.	36,366	217,646	374,614	(156,968)	604,457	(51,153)	(50,377)	(41.82)
CHAIN-LOGIC TRADING CORP.	3,724	7,403	—	7,403	—	(152)	(138)	(10.46)

Note 1. All of the affiliates should be disclosed, irrelevant to scale and size.

Note 2. If the affiliate refers to a foreign company, the relevant figures shall be stated in NTD at the foreign exchange rate prevailing on the date of the report.

Note 3. The financial statements of said affiliates were audited and certified by the external auditor of the parent company.

Note 4. If the investee is a limited company, its EPS shall not apply.

Note 5. Foreign exchange rate prevailing on the date of the report:

RMB : NTD = 1 : 4.31428; weighted average exchange rate: 1 : 4.37814

NTD : USD = 1 : 29,04400 ; weighted average exchange rate: 1 : 28.09800

NTD : KRW=1 : 0.02644; weighted average exchange rate: 1 : 0.026310

- II. Private placement of securities in the last year up till the date of publication of the annual report:** None.
- III. Holding or disposal of the company's shares by subsidiaries in the last year, up till the publication date of this annual report:** None.
- IV. Other supplementary information:** None.
- V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report:** None.

# MPI Corporation

## Audit Committee's Review Report

The Company's 2020 standalone financial statement and consolidated financial statements submitted by the Board of Directors have been audited by Chen, Chih-Ling and Chen, Yi-Ling, CPAs of Nexia Sun Rise CPAs & Co, who believe that the statements should be sufficient to present a fair view of the financial status, operating results, and cash flow of the Company. We, the Audit Committee, also reviewed the business report and motion for earnings allocation submitted together with the financial statements. We hereby recognize said report and statements after conducting the audit on them pursuant to Article 219 of the Company Act and Article 14-4 of Securities and Exchange Act.

To:

2020 Annual General Meeting of MPI Corporation

MPI Corporation

Convener of Audit Committee:

March 24, 2021



## **Independent Auditor’s Audit Report**

The Board of Directors and Shareholders

MPI Corporation

### **Opinion**

We have audited the accompanying financial statements of MPI CORPORATION (the “Company”), which comprise the balance sheets as of December 31, 2020 and 2019 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2020 were as follows:

## **1. Revenue Recognition**

### Matter Description

Regarding the accounting policy of revenue recognition, please refer to (25) of Note 4 of the Individual Financial Statements. Regarding relevant disclosure, please refer to (17) of Note 6.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Corporation. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

### Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

- (1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.
- (2) Understood the major revenue type and trading terms of MPI Corporation to assess if the accounting policy of point in time for revenue recognition is appropriate.
- (3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Corporation has handled accounting relevant activities appropriately.
- (4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.
- (5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

## **2. Inventory Valuation**

### Matter Description

Regarding the accounting policy of inventory valuation, please refer to (14) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial

Statements. The Company recognize inventories amounting to NT\$2,623,345 thousand and Allowance for inventories amounting to NT\$306,603 thousand. The book value of the Company's inventories as December 31, 2020 was NT\$2,316,742 thousand and accounted 26% of the total assets in the consolidated balance sheet.

MPI Corporation mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgement on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the Account(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

#### Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

- (1) With the CPA's knowledge of the industry and MPI Corporation's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.
- (2) Understood MPI Corporation's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.
- (3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.
- (4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

### **Other Matter-Making Reference to the Audits of Component Auditors**

As stated in the individual financial statements (5) of Note 6, Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Respectively, the related shares of investment income from the subsidiaries amounted to NT\$(51,422) thousand and NT\$(61,888) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT\$ (121,101) thousand and NT\$ (79,016) thousand as of December 31, 2020 and December 31, 2019.

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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NEXIA Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China  
March 24, 2021

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

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

**MPI CORPORATION**  
**BALANCE SHEETS (ASSETS)**  
**DECEMBER 31, 2020 AND 2019**

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ASSETS	Note	December 31, 2020		December 31, 2019	
		Amounts	%	Amounts	%
<b>NONCURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 694,707	8	\$ 397,726	5
Financial assets at fair value through profit or loss – current	6(13)	1,289	-	-	-
Accounts receivable, net	6(3)	662,096	8	930,119	12
Accounts receivable -related parties, net	6(3).7	635,233	7	459,453	6
Other receivables		13,149	-	1,253	-
Other receivables -related parties	7	38,353	-	57,246	1
Inventories, net	6(4)	2,316,742	26	2,130,195	27
Prepayments		40,033	1	47,404	1
Other current assets	8	4,522	-	4,898	-
Total Current Assets		<u>4,406,124</u>	<u>50</u>	<u>4,028,294</u>	<u>52</u>
<b>NONCURRENT ASSETS</b>					
Investments accounted for using equity method	6(5)	858,811	10	802,648	10
Property, plant and equipment	6(5).7.8	3,060,758	35	2,768,524	35
Right-of-use assets	6(7)	74,655	1	90,934	1
Intangible assets	6(8)	42,320	-	34,449	-
Deferred income tax assets	6(19)	101,923	1	104,640	1
Other noncurrent assets	6(9)	233,484	3	100,189	1
Total Noncurrent Assets		<u>4,371,951</u>	<u>50</u>	<u>3,901,384</u>	<u>48</u>
<b>TOTAL ASSETS</b>		<u>\$ 8,778,075</u>	<u>100</u>	<u>\$ 7,929,678</u>	<u>100</u>

(The accompanying notes are an integral part of the parent company only financial statements)

**MPI CORPORATION**  
**BALANCE SHEETS (LIABILITIES AND EQUITY)**  
**DECEMBER 31 ,2020 AND 2019**

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

LIABILITIES AND EQUITY	Note	December 31,2020		December 31,2019	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(10)	\$ -	-	\$ 500,000	6
Contract liabilities – current	6(17).7	483,573	6	628,423	8
Accounts payable		479,051	5	344,165	4
Accounts payable-related parties	7	2,320	-	3,843	-
Payables on equipment		133,660	2	65,720	1
Other payables	6(11)	730,776	8	637,442	8
Other payables-related parties	7	13,506	-	22,465	-
Income tax payable		103,513	1	46,300	1
Provisions-current	6(12)	10,493	-	6,572	-
Lease liabilities – current	6(7)	34,214	-	45,256	1
Corporate bonds payable – current portion	6(13)	135,576	2	-	-
Other current liabilities		12,939	-	13,476	-
Total Current Liabilities		<u>2,139,621</u>	<u>24</u>	<u>2,313,662</u>	<u>29</u>
<b>NONCURRENT LIABILITIES</b>					
Non-current Financial liabilities at Fair Value through Profit or	6(13)	-	-	384	-
Bonds payable	6(13)	-	-	902,485	11
Long-term loans	6(14)	763,797	9	142,208	2
Deferred income tax liabilities	6(19)	10,062	-	5,454	-
Lease liabilities – noncurrent	6(7)	41,315	1	46,372	1
Accrued pension cost	6(15)	15,276	-	29,324	-
Credit balance of investments account for using equity method	6(5)	167,963	2	118,988	2
Other noncurrent liabilities		96	-	97	-
Total Noncurrent Liabilities		<u>998,509</u>	<u>12</u>	<u>1,245,312</u>	<u>16</u>
<b>TOTAL LIABILITIES</b>		<u>3,138,130</u>	<u>36</u>	<u>3,558,974</u>	<u>45</u>
<b>EQUITY</b>					
6(16)					
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>					
Capital common stock		920,802	10	799,587	10
Capital surplus		1,630,283	19	980,325	12
Retained earnings					
Appropriated as legal capital reserve		639,975	7	594,549	8
Special reserve		68,477	1	54,229	1
Unappropriated earnings		2,459,642	28	2,008,491	25
Total Retained Earnings		<u>3,168,094</u>	<u>36</u>	<u>2,657,269</u>	<u>34</u>
Other					
Foreign currency translation adjustments		(79,234)	(1)	(68,477)	(1)
Total others		<u>(79,234)</u>	<u>(1)</u>	<u>(68,477)</u>	<u>(1)</u>
<b>TOTAL EQUITY</b>		<u>5,639,945</u>	<u>64</u>	<u>4,368,704</u>	<u>55</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 8,778,075</u>	<u>100</u>	<u>\$ 7,927,678</u>	<u>100</u>

(The accompanying notes are an integral part of the parent company only financial statements)



**MPI CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Note	January 1 ~ December 31, 2020		January 1 ~ December 31, 2019	
		Amounts	%	Amounts	%
<b>OPERATING REVENUE, NET</b>	6(17).7				
Sales revenue		\$ 5,173,327	100	\$ 4,893,661	100
Less: sales returns		(2,833)	-	(12,164)	-
sales discounts and allowances		(1,805)	-	(579)	-
Operating Revenue, net		5,168,689	100	4,880,918	100
<b>OPERATING COSTS</b>	6(4).7	(2,963,717)	(57)	(2,927,920)	(60)
<b>GROSS PROFIT</b>		2,204,972	43	1,952,998	40
Unrealized Gross profit on sales to subsidiaries and associates		(40,007)	(1)	(41,768)	(1)
Realized Gross profit on sales to subsidiaries and associates		53,643	1	60,705	1
<b>GROSS PROFIT, NET</b>		2,218,608	43	1,971,935	40
<b>OPERATING EXPENSES</b>	7				
Selling expenses		(459,950)	(9)	(503,410)	(10)
General & administrative expenses		(307,497)	(6)	(271,749)	(6)
Research and development expenses	6(8)	(671,942)	(13)	(700,653)	(14)
Expected Credit (loss) gains		8,578	-	(8,696)	-
Operating expense, net		(1,430,811)	(28)	(1,484,508)	(30)
<b>OPERATING INCOME</b>		787,797	15	487,427	10
<b>NON-OPERATING INCOME AND EXPENSES</b>					
Other gains and losses	6(18)	(58,275)	(1)	(13,961)	-
Finance costs	6(18)	(14,261)	-	(23,181)	-
Share of profits of subsidiaries and associates	6(5)	31,908	1	(57,995)	(1)
Interest income	6(18)	607	-	1,500	-
Rent income	6(7)	13,316	-	14,434	-
Other non-operating revenue-other items		66,828	1	74,798	1
Total Non-operating Income		40,123	1	(4,405)	-
<b>INCOME BEFORE INCOME TAX</b>		827,920	16	483,022	10
<b>INCOME TAX BENEFIT(EXPENSE)</b>	6(19)	(113,438)	(2)	(54,652)	(1)
<b>NET INCOME</b>		714,482	14	428,370	9
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(5,510)	-	6,018	-
Share of remeasurements of defined benefit plans of subsidiaries and associates		(250)	-	(118)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(10,757)	-	(14,247)	-
Other comprehensive income for the year, net of income tax		(16,517)	-	(8,347)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		\$ 697,965	14	\$ 420,023	9
<b>EARNINGS PER COMMON SHARE(NTD)</b>	6(20)	After-tax		After-tax	
Basic earnings per share		\$ 8.41		\$ 5.36	
Diluted earnings per share		\$ 8.14		\$ 4.54	

(The accompanying notes are an integral part of the parent company only financial statements)

**MPI CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
From January 1 to December 31 ,2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Capital-		Retained Earnings			Others	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	
BALANCE,JANUARY,1,2019	\$ 799,014	\$ 977,255	\$ 563,093	\$ 42,308	\$ 1,779,401	\$ (54,230)	\$ 4,106,841
Legal capital reserve			33,456		(33,456)		-
Special capital reserve				11,921	(11,921)		-
Cash Dividends of Common Stock					(159,803)		(159,803)
Capital Reserve From Stock Warrants		3,465					3,465
Other changes in capital surplus		(395)					(395)
Net Income in 2019					428,370		428,370
Other comprehensive income in 2019, net of income tax					5,900	(14,247)	(8,347)
Total comprehensive income in 2019					434,270	(14,247)	420,023
Convertible Bonds Transferred To Common Stock	573						573
BALANCE,DECEMBER,31,2019	\$ 799,587	\$ 980,325	\$ 596,549	\$ 54,229	\$ 2,008,491	\$ (68,477)	\$ 4,370,704
BALANCE,JANUARY,1,2020	\$ 799,587	\$ 980,325	\$ 596,549	\$ 54,229	\$ 2,008,491	\$ (68,477)	\$ 4,370,704
Legal capital reserve			43,426		(43,426)		-
Special reserve				14,248	(14,248)		-
Cash Dividends of Common Stock					(199,897)		(199,897)
Capital Reserve From Stock Warrants		707,291					707,291
Other changes in capital surplus		(57,333)					(57,333)
Net Income in 2020					714,482		714,482
Other comprehensive income in 2020, net of income tax					(5,760)	(10,757)	(16,517)
Total comprehensive income in 2020					708,722	(10,757)	697,965
Convertible Bonds Transferred To Common Stock	121,215						121,215
BALANCE,DECEMBER,31,2020	\$ 920,802	\$ 1,630,283	\$ 639,975	\$ 68,477	\$ 2,459,642	\$ (79,234)	\$ 5,639,945

(The accompanying notes are an integral part of the parent company only financial statements)

**MPI CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2020	Jan 1 ~ Dec 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 827,920	\$ 483,022
Adjustments to reconcile net income to net		
Depreciation	378,110	378,345
Amortization	53,697	49,425
Expected credit loss(gain)	(8,578)	8,696
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	(7,855)	(8,867)
Interest expense	14,261	23,181
Interest revenue	(607)	(1,500)
Loss (gain) on equity-method investments	(31,908)	57,995
(Gain) loss on disposal of property, plant and equipment	(304)	(4,978)
Unrealized gross profit on sales to subsidiaries and associates	40,007	41,768
Realized gross profit on sales to subsidiaries and associates	(53,643)	(60,705)
(Gain) on repurchase of convertible bonds	-	(82)
Adjustments-exchange (Gain) loss on prepayments for equipment	-	504
Adjustments-(Gain) loss on lease modification	(173)	1
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in accounts receivable	276,601	(259,625)
Decrease (Increase) in accounts receivable-related parties	(175,780)	(147,983)
Decrease (Increase) in other receivables	(11,896)	3,365
Decrease (Increase) in other receivables-related parties	18,894	(28,944)
Decrease (Increase) in inventories	(186,547)	337,184
Decrease (Increase) in prepayments	7,370	2,284
Decrease (Increase) in other current assets	1,070	(762)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	(144,850)	(226,327)
(Decrease) Increase in accounts payable	134,886	(112,942)
(Decrease) Increase in accounts payable-related parties	(1,523)	871
(Decrease) Increase in other accounts payable	93,348	12,083
(Decrease) Increase in other accounts payable-related parties	(8,959)	(79,726)
(Decrease) Increase in provision of liabilities	3,921	1,713
(Decrease) Increase in other current liabilities	(537)	2,836
Decrease(Increase) in accrued pension cost	(19,559)	(3,760)
Cash generated from operations	<u>1,197,366</u>	<u>467,072</u>
Interest received	607	1,507
Cash dividends received	27,349	53,054
Interest (excluding capitalization of interest)	(2,109)	(6,414)
Cash dividends	(199,897)	(159,803)
Income taxes paid	(48,900)	(79,462)
Net cash Provided By Operating Activities	<u>974,416</u>	<u>275,954</u>

(Continue)

**MPI CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
From January 1 to December 31, 2020 and 2019  
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2020	Jan 1 ~ Dec 31, 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(543,246)	(265,009)
Proceeds from sale of property, plant and equipment	1,298	11,558
Intangible assets	(48,345)	(25,410)
Increase in other financial assets	(694)	(734)
Increase in other non-current assets	(146,517)	(16,175)
Net cash Provided Used In Investing Activities	<u>(737,504)</u>	<u>(295,770)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(500,000)	(318,000)
Repurchase of convertible bonds	-	(1,802)
Increase in long-term loans	621,589	73,745
Decrease in Guarantee Deposits Received	(1)	-
Repayments of lease principal	(61,519)	(59,374)
Net cash (Used In) Financing Activities	<u>60,069</u>	<u>(305,431)</u>
Net increase in cash and cash equivalents	296,981	(325,247)
Cash and cash equivalents at beginning of year	397,726	722,973
Cash and cash equivalents at end of year	<u>\$ 694,707</u>	<u>\$ 397,726</u>

(The accompanying notes are an integral part of the parent company only financial statements)

# MPI CORPORATION

## Notes to parent company only financial statements

January 1 to December 31, 2020 and 2019

(Expressed in NT\$1,000, Unless Otherwise Noted)

### 1. Company profile

- (1) MPI Corporation (hereinafter referred to as the “Company”) was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company’s paid-in capital has been NT\$920,802 thousand and outstanding stock has been 92,080,197 shares until December 31, 2020. Upon resolution of the special shareholders’ meeting on June 12, 2018, the Company raised the authorized capital as NT\$1,200,000,000, divided into 120,000,000 shares at par value of NT\$10 per share. The board of directors is authorized to issue the stock in lots. NT\$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT\$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors’ meeting.
- (2) The Company primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.
- (3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

### 2. Date and procedure for ratification of financial report

The parent company only financial statement was passed by the Board for release on March 24, 2021.

### 3. Application of new standards, amendments and interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020

Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and operating result based on the Company’s assessment.

Amendment to IFRS 16, ‘Covid-19-related rent concessions’

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

- (a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021;and
- (c) There is no substantive change to other terms and conditions of the lease.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform—Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022

Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018—2020	January 1, 2022

The above standards and interpretations are continually evaluated of impact to the Company’s financial condition and financial performance based on the Company’s assessment. The quantitative impact will be disclosed when the assessment is complete.

#### 4. **Summary of Significant Accounting Policies**

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the consolidated financial statements.

##### (1) Statement of compliance

This separate financial statement is prepared in accordance with the “Criteria for the Compilation of Financial Statements by Securities Issuers”.

##### (2) Basis for preparation

###### A. Basis for measurement

Except the following important items in the balance sheet, the financial statement was prepared based on the historical cost:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Defined benefit liability stated based on the net after pension fund assets less the present value of defined benefit obligations.

###### B. Functional currency and presentation of currency

The functional currency of each of the Company’s entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company’s functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of the application of IFRS 9 foreign currency items which in the process of applying the financial instrument accounting policies, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. Unless in the case of inflation, the income and expense & loss items shall be translated into functional currency at the average exchange rate in the current period, and the exchange different generated therefore shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposition involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated therefore shall be held a part of the net investment in the foreign operations and



stated as other comprehensive income.

(4) Current and non-current assets and liabilities

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

- A. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle;
- B. Assets primarily held for the purpose of trading;
- C. Assets expected to be realized within 12 months after the date of the balance sheet;
- D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

- A. Liabilities expected to be repaid in the Company's normal operating cycle;
- B. Assets primarily held for the purpose of trading;
- C. Assets expected to be discharged within 12 months after the date of the balance sheet; and
- D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalent

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit

or loss.

- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

Including financial assets at amortised cost and accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading-if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

- B. At initial recognition, the Company measures the financial liabilities at fair value.

All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(11) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(12) Convertible bonds payable

Convertible bonds or issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the

abovementioned liability component and 'capital surplus—share options'.

(13) Derecognition of financial liabilities

- A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.
- B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.
- C. Where there has been a substantial renegotiation or modification of the terms of an existing financial liability and resulted in a significant discrepancy which is at least ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(14) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(15) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and stop arranging the depreciation.

(16) Investment accounted for using equity method

An affiliate means an entity in which the Company has major influence over the financial and operating policies but has no control over the same. The Company will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially.

The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

The parent company only consolidated financial statements shall include the income from the invested affiliates recognized subject to the shareholdings and other comprehensive income upon adjustment made in line with the Company's accounting policy, from the date when the Company has major influence until the date when the Company loses the major influence.

The unrealized gains from transactions between the Company and affiliates have been derecognized from the Company's equity in the investees. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the Company's share of loss from any affiliate to be recognized on a pro rata basis is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Company makes payment on behalf of the investee.

Where the Company forfeits its material influence over an affiliate when the Company disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(17) Investment in subsidiaries

In compiling the financial statements for the individual entities, the company shall value the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the financial statement of the individual entity shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the financial statement of the individual entities shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the change in all shareholders' equities of the subsidiaries does not cause the loss of dominant control of the company, handled as equity transactions with the shareholders.

The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control.

(18) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment shall be recognized and measured using a cost model, and measured at the cost less accumulated depreciation and accumulated impairment. The costs include the expenses directly attributable to the acquisition of assets. The costs of self-built assets include the costs of raw materials and direct labor, any other costs directly attributable to usable status of investment assets, costs of dismantling and removal of the items and recovery of premises, and loan cost that meets the requisite asset capitalization. Meanwhile, the costs also include the purchase of property, plant and equipment denominated in foreign currency.

When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment should be treated separately (for major components).

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and proceeds on disposal of the same and recognized as the “other gains and losses” in the income statement on a net basis.

**B. After cost**

If the future economic effect expected to be generated from the after expenses of property, plant and equipment is very likely to flow into the Company and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

**C. Depreciation**

The depreciation shall be calculated at the cost of assets less residual value using the straight-line method over the estimated useful years, and evaluated based on the various major components of the assets. If the useful years for any component are different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-13

Transportation equipment	4-6
Furniture and fixtures	3-10
Research equipment	2-13
Other equipments	3-9

- D. Depreciation, useful years and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimate, adjustment should be made if necessary, and the changes shall be treated as changes in accounting estimates.

(19) Leasing arrangements (lessor) – lease receivables/ operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as ‘lease receivables’ at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as ‘unearned finance income of finance lease’.
- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.
- (c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(20) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (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.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(21) Intangible assets

A. Goodwill

Where the acquisition cost of identifiable net assets acquired upon merger, if any, is more than the fair value of the assets, the excess shall be stated as goodwill. Goodwill shall be measured at cost less accumulated impairment.

For the investment under equity method, the face value of goodwill is included into that of the investment. Meanwhile, the impairment loss on such investment is not allocated to goodwill or any assets, but a part of the book value of the investment under equity method.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

C. Internally generated intangible assets—research and development expenditures



- (a) Research expenditures are recognized as an expense as incurred.
- (b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:
  - Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;
  - Ⓑ An entity intends to complete the intangible asset and use or sell it;
  - Ⓒ An entity has the ability to use or sell the intangible asset;
  - Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;
  - Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And
  - Ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

(22) Impairment of non-financial assets

- A. The Company will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.
- B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.
- C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit Company expected to benefit from the merger of businesses generating the goodwill.

(23) Reserve for liabilities

The reserve for liabilities shall be recognized when the Company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company's reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under

weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(24) Treasury stock

The issued stock recalled by the Company is stated based on the consideration paid for repurchase (including direct vested cost), recognized as “treasury stock” at the net after tax and presented as a deduction from equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title “additional paid-in capital-transaction of treasury stock”. Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

Cancellation of treasury stock shall be credited under the title “treasury stock”, and debited as “additional paid-in capital-stock premium” and “capital stock”. Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference should be credited as the additional paid-in capital generated from the transactions of treasury stock under the same type.

(25) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) The Company’s obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## B. Labor service

The Company provides semi-conductor production process and testing equipments proxy services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

## C. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

## D. Incremental costs of obtaining a contract

The Company recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive less the costs that have not been recognized as expenses.

### (26) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### (27) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Company, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

### (28) Employee benefits

#### A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

#### B. Pension

(a) Defined contribution plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(b) Defined benefit plan

Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.

Ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.

Ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.

Ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Remuneration to employee and directors/supervisors

The remuneration to employees and directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation is constituted and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(29) Employees' share-based payment

The transaction is share-based payment for settlement of equity. The share-based payment agreement shall measure the labor services provided by employees based on the fair value of the equity instruments granted on the date of granting, which shall be recognized as the remuneration cost during the vested period, and the equity shall be adjusted relatively.

The fair value of equity instruments shall reflect the effect produced by the vested conditions and non-vested conditions of market value. The recognized remuneration cost is adjusted based on the quantity of remuneration expected to meet service conditions and non-market value vested conditions, until the amount recognized ultimately is measured based on the vested quantity on the vested date.

(30) Income tax

- A. The income tax expenses consist of current income tax and deferred income tax. The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.
- B. The Company calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. Income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.
- C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized; insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of

which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.

- D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.
  - E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
  - F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.
  - G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.
  - H. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.
- (31) Business combination
- A. The Company adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair

value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.

- B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(32) EPS

The Company will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Company's EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted average outstanding common stock. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Company's potential diluted common stock includes the stock options granted to employees.

(33) Information by department

The company has already disclosed the information on the segments in the consolidated financial statements and no disclosure of segments will be made in the financial statement of individual entities.

5. **Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty**

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

## A. Critical judgements in applying the Company's accounting policies

### (1) Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

### (2) Indicators that the Company controls the good or service before it is provided to a customer include the following:

- (a) The Company is primarily responsible for the provision of goods or services;
- (b) The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
- (c) The Company has discretion in establishing prices for the goods or services.

## B. Critical accounting estimates and assumptions

### (1) Allowance for uncollectible accounts of receivable accounts

The company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of uncollectible accounts in the past and estimates for the provision of doubtful accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is changed. Until December 31, 2020, the book value of receivable accounts has been NT\$ 1,297,329 thousand (exclusive of the allowance for uncollectible accounts, NT\$ 9,387 thousand).

### (2) Evaluation of inventory

Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As such, the company must make judgment and estimate the net realizable value of the inventory on the balance sheet date. Rapid technological change compels the company to assess the amount of normal wearing out and phasing out of inventory or inventory with no market price and write off the cost of inventory from net realizable value. Until



December 31, 2020, the book value of the Company's inventories has been NT\$ 2,316,742 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$ 306,603 thousand)

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2020, the Company had deferred income tax assets amounting to NT\$ 101,923 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. As of December 31, 2020, the Company recognized provision for liabilities amounted to NT\$ 10,493 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company. As of December 31, 2020, the book value of accrual pension liabilities of the Company amounted to NT\$ 15,276 thousand.

**6. Notes to Major Accounting Titles**

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand	\$ 1,404	\$ 3,321
Bank deposit:		
Foreign currency deposit	81,221	87,623
Demand deposit	612,082	306,782
Total	<u>\$ 694,707</u>	<u>\$ 397,726</u>

Bank deposits pledged by the company to the bank as collaterals have been recognized under the title of other current assets. Please refer to Note 8.

(2) Note receivables, net : None.

(3) Accounts receivable, net

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 671,393	\$ 948,488
Less: Allowance for uncollectible accounts	(9,297)	( 18,369)
Accounts receivable, net	<u>\$ 662,096</u>	<u>\$ 930,119</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable -related party	\$ 635,233	\$ 459,453
Less: Allowance for uncollectible accounts	—	—
Accounts receivable -related party, net	<u>\$ 635,233</u>	<u>\$ 459,453</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Receivable on demand (stated as other non-current assets)	\$ 90	\$ 392
Less: Allowance for uncollectible accounts	(90)	( 392)
Receivable on demand, net	<u>\$ —</u>	<u>\$ —</u>

A. All account receivables of the company are accrued from business operation and have not been pledged as collaterals.

B. For the information about the changes of allowance for uncollectible accounts provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	<b>Group evaluation Impairment loss</b>	<b>Individual evaluation Impairment loss</b>	<b>Total</b>
At January 1,2020	\$ 18,761	-	\$ 18,761
Provision for impairment	-	-	-
Reversal of impairment	(8,578)	-	(8,578)
Write-offs during the period	(796)	-	(796)
At December 31, 2020	<u>\$ 9,387</u>	<u>-</u>	<u>\$ 9,387</u>
At January 1,2019	\$ 10,065	-	\$ 10,065
Provision for impairment	8,696	-	8,696
Reversal of impairment	-	-	-
Write-offs during the period	-	-	-
At December 31, 2019	<u>\$ 18,761</u>	<u>-</u>	<u>\$ 18,761</u>

C. Account age analysis on loans is stated as follows:

	<u>December 31, 2020</u>		<u>December 31,2019</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Undue	\$ 1,196,283	\$ -	\$ 1,223,507	\$ -
Overdue for 1~90 days	96,443	6,751	146,135	10,229
Overdue for 91~180 days	9,332	1,400	25,858	3,879
Overdue for 181~360 days	4,550	1,137	7,836	1,959
Overdue for 1~2 years	18	9	4,605	2,302
Overdue for more than 2 years	90	90	392	392
Total	<u>\$ 1,306,716</u>	<u>\$ 9,387</u>	<u>\$ 1,408,333</u>	<u>\$ 18,761</u>

The above ageing analysis was based on past due date.

D. As of December 31, 2020 and December 31, 2019 accounts receivable were all from contracts with customers.

(4) Inventories

	<b>December 31, 2020</b>		
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 707,242	\$ (151,610)	\$ 555,632
Supplies	128,854	(31,589)	97,265
Work in progress	462,341	(32,264)	430,077
Semi-finished goods	430,709	(61,802)	368,907
Finished goods	883,363	(29,304)	854,059
Commodity	254	(34)	220
Materials and supplies in transit	10,582	-	10,582
<b>Inventory, net</b>	<b>\$ 2,623,345</b>	<b>\$ (306,603)</b>	<b>\$ 2,316,742</b>

	<b>December 31, 2019</b>		
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 620,819	\$ (126,241)	\$ 494,578
Supplies	119,602	(22,925)	96,677
Work in progress	394,973	(33,822)	361,151
Semi-finished goods	348,015	(55,757)	292,258
Finished goods	920,792	(47,080)	873,712
Commodity	21,436	(21,089)	347
Materials and supplies in transit	11,472	-	11,472
<b>Inventory, net</b>	<b>\$ 2,437,109</b>	<b>\$ (306,914)</b>	<b>\$ 2,130,195</b>

A. Expenses and losses related to inventory recognized in the current period:

	<b>2020</b>	<b>2019</b>
Cost of inventories sold	\$ 2,909,187	\$ 2,825,174
Loss on market price decline inventories (gain from price recovery)	(311)	53,401
Loss on obsolescence of inventory	-	10,802
Other operating costs- employees' bonus	43,148	25,592
Estimated warranty liabilities	11,693	12,951
<b>Operating Cost</b>	<b>\$ 2,963,717</b>	<b>\$ 2,927,920</b>

B. Before December 31, 2020 and 2019, the Company had not pledged its inventory as collaterals.

(5) Investments accounted for using equity method (Include Credit balance of investments account for using equity method)

The investment of the company accounted for under the equity method on the ending day of the financial reporting period:

Investee	December 31, 2020		December 31, 2019	
	Book value	Ratio of shareholding %	Book value	Ratio of shareholding %
<b>Subsidiaries:</b>				
MPI TRADING CORP.	\$ 58,685	100 %	\$ 60,858	100 %
MMI HOLDING CO., LTD.	541,305	100 %	490,841	100 %
MEGTAS CO.,LTD.	35,867	80 %	36,504	80 %
Chain-Logic International Corp.	221,418	100 %	212,867	100 %
Allstron Corporation	1,536	100 %	1,578	100 %
Total	<u>\$ 858,811</u>		<u>\$ 802,648</u>	
Transfer to Credit balance of investments account for using equity method				
MPA TRADING CORP.	<u>\$ 167,963</u>	100 %	<u>\$ 118,988</u>	100 %

A. Changes in investment under equity method:

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 802,648	\$ 858,533
Increase in investment in the current period	-	-
Cash dividend distributed by affiliates	(27,349)	(53,054)
Investment income (loss) recognized under equity method	31,908	(57,995)
Exchange difference arising from translation of the financial statement of foreign operations	(10,757)	(14,247)
Realized (unrealized) income from downstream transactions with investees	13,636	18,937
Other comprehensive income – Actuarial income (loss) of determined welfare	(250)	(118)
Transfer to Credit balance of investments account for using equity method	48,975	50,592
Balance, ending	<u>\$ 858,811</u>	<u>\$ 802,648</u>

B. The information about affiliates important to the consolidated companies is stated as following:

Refer to the consolidated financial statements of FY2020.

C. Book value and share of operating result of the affiliates not important to the Company individually : None.

D. The Company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the company accounted for under the equity method in 2020 and 2019.

E. The financial statements of subsidiary MEGTAS CO., LTD. in FY2020 and FY2019 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to NT\$(1,045) thousand and NT\$(1,544) thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. in FY2020 and FY2019 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to NT\$(50,377) thousand and

NT\$(60,344) thousand, respectively.

- F. The Company acquired 100% of the shares of Allstron Corporation (“Allstron”) in March 2014 and controlled the company in whole.

Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Company has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT\$45,533 thousand for the year of 2016.

- G. Guarantee

As of December 31, 2020 and 2019, the company had not pledged its investment accounted for under the equity method as collaterals.

(6) Property, plant and equipment

- A. The changes in the cost, depreciations and impairments of the property, plant and equipment of the Company in FY2020 and FY2019:

	<u>Land</u>	<u>House and building</u>	<u>Machine &amp; equipment</u>	<u>Furniture and fixtures</u>	<u>Research equipment</u>	<u>Other equipments</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost:</b>								
January 1, 2020	\$ 770,963	\$ 1,542,367	\$ 858,867	\$ 47,378	\$ 709,884	\$ 8,591	\$ 233,114	\$ 4,171,164
Addition	-	1,088	16,699	9,334	12,053	532	413,441	453,147
Disposition	-	-	(38,386)	(9,261)	(137,145)	(1,552)	-	(186,344)
Transfer	-	-	107,052	738	50,249	-	-	158,039
December 31, 2020	<u>\$ 770,963</u>	<u>\$ 1,543,455</u>	<u>\$ 944,232</u>	<u>\$ 48,189</u>	<u>\$ 635,041</u>	<u>\$ 7,571</u>	<u>\$ 646,555</u>	<u>\$ 4,596,006</u>
<b>Cost:</b>								
January 1, 2019	\$ 770,963	\$ 1,541,747	\$ 918,638	\$ 51,995	\$ 749,427	\$ 11,046	\$ 18,543	\$ 4,062,359
Addition	-	620	11,704	10,305	6,189	-	214,571	243,389
Disposition	-	-	(131,368)	(15,251)	(52,777)	(2,455)	-	(201,851)
Transfer	-	-	59,893	329	7,045	-	-	67,267
December 31, 2019	<u>\$ 770,963</u>	<u>\$ 1,542,367</u>	<u>\$ 858,867</u>	<u>\$ 47,378</u>	<u>\$ 709,884</u>	<u>\$ 8,591</u>	<u>\$ 233,114</u>	<u>\$ 4,171,164</u>
<b>Depreciation and impairment:</b>								
January 1, 2020	\$ -	\$ 417,880	\$ 475,292	\$ 24,645	\$ 477,629	\$ 7,194	\$ -	\$ 1,402,640
Depreciation	-	67,985	145,436	10,785	92,682	1,070	-	317,958
Disposition	-	-	(37,392)	(9,261)	(137,145)	(1,552)	-	(185,350)
Transfer	-	-	-	-	-	-	-	-
December 31, 2020	<u>\$ -</u>	<u>\$ 485,865</u>	<u>\$ 583,336</u>	<u>\$ 26,169</u>	<u>\$ 433,166</u>	<u>\$ 6,712</u>	<u>\$ -</u>	<u>\$ 1,535,248</u>
<b>Depreciation and impairment:</b>								
January 1, 2019	\$ -	\$ 349,945	\$ 465,904	\$ 28,060	\$ 425,725	\$ 8,236	\$ -	\$ 1,277,870
Depreciation	-	67,935	135,333	11,821	103,578	1,412	-	320,079
Disposition	-	-	(125,907)	(15,236)	(51,674)	(2,454)	-	(195,271)
Transfer	-	-	(38)	-	-	-	-	(38)
December 31, 2019	<u>\$ -</u>	<u>\$ 417,880</u>	<u>\$ 475,292</u>	<u>\$ 24,645</u>	<u>\$ 477,629</u>	<u>\$ 7,194</u>	<u>\$ -</u>	<u>\$ 1,402,640</u>
<b>Net book value</b>								
<b>December 31, 2020</b>	<u>\$ 770,963</u>	<u>\$1,057,590</u>	<u>\$ 360,896</u>	<u>\$ 22,019</u>	<u>\$ 201,875</u>	<u>\$ 859</u>	<u>\$ 646,556</u>	<u>\$ 3,060,758</u>
<b>December 31, 2019</b>	<u>\$ 770,963</u>	<u>\$1,124,487</u>	<u>\$ 383,576</u>	<u>\$ 22,733</u>	<u>\$ 232,255</u>	<u>\$ 1,397</u>	<u>\$ 233,114</u>	<u>\$ 2,768,524</u>

- B. The Company signed the contract with the non-related party about the new construction of Zhubei third factory at Zhubei City Tai Ho Section, in September

and October 2019. The total contract amount was NT\$724,000 thousand.

C. **Guarantee**

For details about the secured bank loan and facility until December 31, 2020 and 2019, please see Note 8.

D. For the capitalized interest, please see Note 6(18) 2. Financial cost.

(7) **Right-of-use assets and Lease liabilities**

A. **Leasing arrangements — lessee**

(a) The Company leases various assets including land, buildings, machinery and equipment, business vehicles. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(b) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<b>December 31, 2020</b>	<b>Jan.1~Dec. 31, 2020</b>	<b>December 31, 2019</b>	<b>Jan.1~Dec. 31, 2019</b>
	Book value	Depreciation charge	Book value	Depreciation charge
Land	\$ 31,703	\$ 9,824	\$ 30,494	\$ 9,083
Buildings	8,895	33,707	26,836	34,538
Transportation(Business vehicles)	34,057	16,621	33,604	14,645
<b>Total</b>	<b>\$ 74,655</b>	<b>\$ 60,152</b>	<b>\$ 90,934</b>	<b>\$ 58,266</b>

(c) For the year ended in 2020 and 2019, the additions to right-of-use assets were NT\$ 44,402 thousand and NT\$60,206 thousand respectively.

(d)The information on income and expense accounts relating to lease contracts is as follows:

	<b>Jan.1~ Dec. 31, 2020</b>	<b>Jan.1~ Dec. 31, 2019</b>
<b>Items affecting profit or loss</b>		
Interest expense on lease liabilities	\$ 1,719	\$ 1,804
Expense on short-term lease contracts	\$ 3,590	\$ 4,953
Gains(losses) on lease modification	\$ 173	\$ (1)

(e) For the 2020 and 2019, the Company's total cash outflow for leases were NT\$61,519 thousand and NT\$59,374 thousand respectively.

B. **Lease liabilities**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	\$ 34,214	\$ 45,256
Noncurrent	41,315	46,372
<b>Total</b>	<b>\$ 75,529</b>	<b>\$ 91,628</b>

(a) Please refer to Note 6(18) B. for the interest expense of lease liabilities.

(b) The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.38%~3% and 1.42%~3% as of 2020 and 2019.

C. Leasing arrangements – lessor

- (a) The Company leases various assets including part of southern branch office buildings. Rental contracts are typically made for periods within one year. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor’s ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- (b) For the 2020 and 2019, the Company recognized rent income in the amount of NT\$13,316 thousand and NT\$14,434 thousand, based on the operating lease agreement, which does not include variable lease payments.

(8) Intangible assets

The cost, amortization and impairment of intangible assets of the Company in FY2020 and FY2019 are shown below:

	<b>Computer software</b>		<b>Computer software</b>
<b>January 1, 2020</b>	\$ 34,449	<b>January 1, 2019</b>	\$ 41,237
Addition	48,345	Addition	25,410
Reclassification	-	Reclassification	-
Amortization expenses	(40,474)	Amortization expenses	(32,198)
<b>December 31, 2020</b>	<u>\$ 42,320</u>	<b>December 31, 2019</b>	<u>\$ 34,449</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2020 and 2019 were stated as the following items in the comprehensive income statement:

	<b>2020</b>	<b>2019</b>
Operating cost	\$ 14,888	\$ 19,704
Operating expense	38,809	29,721
Total amortization expenses	<u>\$ 53,697</u>	<u>\$ 49,425</u>

B. R&D expenditure

In FY2020 and FY2019, the R&D spending deriving from intangible assets internally developed amounted to NT\$671,942 thousand and NT\$700,653 thousand, respectively, recognized under the title of “Operating expenses –R&D expenses” in the comprehensive income statement.

(9) Other non-current assets

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Prepayments for equipment	\$ 145,858	\$ 51,168
Refundable deposit	74,053	26,271
Deferred Charges	13,573	22,750
Total	<u>\$ 233,484</u>	<u>\$ 100,189</u>

A. About the refundable deposit for 2020 as follows:

Some of the former employees of the company were being prosecuted for stealing the trade secret of the company to WinWay Technology Co., Ltd. They were prosecuted by the

Hsinchu District Prosecutors Office and the criminal justices were currently judged by Taiwan Hsinchu District Court.

The company was asking for civil compensation from the defendants. For the case, the company applied for provisional seizure and deposited the guarantee amount of NT\$54,080 thousand including the processing fee. After the preliminary investigation, there were still a large number of exhibits waiting for identification. The civil justices were currently judged by Taiwan High Court.

The above cases have no significant impact on the company's financial condition and operating result. On the position of protecting fair competition and intellectual property rights, the company had engaged the attorney to prosecute the civil and criminal legal liability.

B. The costs of Deferred Charges, amortization, and the impairment loss of the Company as of and for the ended of December 31, 2020 and 2019 were as follows:

	<u>Deferred Charges</u>		<u>Deferred Charges</u>
<b>January 1, 2020</b>	\$ 22,750	<b>January 1, 2019</b>	\$ 31,800
Addition	4,046	Addition	8,177
Reclassification	-	Reclassification	-
Amortization expenses	(13,223)	Amortization expenses	(17,227)
Reclassifications	-	Reclassifications	-
Impairment	-	Impairment	-
<b>December 31, 2020</b>	<u>\$ 13,573</u>	<b>December 31, 2019</b>	<u>\$ 22,750</u>

(10) Short-term loan

Type of borrowings	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	Amount	Interest rate	Amount	Interest rate
Credit loan	\$ -	-	\$ -	-
Secured loan	-	-	500,000	0.89%
<b>Total</b>	<u>\$ -</u>		<u>\$ 500,000</u>	

1. For the information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12(2).

2. Collateral for bank loan.

For bank loans secured by the Company's assets, please see Note 8.

(11) Other accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expenses payable	\$ 616,497	\$ 528,808
Employees' remuneration payable	73,877	43,950
Short-term employee benefits	20,745	49,247
Others (all less than 5%)	19,657	15,437
<b>Total</b>	<u>\$ 730,776</u>	<u>\$ 637,442</u>

(12) Reserve for liabilities

	<u>Warranty</u>		<u>Warranty</u>
<b>Balance, January 1, 2020</b>	\$ 6,572	<b>Balance, January 1, 2019</b>	\$ 4,859
Increase (decrease)	3,921	Increase (decrease)	1,713
<b>Balance, December 31, 2020</b>	<u>\$ 10,493</u>	<b>Balance, December 31, 2019</b>	<u>\$ 6,572</u>



Current	\$ 10,493	Current	\$ 6,572
Non-current	-	Non-current	-
<b>Balance, December 31, 2020</b>	<u>\$ 10,493</u>	<b>Balance, December 31, 2019</b>	<u>\$ 6,572</u>

The reserve for warranty liabilities of the company in 2020 and 2019 was mainly related to the sales of semi-conductor production process and test equipment. The reserve for warranty liabilities was estimated on the basis of historical data on warranty. The Company expected most of the liabilities would be realized in the following year of the sales.

(13)Corporate bonds-payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total amount of 4th domestic unsecured convertible corporate bond	\$ 1,000,000	\$ 1,000,000
Less: Conversion amount	(821,600)	(4,000)
Less: Convertible corporate bonds expired	-	-
Less : Buy back from open market	(36,700)	(36,700)
Less: Corporate bond discount	(6,124)	(56,815)
Corporate bond payable, net	<u>\$ 135,576</u>	<u>\$ 902,485</u>
Current	\$ 135,576	\$ -
Non-current	-	902,485
Total	<u>\$ 135,576</u>	<u>\$ 902,485</u>
Embedded financial derivatives - financial liabilities (assets)	\$ (1,289)	\$ 384
Elements of equity	<u>\$ 9,936</u>	<u>\$ 67,269</u>

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1070325999 dated July 26, 2018. The issuance conditions are stated as following:

- (a) Total issued amount: The Company issued NT\$1,000,000 thousand of convertible bonds, each bond had a face value of NT\$100 thousand; issued at 100.1% of the face value, a total of 10 thousand copies were issued.
- (b) Duration: 5 years (August 15, 2018~ August 15, 2023)
- (c) Coupon rate: 0%
- (d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).
- (e) Conversion price and adjustment thereof:
  - Ⓐ The conversion price at the time of issuance shall be NT\$71.50 per share.
  - Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.

- © The Company's board of directors resolved on August 7, 2019 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 10, 2019, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$69.2 per share.
  - Ⓣ The Company's board of directors resolved on July 10, 2020 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.4 per share.
- (f) Bondholders' put option:
- The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.
- (g) The Company's right of redemption:
- Ⓐ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.
  - Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the

call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal:

Except those converted to the Company's common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

- B. (a) For the year ended December 31, 2019, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 57,388 shares with face value of NT\$4,000 thousand, and recognized NT\$3,465 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.
- (b) For the year ended December 31, 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 12,121,471 shares with face value of NT\$817,600 thousand, and recognized NT\$707,291 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.
- C. The Company analyzed the 4th domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	August 15, 2018 <u>(Issuing date)</u>
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	<u>\$ 919,095</u>

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss".

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

- D. (a) Financial assets and liabilities profit(loss) measured at fair value through profit or loss of the Company from January to December 31, 2020 and 2019 were NT\$7,855 thousand and NT\$8,867 thousand.
- (b) The Company recognized interest expense of convertible bonds were NT\$10,446 thousand and NT\$15,155 thousand start from January to December 31, at 2020 and 2019.

E. (a) For the year ended December 31, 2019, the 4th unsecured convertible bonds in the amount of NT\$1,900 thousand were repurchased by the company from open market, buy back price is NT\$1,802 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$19 thousand, recognized in gain on repurchase of convertible bonds NT\$82 thousand in 2019 (stated as other revenue-others).

(b) Till December 31, 2020, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.

(14) Long-term Loans

<b>Bank</b>	<b>Nature</b>	<b>Limit</b>	<b>Duration</b>	<b>December 31, 2020</b>
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 443,797
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Less: current portion				-
Total				\$ 763,797
Interest rate range				0.63%~0.88%

<b>Bank</b>	<b>Nature</b>	<b>Limit</b>	<b>Duration</b>	<b>December 31, 2019</b>
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 142,208
Less: current portion				-
Total				\$ 142,208
Interest rate range				0.88 %

A. Information on the exposure of interest risk and liquidity risks of the company is shown in Note 12 (2).

B. Collateral for bank loan.

For bank loans secured by the Company's assets, please see Note 8.

(15) Pension Benefits

A. Defined benefit plan

(a) The Company has established the regulation for retirement with welfare in accordance with the "Labor Standards Act", which is applicable to the years of service for full-time employees before the implementation of the "Labor Pension Act" on July 1 2005, and the employees continued to adopt the "Labor Standards Act" after the "Labor Pension Act" has come into effect. Employees

who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The company contributes at 2% of the total salary on a monthly basis to the pension fund and deposit at the special pension account under the title of the Pension Reserve Monitoring Committee at the Bank of Taiwan. Until the end of December 31, 2020, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT\$89,865 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of defined benefit obligation	\$ 105,141	\$ 96,609
Fair value of planned assets	(89,865)	(67,285)
Net defined benefit liability	<u>\$ 15,276</u>	<u>\$ 29,324</u>

(c) Changes in the present value of defined benefit obligation:

	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation, January 1	\$ 96,609	\$ 94,471
Service cost in current period	133	5,109
Interest cost	1,063	1,228
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	2,742	2,711
Empirical adjustment	4,648	(6,910)
Benefit payment-from planned assets	(54)	-
Present value of defined benefit obligation, December 31	<u>\$ 105,141</u>	<u>\$ 96,609</u>

(d) Changes in fair value of planned assets:

	<b>2020</b>	<b>2019</b>
Fair value of planned assets, January 1	\$ 67,285	\$ 55,369
Interest revenue	759	747
Return (loss) on remuneration of planned assets	1,878	1,819
Contribution by employer	19,997	9,350
Benefit payment-from planned assets	(54)	-
Fair value of planned assets, December 31	<u>\$ 89,865</u>	<u>\$ 67,285</u>

(e) Total expenses recognized in comprehensive income statement:

	<b>2020</b>	<b>2019</b>
Service cost in current period	\$ 133	\$ 5,109
Interest cost of defined benefit obligation	1,063	1,228
Interest revenue from planned assets	(759)	(747)
Defined benefit cost stated into income	<u>\$ 437</u>	<u>\$ 5,590</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The

scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2020 and 2019, please see the labor pension fund utilization report published by the government each year.

- (g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	<u>2020</u>	<u>2019</u>
Discount rate	0.90%	1.10%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2020, the weighted average duration of the pension plan has been 16.7 years.

- (h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any change in the actuarial assumption may cause the amount of the determined welfare obligation of the company at significant level. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company.

- (i) The variance in the estimation of discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	<u>Discount rate</u>		<u>Future raise rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 1.00%</u>	<u>Decrease by 1.00%</u>
December 31, 2020				
Effect on defined benefit obligation %	<u>(3.25%)</u>	<u>3.39%</u>	<u>14.36%</u>	<u>(12.32%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,417)</u>	<u>\$ 3,564</u>	<u>\$ 15,098</u>	<u>\$ (12,953)</u>

December 31, 2019				
Effect on defined benefit obligation %	<u>(3.49%)</u>	<u>3.65%</u>	<u>15.34%</u>	<u>(13.05%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,372)</u>	<u>\$ 3,526</u>	<u>\$ 14,820</u>	<u>\$ (12,607)</u>

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

- (j) Expected contributions to the defined benefit pension plans of the Company for the next annual reporting period as at December 31, 2020 is NT\$3,468 thousand.

#### B. Defined contribution plans

- (a) With effect on July 1, 2005, the company has established the regulation for the contribution of pension fund in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with accumulated return payable monthly or in lump sum.
- (b) In FY2020 and FY2019, the Company has recognized pension expenses amounted to NT\$55,653 thousand and NT\$54,080 thousand in accordance with the regulation for determination of pension allocation.

### (16) EQUITY

- A. The Company’s outstanding common stock at beginning and ending is reconciled as follows:

		Unit : Share
	<b>2020</b>	<b>2019</b>
Balance, January 1	<u>79,958,726</u>	<u>79,901,388</u>
Corporate bond conversion	<u>12,121,471</u>	<u>57,338</u>
Balance, December 31	<u>92,080,197</u>	<u>79,958,726</u>

#### B. Capital surplus

- (a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings.

Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)</u>		
Common stock premium	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,304,697	597,406
Treasury stock trading	58,623	58,623
<u>May be used to offset a deficit only (Note2)</u>		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
<u>Such capital surplus may not be used for any purpose</u>		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	9,936	67,269
Total	<u>\$ 1,630,283</u>	<u>\$ 980,325</u>

(Note1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

- Ⓐ The company issued the first , second and third Domestic unsecured convertible corporate bonds; The company recognized NT\$593,941 thousand as paid-in capital in excess of par-common stock and treasury stock transaction NT\$8,477 thousand.
- Ⓑ The 3rd domestic unsecured conversion of corporate bonds pay off convertible corporate bonds at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified “capital reserve – shareholding pledging” balance at NT\$27,005 thousand is reclassified as “capital reserve – invalidated shareholding pledging” item.
- Ⓒ The Company issued last time Domestic unsecured convertible corporate bonds; The Company recognized NT\$49,759 thousand as paid-in capital in excess of par-common stock.



- Ⓓ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT\$1 thousand.
- Ⓔ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT\$19,858 thousand on the date of investment, stated as capital surplus-others.

C. Retained earnings

- (a) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.
- (b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.
- (c) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(d) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company provided special reserve NT\$14,248 thousand to shareholders by the shareholders' meeting from earnings 2019 on June 15, 2020.

The Company provided special reserve NT\$11,921 thousand to shareholders by the shareholders' meeting from earnings 2018 on June 11, 2019.

(e) The Company proposed to allocate the cash dividend, NT\$199,897 thousand (NT\$2.5 per share) by the shareholders' meeting from earnings 2019 on June 15, 2020.

The Company resolved to allocate the cash dividend, NT\$159,803 thousand (NT\$2 per share) by the shareholders' meeting from earnings 2018 on June 11, 2019.

D. Treasury stock : None.

F. Share-based payment — employee compensation plan

As of December 31, 2020, information on outstanding ESO is shown below: None.

(17) OPERATING INCOME

A. Operating income

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Sales revenue	\$ 5,168,689	\$ 4,880,918
Processing Fees revenue	-	-
Others		
Commission revenue	-	-
Total	<u>\$ 5,168,689</u>	<u>\$ 4,880,918</u>

B. Contract assets and contract liability

The Company recognized the contract assets and contract liability of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liability as following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liability-current		
Sales revenue received in advance	\$ 483,573	\$ 628,423
Total	<u>\$ 483,573</u>	<u>\$ 628,423</u>

Revenue of the contract liability recognized in the beginning:

	<u>2020</u>	<u>2019</u>
At January 1		
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 480,010	\$ 485,351
Total	<u>\$ 480,010</u>	<u>\$ 485,351</u>

(18) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	<u>2020</u>	<u>2019</u>
Gains (losses) from disposition of property, plant and equipment	\$ 304	\$ 4,990
Gains (losses) on obsolescence of property, plant and equipment	-	(12)
Net Gains (losses) on financial assets and liabilities at fair value through profit or loss	7,855	8,867
Foreign currency exchange gain (loss), net	(64,490)	(26,727)
Gains(losses) on lease modification	173	(1)
Others	(2,117)	(1,078)
Total	<u>\$ (58,275)</u>	<u>\$ (13,961)</u>

B. Financial cost

	<u>2020</u>	<u>2019</u>
Interest expenses		
Bank loan	\$ 5,876	\$ 7,114
Convertible corporate bond	10,446	15,155
Lease liabilities	\$ 1,719	\$ 1,804
Subtotal	18,041	24,073
Less: capitalized interest	(3,780)	(892)
Total	<u>\$ 14,261</u>	<u>\$ 23,181</u>
Capitalized interest rate	<u>0.63%~1.45%</u>	<u>0.76%~1.63%</u>

C. Interest income

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 444	\$ 1,343
Imputed interest from rent	163	157
Total	<u>\$ 607</u>	<u>\$ 1,500</u>

(19) Income Tax

A. The detail of income tax expenses (benefits) of the company is shown below:

	<u>2020</u>	<u>2019</u>
Income tax in current period:		
Generated in the current period	\$ 106,113	\$ 85,731
Overestimated (underestimated) income tax in previous year	-	(2)
Total income tax in the current period	<u>106,113</u>	<u>85,729</u>
Deferred income tax		

Occurrence and reversal of temporary difference	7,325	(31,077)
Effect of changes in tax rate	-	-
Total deferred income tax	<u>7,325</u>	<u>(31,077)</u>
Total	<u>\$ 113,438</u>	<u>\$ 54,652</u>

B. The Company recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to December, at 2020 and 2019.

C. The Company income tax expenses recognized under the title of equity are NT\$0 start from January to December, at 2020 and 2019.

D. Relations between income tax expenses (gains) and accounting profit

	<u>2020</u>	<u>2019</u>
Net profit (loss) before tax	\$ 827,920	\$ 483,022
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place \$ where the Company is situated	165,584	\$ 96,604
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(13,994)	25,869
Income tax effect on deferred income tax assets/liabilities	7,325	(31,077)
Unrecognized deferred income tax assets	-	-
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(45,477)	(36,742)
Imposition of income tax on undistributed earnings	-	-
Income tax effect under minimum tax system	-	-
Overestimated (underestimated) income tax in previous year	-	(2)
Total	<u>\$ 113,438</u>	<u>\$ 54,652</u>

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	<u>2020</u>				
	<u>January 1</u>	<u>Recognized in income statement</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange difference</u>	<u>December 31</u>
<b><u>Deferred income tax assets</u></b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 61,383	\$ (63)	-	-	\$ 61,320
Unrealized exchange loss	5,783	(728)	-	-	5,055
Unrealized warranty cost	1,348	751	-	-	2,099
Unrealized loss on valuation of nonfinancial asset	9,107	-	-	-	9,107
Unrealized gain on inter-affiliate accounts	935	(935)	-	-	-
Expected Credit (loss) gains	7,976	(2,728)	-	-	5,248
Tax difference on depreciation expenses	14	(1)	-	-	13
Realized net investment	8,133	-	-	-	8,133

income (foreign)					
Unrealized net investment income (foreign)	9,961	987	-	-	10,948
Total	<u>\$ 104,640</u>	<u>\$ (2,717)</u>	<u>-</u>	<u>-</u>	<u>\$ 101,923</u>

**Deferred income tax liabilities**

Temporary difference					
Unrealized exchange gain	\$ (267)	\$ (697)	-	-	\$ (964)
Recognition of pension expenses (deficit)	(5,187)	(3,911)	-	-	(9,098)
Total	<u>\$ (5,454)</u>	<u>\$ (4,608)</u>	<u>-</u>	<u>-</u>	<u>\$ (10,062)</u>

2019

	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
<b>Deferred income tax assets</b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 50,702	\$ 10,681	-	-	\$ 61,383
Unrealized exchange loss	446	5,337	-	-	5,783
Unrealized warranty cost	972	376	-	-	1,348
Unrealized loss on valuation of nonfinancial asset	9,107	-	-	-	9,107
Unrealized gain on inter-affiliate accounts	12	923	-	-	935
Expected Credit (loss) gains	11,762	(3,786)	-	-	7,976
Tax difference on depreciation expenses	15	(1)	-	-	14
Realized net investment income (foreign)	8,133	-	-	-	8,133
Unrealized net investment income (foreign)	-	9,961	-	-	9,961
Total	<u>\$ 81,149</u>	<u>\$ 23,491</u>	<u>-</u>	<u>-</u>	<u>\$ 104,640</u>

**Deferred income tax liabilities**

Temporary difference					
Unrealized exchange gain	\$ (489)	\$ 222	-	-	\$ (267)
Unrealized net investment income (foreign)	(8,117)	8,117	-	-	-
Recognition of pension expenses (deficit)	(4,434)	(753)	-	-	(5,187)
Total	<u>\$ (13,040)</u>	<u>\$ 7,586</u>	<u>-</u>	<u>-</u>	<u>\$ (5,454)</u>

(b) Unrecognized deferred income tax assets : None.

(c) Unrecognized deferred income tax liabilities : None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2020 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D spending in FY2020	\$ 59,777	\$ -	\$ 45,477	\$ -	(non-deferred)
	\$ 59,777	\$ -	\$ 45,477	\$ -	

(Note) According to the “Regulations Governing Investment Credit Applicable to a Company’s R&D Expenditure” promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G Authorization of income tax:

The Company has its corporate income tax approved by the taxation authorities until 2018.

H. Under the amendments to the Income Tax Act which was promulgated in February 7, 2018, the Company’s applicable income tax rate was 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate. Besides, the tax rate of undistributed earnings in 2018 was 5%.

(20) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company’s common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company’s basic EPS and diluted EPS are calculated as follows:

	2020			2019		
	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)
<b>Basic EPS</b>						
Net profit attributed to the Company’s common stock shareholders	\$ 714,482	84,987	\$ 8.41	\$ 428,370	79,913	\$ 5.36
<b>Diluted EPS</b>						
Net profit attributed to the Company’s common stock shareholders	\$ 714,482	84,987		\$ 428,370	79,913	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate	-	2,102		-	13,863	

bond						
Employee stock bonus	-	657	-	556		
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$ 714,482	87,746	\$ 8.14	\$ 428,370	94,332	\$ 4.54

For the details about capital increase, please see Note 6(16).

(21) Employee benefits, depreciation, depletion and amortization expenses are summarized as follows

Nature \ Function	2020			2019		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Salary expense (including employees' compensation)	974,753	675,184	1,649,937	841,051	583,719	1,424,770
Labor/health insurance expenses	60,153	40,275	100,428	53,515	34,894	88,409
Pension expenses	32,433	23,657	56,090	34,770	24,900	59,670
Director remuneration	-	18,469	18,469	-	6,200	6,200
Other employee benefit expenses (Note)	101,199	21,655	122,854	88,869	18,844	107,713
Depreciation expenses	276,175	101,935	378,110	287,302	91,043	378,345
Depletion expenses	-	-	-	-	-	-
Amortization expenses	14,888	38,809	53,697	19,704	29,721	49,425

(Note) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

A. For the year ended of December 31, 2020 and 2019, the number of employees of the Company was 1,548 and 1,537, of which the number of directors who were not employees concurrently was 7 and 3 respectively.

B. Companies which are listed in Taiwan Stock Exchange or Taipei Exchange should disclose the following information:

(a) The average employee benefit expenses was NT\$1,252 thousand for the year ended 2020 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].

The average employee benefit expenses was NT\$1,100 thousand for the year ended 2019 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].

(b) The average salary expenses was NT\$1,071 thousand for the year ended 2020 [total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].

The average salary expenses was NT\$929 thousand for the year ended 2019

[total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].

(c) The adjustment change of average salary expenses was 15.29% [(the average salary expenses in 2020 – the average salary expenses in 2019) / the average salary expenses in 2019].

(d) The Company has already established audit committee by the rule in 2020 to replace the supervisor. The Company derecognized the supervisor's remuneration in 2020 and recognized the supervisor's remuneration NT\$3,720 thousand in 2019.

(e) The salary and remuneration policy of the Company :

Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.

C. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings.

D. (a) The Company has approved the motion for amendments to the Articles of Incorporation on June 15, 2020:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

(b) The Company has approved the motion for amendments to the Articles of Incorporation on June 12, 2018:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors/supervisors. However, profits



must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph. The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

- E. The Company estimated the remuneration to employees was NT\$73,877 thousand and NT\$43,950 thousand, respectively, in 2020 and 2019, and the remuneration to directors/supervisors NT\$18,469 thousand and NT\$9,920 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).
- F. The remuneration to employees and directors/supervisors 2019 resolved to be allocated at the shareholders' meeting on June 15, 2020 by the Board of Directors meeting were NT\$43,950 thousand and NT\$9,920 thousand, respectively, identical with that recognized in the financial statement 2019, and the remuneration to employees will be paid in cash. The remuneration will be paid after the general shareholders' meeting 2020.
- G. The remuneration to employees and directors/supervisors 2018 resolved to be allocated at the shareholders' meeting on June 11, 2019 by the Board of Directors meeting were NT\$34,144 thousand and NT\$9,603 thousand, respectively, identical with that recognized in the financial statement 2018, and the remuneration to employees will be paid in cash. The remuneration will be paid after the general shareholders' meeting 2019.

(22) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment	\$ 611,186	\$ 311,199
Add: Payables for equipment, beginning	65,720	19,530
Less: Payables for equipment, ending	(133,660)	(65,720)
Cash paid in current period	<u>\$ 543,246</u>	<u>\$ 265,009</u>

B. Financing activities not affecting cash flow:

	<u>2020</u>	<u>2019</u>
Conversion of corporate bond conversion into capital stock	\$ 121,215	\$ 573

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

	Place of incorporation	Owner's equity (shareholding %)	
		December 31, 2020	December 31, 2019
Chain-Logic International Corp.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
MPA TRADING CORP.	Anguilla	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%
MPI (SUZHOU) CORPORATION	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	80%	80%
MPI AMERICA INC.	USA	100%	100%

(2) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(3) The names and relationship of related parties

Names of related parties	Relationship with the Company
CHAIN-LOGIC INTERNATIONAL CORP. (CLIC)	Subsidiary
MEGTAS CO.,LTD. (MEGTAS)	Subsidiary
Lumitek (Changchou) Co. Ltd. (LUMITC)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI (SUZHOU) CORPORATION (MPS)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI AMERICA INC. (MPA)	Subsidiary- a subsidiary of MPA TRADING CORP.

(4) Important transactions with related parties

A. Operating revenue

The Company's sales values to related parties are stated as follows:

Type	2020	2019
<b>Sale of products:</b>		
-Subsidiary		
CLIC	\$ 45,974	\$ 52,402
LUMITC	23,264	1,759
MPS	324,659	209,987
MPA	536,956	418,869
Total	\$ 930,853	\$ 682,837

The price of the Company's sale to related parties was not significantly different from the Company's general selling price.

B. Purchase

The Company's purchase values to related parties are stated as follows:

Type	2020	2019
------	------	------

Subsidiary			
CLIC	\$	9,172	\$ 11,124
MPS		-	16,856
MPA		13	-
Total	\$	<u>9,185</u>	<u>\$ 27,980</u>

The price of the Company's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Accounts receivable-related parties

The Company's accounts receivable-related parties are stated as following:

<u>Title</u>	<u>Type</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Subsidiary		
	CLIC	\$ 16,429	\$ 18,792
	LUMITC	22,922	480
	MPS	278,551	208,057
	MPA	317,331	232,124
Accounts receivable		<u>635,233</u>	<u>459,453</u>
Less: Loss allowance		-	-
Accounts receivable, net		<u>\$ 635,233</u>	<u>\$ 459,453</u>
Other accounts receivable	Subsidiary		
	CLIC	\$ 1,058	\$ 1,191
	LUMITC	15,653	14,354
	MPS	21,642	41,701
	Total	<u>\$ 38,353</u>	<u>\$ 57,246</u>

D. Accounts payable-related parties

The Company's accounts payable-related parties are stated as following:

<u>Title</u>	<u>Type</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable	Subsidiary		
	CLIC	\$ 2,320	\$ 3,627
	MPA	-	216
		<u>\$ 2,320</u>	<u>\$ 3,843</u>
Other accounts payable	Subsidiary		
	CLIC	13,013	20,916
	MPS	28	1,549
	MPA	465	-
Total		<u>\$ 13,506</u>	<u>\$ 22,465</u>

E. Prepayment : None.

F. Exchange of property

a. Acquisition of property, plant, and equipment : None.

b. Disposition of property, plant, and equipment:

2020 :

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary-MPS	Machinery equipment	\$ 1,084	\$ (90)	\$ 994	\$ 1,298	\$ 304

2019 :

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary-MPS	Machinery equipment	\$ 5,831	\$ (370)	\$ 5,461	\$ 9,727	\$ 4,266
	Office equipment	\$ 26	\$ (23)	\$ 3	\$ 34	\$ 31
	Research equipment	\$ 1,573	\$ (470)	\$ 1,103	\$ 1,796	\$ 693

G. Loan to others (stated as other receivable accounts-related party): None

H. Purchase of labor services from related parties

The Company's expenditure in labor services to related parties are stated as follows:

Type	2020	2019
<b>Promotion-expenditure in commission:</b>		
-Subsidiary		
CLIC	\$ 35,027	\$ 58,226
MPS	15,094	15,674
Total	\$ 50,121	\$ 73,900

I. Others

a. Payment on behalf of others (stated as other current assets): None.

b. Advance sale receipts

Type	December 31, 2020	December 31, 2019
Subsidiary		
CLIC	\$ 63,697	\$ 12,906
MPA	28,314	28,311
Total	\$ 92,011	\$ 41,217

c. Temporary receipts (stated as other current liabilities):

Type	December 31, 2020	December 31, 2019
Subsidiary		
MPA	\$ 700	\$ -
Total	\$ 700	\$ -

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2020	2019
Subsidiary			
CLIC	Other expenses	\$ 16	\$ -
CLIC	Consumable expenses	\$ 50	\$ -
CLIC	Repair and maintenance expense	\$ -	\$ 6
MPS	Other expense	\$ -	\$ 1,721
Megtas	Consumables expense	\$ -	\$ 123
MPA	Shipping expense	\$ -	\$ 14

e. Selling expenses

Type	Nature	2020	2019
Subsidiary			
CLIC	Other expense	\$ 2,759	\$ 739
MPS	Other expense	\$ 20	\$ 27
MPA	Shipping expense	\$ -	\$ 93
MPA	Advertising expense	\$ 13	\$ -
MPA	Other expense	\$ 1,061	\$ 135

f. Management expenses

Type	Nature	2020	2019
Subsidiary			
CLIC	Dormitory fees paid by employees	\$ -	\$ (9)

g. Research expenses

Type	Nature	2020	2019
Subsidiary			
CLIC	Other expense	\$ 10	\$ 2

h. Lease

The Company's lease revenue from related parties is stated as follows:

Type	2020	2019
Subsidiary-CLIC	\$ 3,860	\$ 3,973

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection
Subsidiary	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2019/01/01~2019/12/31 Renewed automatically upon expiration	NT\$242 thousand per month (before tax) The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Subsidiary	Rent the branch company office at Luchu, Kaohsiung City	2019/01/01~2019/12/31 Renewed automatically upon expiration	NT\$10 thousand per month (before tax)
Subsidiary	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30, Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.

i. Other revenue

Type	2020	2019
Subsidiary		
CLIC	\$ 6	\$ 458
LUMITC	18,494	17,147
MPS	22,436	26,270
MPA	4,731	8,063
Total	\$ 45,667	\$ 51,938

(5) Information about remuneration to the management

Information about remuneration to the Company's management is stated as follows:

	<u>2020</u>	<u>2019</u>
Salary and other short-term employee benefits	\$ 11,568	\$ 9,517
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Total	<u>\$ 11,568</u>	<u>\$ 9,517</u>

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

## 8. **Pledged assets**

The following assets have been provided to the Company as the collaterals for bank loans, import business tax, sale commitment and payment promise. The book value thereof is stated as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	\$ 770,963	\$ 770,963
Building	804,988	831,450
Pledged time deposit (stated as other current assets)	4,147	3,453
Total	<u>\$ 1,580,098</u>	<u>\$ 1,605,866</u>

## 9. **Significant contingent liability and unrecognized contractual commitment**

(1) Contingency: None.

(2) Commitment:

A. Balance of unused letter of credit issued by the Company, guarantee money paid and service charges: None.

B. The outstanding capital expenditure amount under the purchase orders signed is stated as following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchase of property, plant and equipment	<u>\$ 118,757</u>	<u>\$ 476,599</u>

10. **Significant disaster loss**: None.

11. **Significant subsequent events**: None.

## 12. **Others**

(1) Capital management

The Company's capital management objective is intended to protect the Company's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Company manages and adjusts the capital structure subject to the economic condition. The Company might adjust the stock

dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2020 as that in 2019, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on December 31, 2020 and December 31, 2019 are stated as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 3,138,130	\$ 3,558,974
Total net worth	5,639,945	4,370,704
Debt/equity ratio	56%	81%

(2) Financial instruments by category

A. The financial instruments of the Company are stated as follows:

- (a) Financial assets: Including financial assets measured at fair value through profit or loss, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.
- (b) Financial liabilities: Including financial liabilities measured at fair value through profit or loss, short-term loans, notes payable, accounts payable, other payables, lease liabilities, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

- (a) The Company's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.
- (b) The Company has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Company shall strictly comply with the requirements related to financial risk management defined by the Company.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currencies, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Company's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Company's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

<b>December 31, 2020</b>				
<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>	
<b>Financial assets</b>	NTD/USD	\$ 24,101	28.055	\$ 676,159
	NTD/JPY	\$ 773	0.27335	\$ 211
	NTD/EUR	\$ 6	34.752	\$ 226



	NTD/RMB	\$ 61,988	4.2875	\$ 265,775
	NTD/KRW	\$ 5,188	0.02644	\$ 137
	NTD/HKD	\$ 12	3.619	\$ 43
	NTD/SGD	\$ 6	21.409	\$ 135
	NTD/MYR	\$ 16	6.7895	\$ 108
	NTD/RUB	\$ 1	0.3741	\$ 1
	NTD/PHP	\$ 91	0.5861	\$ 53
	NTD/INR	\$ 10	0.3807	\$ 4
	NTD/GBP	\$ 91	38.34776	\$ 3,478
<b>Financial liabilities</b>	NTD/USD	\$ 1,986	28.147	\$ 55,912
	NTD/JPY	\$ 30,875	0.2745	\$ 8,474
	NTD/EUR	\$ 627	34.738	\$ 21,791
	NTD/RMB	\$ 411	4.341	\$ 1,786
	NTD/GBP	\$ 1	38.54	\$ 8

<b>December 31, 2019</b>				
	<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>
<b>Financial assets</b>	NTD/USD	\$ 30,091	29.944	\$ 901,049
	NTD/JPY	\$ 1,832	0.27541	\$ 504
	NTD/EUR	\$ 24	33.429	\$ 806
	NTD/RMB	\$ 20,735	4.416	\$ 91,576
			5	
	NTD/KRW	\$ 5,188	0.0262	\$ 136
	NTD/HKD	\$ 11	3.795	\$ 41
	NTD/SGD	\$ 18	22.155	\$ 406
	NTD/MYR	\$ 18	7.033	\$ 126
	NTD/THB	\$ 2	0.9752	\$ 2
	NTD/CHF	\$ 1	30.72	\$ 41
	NTD/PHP	\$ 91	0.5847	\$ 53
	NTD/INR	\$ 1	0.4728	\$ 1
	NTD/GBP	\$ 123	39.3611	\$ 4,851
<b>Financial liabilities</b>	NTD/USD	\$ 1,665	30.040	\$ 50,023
	NTD/JPY	\$ 7,781	0.2782	\$ 2,164
	NTD/EUR	\$ 766	35.910	\$ 27,520
	NTD/GBP	\$ 5	39.5845	\$ 207

In consideration of the Company's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) were NT\$(64,490) thousand and NT\$(26,727) thousand until December 31, 2020 and 2019.

Ⓑ Cash flow and fair value interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Company's interest rate risk arises primarily from the loan with floating interest rate.

The Company maintained adequate portfolio with fixed and floating

interest rates to manage the interest rate risk.

© Pricing risk

Due to the fact that in the investment held by the Company indicated in the individual balance sheet, the Company did not hold the financial assets including equity instruments. Therefore, the Company did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Company did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2020 and 2019 are stated as following:

<b>December 31, 2020</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of income</b>
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-25,751 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,909 thousand

<b>December 31, 2019</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of income</b>
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-27,501 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,606 thousand

(b) Credit risk

Ⓐ Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

Ⓑ The Company set up the management of credit risk by Company perspective. According to the loan policy expressly defined internally in the Company, each business dept. Within the Company shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management

- according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Company also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.
- Ⓒ For the year ended December 31, 2020 and 2019, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.
  - Ⓓ The Company's Finance Dept. Manages the credit risk over the deposits in banks and other financial instruments according to the Company's policy. The Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.
  - Ⓔ Guarantee  
According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. Before December 31, 2020 and December 31, 2019, the Company has never made any endorsements/guarantees.
  - Ⓕ The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - Ⓖ The Company in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.
  - Ⓗ The Company classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Company applies the modified approach using

provision matrix to estimate expected credit loss under the provision matrix basis.

- ① The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- ② The Company used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The Company use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Company updated the observed historical default rates and analyzed changes. On December 31, 2020 and 2019, the Company expected credit loss rate during the lifetime is stated as follow:

	<b>Notes Receivable</b>	<b>Accounts Receivable</b>					
	dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

- ③ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of loss allowances provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(3).
- (c) Liquidity risk
- ④ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.
  - ⑤ The Company will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating

expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT\$2,470,523 thousand on December 31, 2020.

- © The following table refers to the non-derivative financial liabilities to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Company did not hold derivative financial liabilities.

Non-derivative financial liabilities	December 31, 2020			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	481,371	-	-	481,371
Other payable accounts (including related party)	877,942	-	-	877,942
Lease liabilities (note)	34,214	18,922	22,393	75,529
Corporate bond payable	135,576	-	-	135,576
Long-term loan (including the current portion)	-	-	763,797	763,797
Total	<u>\$ 1,529,103</u>	<u>\$ 18,922</u>	<u>\$ 786,190</u>	<u>\$ 2,334,215</u>

Non-derivative financial liabilities	December 31, 2019			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ 500,000	\$ -	\$ -	\$ 500,000
Payable accounts (including related party)	348,008	-	-	348,008
Other payable accounts (including related party)	725,627	-	-	725,627
Lease liabilities (note)	45,256	22,949	23,423	91,628
Corporate bond payable	-	-	902,485	902,485
Long-term loan (including the current portion)	-	-	142,208	142,208
Total	<u>\$1,618,891</u>	<u>\$ 22,949</u>	<u>\$1,068,116</u>	<u>\$2,709,956</u>

<Note>

Lease payments are low-value asset leases or short-term leases that are exempt from recognition of lease liabilities. If lease payment are significant, it should be disclose the maturity analysis of the contractual cash flow amounts.

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing

information on an ongoing basis.

- ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in corporate bonds is included in Level 2.
- ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

- Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged bank deposit, bank loan, notes payable, accounts payable and other payables are approximate to their fair values.

	<b>December 31, 2020</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	\$ 135,576	—	\$ 135,576	—

	<b>December 31, 2019</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	\$ 902,485	—	\$ 902,485	—

- ⓑ The methods and assumptions of fair value estimate are as follows:  
Corporate bond payable: The cash flow expected to be paid is measured by the present value discounted of the market interest rate on the balance sheet date.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

- Ⓐ The Company measured at fair value by level on the basis of the assets and liabilities:

	<b>December 31, 2020</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss — current convertible bonds option	\$ 1,289	—	\$ 1,289	—
<u>Non-recurring fair value measurements</u>	—	—	—	—

**Liabilities**

<u>Recurring fair value measurements</u>	—	—	—	—
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**December 31, 2019**

	Book value	Fair value		
		Level 1	Level 2	Level 3
<b>Assets</b>				
<u>Recurring fair value measurements</u>	—	—	—	—
<u>Non-recurring fair value measurements</u>	—	—	—	—

**Liabilities**

<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss — non-current convertible bonds option	\$ 384	—	\$ 384	—

Ⓔ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
Convertible bonds option	Binomial tree valuation model : Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

D. There were no transfer between Level 1 and Level 2 for the year ended December 31, 2020 and 2019.

**13. Disclosures of Notes**(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall also disclose the information about important transactions:

No.	Contents	2020
1	Loans to others:	N/A
2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 1
8	Accounts receivable-related party reaching 100 million NTD or more than	Attached table 2

	20% of the Paid-in capital.	
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Not be disclosed in parent company financial statement

Attached table 1: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital

Seller/buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Extension of loan Duration	Unit price	Duration of loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MPI AMERICA INC.	The Company's subsidiaries	Sale	\$ 536,956	10 %	same as that applicable to the general customer	—	—	Receivable accounts \$317,331	24%	
The Company	MPS	The Company's subsidiaries	Sale	\$ 324,659	6 %	same as that applicable to the general customer	—	—	Receivable accounts \$278,551	21%	

Attached Table 2: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	MPI AMERICA INC.	The Company's subsidiaries	Receivable accounts \$ 317,331	1.9545	—	—	\$50,384	—
MPI Corporation	MPS	The Company's subsidiaries	Receivable accounts \$ 278,551	1.3344	—	—	\$ 110,887	—

(2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2020 is stated as follows:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	\$ 32	\$ 32	1,000	100%	\$ 58,685	\$ 1,722	\$ 1,722	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	\$ 573,502	\$ 573,502	18,267,987 (Note4)	100%	\$ 541,305	\$ 43,345	\$ 44,847	Subsidiary of MPI Corporation



MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	\$ 53,767	\$ 53,767	400,000	80%	\$ 35,867	\$ ( 1,306)	\$ ( 1,010)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 221,418	\$ 36,750	\$ 36,884	Subsidiary of MPI Corporation
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	\$ 50,000	\$ 50,000	1,550,000	100%	\$ 1,536	\$ (42)	\$ (42)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	\$ 37,881	\$ 37,881	1,250,000	100%	\$ (167,963)	\$ (50,494)	\$ (50,494)	Subsidiary of MPI Corporation
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	\$ 3,724 (Note 4)	\$ 12,687 (Note 4)	300,100	100%	\$ 7,403	\$ (138)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 36,366	\$ 36,366	1,200,000	100%	\$ (156,968)	\$ (50,377)	—	Subsidiary of MPA TRADING CORP.

Note 1: Except MEGTAS CO., LTD. and MPI AMERICA INC., which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. So far, the Group has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

### (3) Information related to investments in China

#### A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 3)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	— (Note 4) (Note 5)	(Note 1)	USD 300,000 (\$ 12,683)	—	USD 300,000 (\$ 12,683)	—	—	—	—	—	\$ 15,852
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 (\$ 502,470)	(Note 2)	USD 16,000,000 (\$ 502,470)	—	—	USD 16,000,000 (\$ 502,470)	\$ 11,547	100 %	\$ 11,547	\$ 485,767	—
MPI (Suzhou) Corporation	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 2,000,000 (\$60,180) Registered capital USD 3,000,000 (\$ 90,270)	(Note 2)	USD 2,000,000 (\$60,180)	—	—	USD 2,000,000 (\$60,180)	\$ 32,574	100 %	\$ 32,574	\$ 63,774	—

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: The recognition of investment income was on the basis of the financial statement audited by CPA of the parent company.

Note 4: The Company presented a discussion to the board of directors that they decided to adopt a resolution about the reduction of capital RMB 7,583,950(equivalent to US\$ 1,100,000), the amount of paid-in capital should amend to US\$300,000, and the

payment will be transferred to CHAIN-LOGIC TRADING CORP. account on June 28, 2019.

Note 5: The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 3,389,351

Note1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : Investment amount approved by the Investment

- (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000(equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.
- (b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US\$2,857,000 (equivalent to NT\$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.
- (c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US\$936,870 (equivalent to NT\$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.
- (d) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting, and the amount of cash capital reduction has remitted to

CHAIN-LOGIC TRADING CORP. in July, 2019. The amount was used to deduct the accumulated amount of investment in Mainland China.

(e) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2020 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

(4) Information of major shareholders

Name of major shareholders	Shares	Total Shares Owned	Ownership Percentage
MPI Investment Corporation		8,334,626	9.05%

Note1: The table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of MPI Corporation stocks completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company’s consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decision on trust property. Information on insider equity declaration is available on the Market Observation Post System website.

Note3: The principle of this table is based on the list of securities owners at the book closure date announced by the interim shareholders meeting without margin trading-short.

Note4: Ratio of holding shares (%) = total number of shares holding by the shareholder / total number of shares delivered in dematerialized form

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were 92,080,197 shares = 92,080,197 (common stock) + 0 (preferred stock).

**14. Information by department**

Please see the consolidated financial statements 2020.

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

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,  
MPI CORPORATION  
By

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Chairman

March 24, 2021

# **Independent Auditor’s Audit Report**

## **The Board of Directors and Shareholders**

### **MPI Corporation**

#### **Opinion**

We have audited the accompanying consolidated financial statements of **MPI CORPORATION** (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. 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.

Key audit matters on the consolidated financial statements for the year ended December 31, 2020 were as follows:

### **I. Revenue Recognition**

#### Matter Description

Regarding the accounting policy of revenue recognition, please refer to (26) of Note 4 of the Consolidated Financial Statements. Regarding relevant disclosure, please refer to (17) of Note 6.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Group. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

#### Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

- (1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.
- (2) Understood the major revenue type and trading terms of MPI Group to assess if the accounting policy of point in time for revenue recognition is appropriate.
- (3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Group has handled accounting relevant activities appropriately.
- (4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.
- (5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have



been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

## **2. Inventory Valuation**

### Matter Description

Regarding the accounting policy of inventory valuation, please refer to (16) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Group recognize inventories amounting to NT\$2,777,356 thousand and Allowance for inventories amounting to NT\$308,781 thousand. The book value of the Group's inventories as December 31, 2020 was NT\$2,468,575 thousand and accounted 28% of the total assets in the consolidated balance sheet.

MPI Group mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgment on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the Account(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

### Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

- (1) With the CPA's knowledge of the industry and MPI Group's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.

- (2) Understood MPI Group's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgment and control efficiency of outdated inventories.
- (3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.
- (4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

### **Other Matter-Making Reference to the Audits of Component Auditors**

Information on the subsidiaries of MPI Corporation included the aforementioned statements covering the period of 2020 and 2019. And the information on direct investment as disclosed in note 13 is valued as audited by other public accountants. Said subsidiaries' total assets of are NT\$226,714 thousand and NT\$195,154 thousand or accounted for 2.53% and 2.39% of the consolidated total assets as of December 31, 2020 and 2019, respectively. As of January 1 to December 31, 2020 and 2019, had net operating revenue amounted to NT\$648,372 thousand and NT\$558,969 thousand, or accounted for 10.94% and 10.14% of the consolidated net operating revenue, respectively.

### **Other Matter**

We have also audited the parent Group only financial statements of MPI CORPORATION as of and for the years ended December 31, 2020 and 2019 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary

to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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NEXIA Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China

March 24, 2021

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

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

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (ASSETS)**  
DECEMBER 31, 2020 AND 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ASSETS	Note	December 31, 2020		December 31, 2019	
		Amounts	%	Amounts	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$ 1,445,267	16	\$ 1,103,311	14
Financial assets at fair value through profit or loss – current	6(13)	1,289	-	-	-
Notes receivable, net	6(3)	80,316	1	96,074	1
Accounts receivable, net	6(4)	1,075,050	12	1,234,092	15
Other receivables		16,901	-	2,465	-
Income tax receivable		40	-	1	-
Inventories, net	6(5)	2,468,575	28	2,254,516	28
Prepayments		131,312	1	103,511	1
Other current assets	8	21,946	-	21,959	-
Total Current Assets		<u>5,240,696</u>	<u>58</u>	<u>4,815,929</u>	<u>59</u>
<b>NONCURRENT ASSETS</b>					
Property, plant and equipment	6(6).7.8	3,203,429	36	2,933,943	36
Right-of-use assets	6(7)	111,428	1	146,710	2
Intangible assets	6(8)	42,546	1	34,803	-
Deferred income tax assets	6(19)	118,180	1	124,291	2
Other noncurrent assets	6(9)	260,313	3	123,225	1
Total Noncurrent Assets		<u>3,735,896</u>	<u>42</u>	<u>3,362,972</u>	<u>41</u>
<b>TOTAL ASSETS</b>		<u>\$ 8,976,592</u>	<u>100</u>	<u>\$ 8,178,901</u>	<u>100</u>

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)**  
**DECEMBER 31, 2020 AND 2019**

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

LIABILITIES AND EQUITY	Note	December 31, 2020		December 31, 2019	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(10)	\$ -	-	\$ 500,000	6
Contract liabilities—current	6(17)	677,524	8	811,231	10
Notes payable		16,523	-	12,789	-
Accounts payable		524,672	6	379,978	4
Payables on equipment		133,660	1	65,720	1
Other payables	6(11)	795,751	9	708,834	9
Income tax payable		112,332	1	56,972	1
Provisions—current	6(12)	10,493	-	6,572	-
Lease liabilities—current	6(7)	54,879	1	84,235	1
Current portion of bonds payable	6(13)	135,576	2	-	-
Other current liabilities		16,138	-	20,019	-
Total Current Liabilities		<u>2,477,548</u>	<u>28</u>	<u>2,646,350</u>	<u>32</u>
<b>NONCURRENT LIABILITIES</b>					
Non-current Financial liabilities at Fair Value through Profit or Loss	6(13)	-	-	384	-
Bonds payable	6(13)	-	-	902,485	11
Long-term loans	6(14)	763,797	8	142,208	2
Deferred income tax liabilities	6(19)	12,194	-	7,012	-
Lease liabilities—noncurrent	6(7)	58,018	1	67,752	1
Accrued pension cost	6(15)	16,021	-	32,768	-
Other noncurrent liabilities		96	-	97	-
Total Noncurrent Liabilities		<u>850,126</u>	<u>9</u>	<u>1,152,706</u>	<u>14</u>
<b>TOTAL LIABILITIES</b>		<u>3,327,674</u>	<u>37</u>	<u>3,799,056</u>	<u>46</u>
<b>EQUITY</b>	6(16)				
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>					
Capital common stock		920,802	10	799,587	10
Capital surplus		1,630,283	18	980,325	12
Retained earnings					
Appropriated as legal capital reserve		639,975	7	596,549	7
Special reserve		68,477	1	54,229	1
Unappropriated earnings		2,459,642	28	2,008,491	25
Total Retained Earnings		<u>3,168,094</u>	<u>36</u>	<u>2,659,269</u>	<u>33</u>
Other					
Foreign currency translation adjustments		(79,234)	(1)	(68,477)	(1)
Total others		<u>(79,234)</u>	<u>(1)</u>	<u>(68,477)</u>	<u>(1)</u>
Equity attributable to shareholders of the parent		<u>5,639,945</u>	<u>63</u>	<u>4,370,704</u>	<u>54</u>
<b>NONCONTROLLING INTERESTS</b>		8,973	-	9,141	-
<b>TOTAL EQUITY</b>		<u>5,648,918</u>	<u>63</u>	<u>4,379,845</u>	<u>54</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 8,976,592</u>	<u>100</u>	<u>\$ 8,178,901</u>	<u>100</u>

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Note	January 1 ~ December 31, 2020		January 1 ~ December 31, 2019	
		Amounts	%	Amounts	%
<b>OPERATING REVENUE, NET</b>	6(17)				
Sales revenue		\$ 5,710,038	96	\$ 5,288,166	96
Less: sales returns		(2,375)	-	(11,058)	-
sales discounts and allowances		(3,803)	-	(9,454)	-
Lease revenue		-	-	2,209	-
Commission revenue		2,712	-	3,443	-
Processing Fees revenue		219,029	4	241,894	4
Operating Revenue, net		5,925,601	100	5,515,200	100
<b>OPERATING COSTS</b>	6(5)	(3,340,036)	(56)	(3,286,299)	(59)
<b>GROSS PROFIT</b>		2,585,565	44	2,228,901	41
<b>OPERATING EXPENSES</b>					
Selling expenses		(631,687)	(11)	(651,494)	(12)
General & administrative expenses		(412,360)	(7)	(377,801)	(7)
Research and development expenses	6(8)	(682,471)	(11)	(710,627)	(13)
Expected Credit (loss) gains	6(4)	982	-	(11,731)	-
Operating expense, net		(1,725,536)	(29)	(1,751,653)	(32)
<b>OPERATING INCOME</b>		860,029	15	477,248	9
<b>NON-OPERATING INCOME AND EXPENSES</b>					
Other gains and losses	6(18)	(44,224)	(1)	(6,231)	-
Finance costs	6(18)	(16,309)	(1)	(25,174)	-
Interest income	6(18)	4,860	-	5,684	-
Rent income	6(7)	9,456	-	10,460	-
Other non-operating revenue-other items		30,903	1	27,044	-
Total Non-operating Income		(15,314)	(1)	11,783	-
<b>INCOME BEFORE INCOME TAX</b>		844,715	14	489,031	9
<b>INCOME TAX BENEFIT(EXPENSE)</b>	6(19)	(130,494)	(2)	(61,047)	(1)
<b>NET INCOME</b>		714,221	12	427,984	8
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(5,760)	-	5,900	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(10,664)	-	(14,810)	-
Other comprehensive income for the year, net of income tax		(16,424)	-	(8,910)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		\$ 697,797	12	\$ 419,074	8
<b>NET INCOME (LOSS) ATTRIBUTABLE TO :</b>					
Shareholders of the parent		\$ 714,482	12	\$ 428,370	8
Noncontrolling interests		(261)	-	(386)	-
		\$ 714,221	12	\$ 427,984	8
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>					
Shareholders of the parent		\$ 697,965	12	\$ 420,023	8
Noncontrolling interests		(169)	-	(949)	-
		\$ 697,796	12	\$ 419,074	8
<b>EARNINGS PER COMMON SHARE (NTD)</b>	6(20)				
		After-tax		After-tax	
Basic earnings per share		\$ 8.41		\$ 5.36	
Diluted earnings per share		\$ 8.14		\$ 4.54	

(The accompanying notes are an integral part of these consolidated financial statements)



**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Capital		Retained Earnings			Others	Total	Non-controlling	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve			
BALANCE, JANUARY, 1, 2019	\$ 799,014	\$ 977,255	\$ 536,093	\$ 42,308	\$ 1,779,401	\$ (54,230)	\$ 4,106,841	\$ 10,090	\$ 4,116,931
Legal capital reserve			33,456		(33,456)		-		-
Special capital reserve				11,921	(11,921)		-		-
Cash dividends of common stock					(159,803)		(159,803)		(159,803)
Capital reserve from stock warrants		3,465					3,465		3,465
Other changes in capital surplus		(395)					(395)		(395)
Net Income in 2019					428,370		428,370	(386)	427,984
Other comprehensive income in 2019, net of income tax					5,900	(14,247)	(8,347)	(563)	(8,910)
Total comprehensive income in 2019	-	-	-	-	434,270	(14,247)	420,023	(949)	419,074
Convertible Bonds Transferred To Common Stock	573						573		573
BALANCE, DECEMBER, 31, 2019	\$ 799,587	\$ 980,325	\$ 569,549	\$ 54,229	\$ 2,008,491	\$ (68,477)	\$ 4,370,704	\$ 9,141	\$ 4,379,845
BALANCE, JANUARY, 1, 2020	\$ 799,587	\$ 980,325	\$ 596,549	\$ 54,229	\$ 2,008,491	\$ (68,477)	\$ 4,370,704	\$ 9,141	\$ 4,379,845
Legal capital reserve			43,426		(43,426)		-		-
Special capital reserve				14,248	(14,248)		-		-
Cash dividends of common stock					(199,897)		(199,897)		(199,897)
Capital reserve from stock warrants		707,291					707,291		707,291
Other changes in capital surplus		(57,333)					(57,333)		(57,333)
Net Income in 2020					714,482		714,482	(261)	714,221
Other comprehensive income in 2020, net of income tax					(5,760)	(10,757)	(16,517)	93	(16,424)
Total comprehensive income in 2020	-	-	-	-	708,722	(10,757)	697,965	(168)	697,797
Convertible Bonds Transferred To Common Stock	121,215						121,215		121,215
BALANCE, DECEMBER, 31, 2020	\$ 920,802	\$ 1,630,283	\$ 639,975	\$ 68,477	\$ 2,459,642	\$ (79,234)	\$ 5,639,945	\$ 8,973	\$ 5,648,918

(The accompanying notes are an integral part of these consolidated financial statements)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2020	Jan 1 ~ Dec 31,2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 844,715	\$ 489,031
Adjustments to reconcile net income to net		
Depreciation	484,958	520,909
Amortization	63,731	63,312
Expected credit loss(gain)	(982)	11,731
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	(7,855)	(8,867)
Interest expense	16,309	25,174
Interest revenue	(4,860)	(5,684)
(Gain) loss on disposal of property, plant and equipment	10	(1,895)
(Gain) on repurchase of convertible bonds	-	(82)
Adjustments-(Gain) loss on depreciation of assets leased to others	-	2,490
Adjustments-exchange (Gain) loss on prepayments for equipment	-	504
Adjustments-(Gain) loss on lease modification	(173)	(20)
Rent concessions	(488)	-
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	15,758	4,678
Decrease (Increase) in accounts receivable	160,273	(300,361)
Decrease (Increase) in other receivables	(14,435)	3,567
Decrease (Increase) in inventories	(214,059)	300,536
Decrease (Increase) in prepayments	(27,801)	7,179
Decrease (Increase) in other current assets	1,546	(1,074)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	(133,707)	(129,672)
(Decrease) Increase in notes payable	3,734	6,692
(Decrease) Increase in accounts payable	144,694	(98,628)
(Decrease) Increase in other accounts payable	86,931	29,742
(Decrease) Increase in provision of liabilities	3,921	1,713
(Decrease) Increase in other current liabilities	(3,881)	6,093
Decrease(Increase) in accrued pension cost	(22,508)	(3,858)
Cash generated from operations	1,395,831	923,210
Interest received	4,860	5,691
Interest (excluding capitalization of interest)	(2,085)	(6,439)
Cash dividends	(199,897)	(159,803)
Income taxes paid	(63,880)	(90,654)
Net cash Provided By Operating Activities	1,134,829	672,005

(Continue)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

From January 1 to December 31, 2020 and 2019

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2020	Jan 1 ~ Dec 31,2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Financial asset measured at amortised cost	-	(44,565)
Repayment of financial asset measured at amortised cost	-	93,718
Proceeds from disposal of financial assets measured at cost	(590,453)	(328,795)
Proceeds from sale of property, plant and equipment	1,113	8,666
Intangible assets	(48,376)	(25,592)
Increase in other financial assets	(1,534)	(10,337)
Increase in other non-current assets	(160,550)	(19,235)
Net Cash Provided Used In Investing Activities	<u>(799,800)</u>	<u>(326,140)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(500,000)	(318,000)
Repurchase of convertible bonds	-	(1,802)
Increase in long-term loans	621,589	73,745
Decrease in Guarantee Deposits Received	(1)	-
Repayments of lease principal	(109,404)	(94,153)
Decrease in other non-current liabilities	-	(229)
Increase (decrease) in noncontrolling interests	93	(563)
Net cash (Used In) Financing Activities	<u>12,277</u>	<u>(341,002)</u>
Effects of exchange rate change on cash	<u>(5,350)</u>	<u>(12,246)</u>
Net increase in cash and cash equivalents	341,956	(7,383)
Cash and cash equivalents at beginning of year	1,103,311	1,110,694
Cash and cash equivalents at end of year	<u>\$ 1,445,267</u>	<u>\$ 1,103,311</u>

(The accompanying notes are an integral part of these consolidated financial statements)

# MPI CORPORATION and its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in NT\$1,000, Unless Otherwise Noted)

### 1. Company profile

- (1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT\$920,802 thousand and outstanding stock has been 92,080,197 shares until December 31, 2020. Upon resolution of the general shareholders' meeting on June 12, 2018, the Company raised the authorized capital as NT\$1,200,000,000, divided into 120,000,000 shares at par value of NT\$10 per share. The board of directors is authorized to issue the stock in lots. NT\$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT\$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.
- (2) The Company and its subsidiaries (hereinafter referred to as the "Group" collectively) primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.
- (3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

### 2. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 24, 2021.

### 3. Application of new standards, amendments and interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020

Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment.

Amendment to IFRS 16, ‘Covid-19-related rent concessions’

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

- (a) Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform—Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018—2020	January 1, 2022

The above standards and interpretations are continually evaluated of impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

#### 4. **Summary of Significant Accounting Policies**

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the consolidated financial statements.

##### (1) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs recognized by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

##### (2) Basis for preparation

###### A. Basis for measurement

Except the following important items in the balance sheet, the consolidated financial statement was prepared based on the historical cost:

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Defined benefit liability stated based on the net after pension fund assets less the present value of defined benefit obligations.

B. Functional currency and presentation of currency

The functional currency of each of the Group's entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company's functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Basis for consolidation

A. Principles for preparation of consolidated financial statements

- (a) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date when the Group forfeits the controlling power.
- (b) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group's interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.
- (d) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly.
- (e) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be re-measured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliates or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the

Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed of, the gain or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.

B. Subsidiaries included into the consolidated financial statements and status of change thereof:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			2020. 12.31	2019 12.31	
MPI	Chain-Logic International Corp.	professional equipment agent and provides technologic service for the manufacturing of high-tech industry such as LED, LCD, Semiconductor, and etc.	100%	100%	Established on March 1, 1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	Established on December 22, 2000.
MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	Established on August 7, 2002.
MPI	MEGTAS CO., LTD	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	80%	80%	Established on September 1, 2010.
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	Established on March 31, 2006.  The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	100%	Established on April 12, 2017.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading business	100%	100%	Established on November 19, 2001. (Note 2) (Note 4)
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC ( SHANGHAI) INTERNATIONAL CORP.	International trading	-	-	Established in February 8, 2002.(Note 1) The Company liquidated on November 11, 2019. (Note 3)
MMI HOLDING CO., LTD.	Lumitek (ChangZhou) Co.,Ltd.	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established on January 10, 2014.
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established on July 11, 2017.
MPA TRADING CORP.	MPI AMERICA INC.	Selling Probe Card and Test Equipment	100%	100%	Established on March 29, 2017.

(Note1) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital RMB7,583,950 (equivalent to



US\$1,100,000) by the Board of Directors meeting, and the amount of cash capital reduction has remitted to CHAIN-LOGIC TRADING CORP. on June 28, 2019.

(Note2) The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has passed the reduction of cash US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting, and the amount of cash capital reduction has remitted to Chain-Logic International Corp. on July 9, 2019. The Investment been approved by Commission on MOEA put on record.

(Note3) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the liquidation by the shareholders' meeting on September 23, 2019, which was liquidated and written down in November 2019, and remitted the surplus investment of RMB\$3,817,610 (equivalent to US\$428,835.20) to CHAIN-LOGIC TRADING CORP. on December 27, 2019.

(Note4) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Rest of the investment amount US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by the reduction of capital CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

These subsidiary's financial statements were audited by CPA. The period of these subsidiary's financial statements were the same with parent company and their profit and loss were recognized according to the proportion of shares held.

The financial statements 2020 and 2019 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were (NT\$1,045) thousand and NT\$(1,544) thousand.

The financial statements 2020 and 2019 of said subsidiary, MPI AMERICA INC. were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were (NT\$50,377) thousand and (NT\$60,344) thousand.

- C. Subsidiaries not included into the consolidated financial statements: N/A.
- D. Different adjustment and treatment by subsidiaries in the accounting period: N/A.
- E. Nature and scope of the important restrictions on enterprise's acquisition or use of the group's assets and solvency: N/A.
- F. Subsidiaries over which the Group holds important non-controlling equity: N/A.

(4) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of the application of IFRS 9 foreign currency items which in the process of applying the financial instrument accounting policies, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. Unless in the case of inflation, the income and expense & loss items shall be translated into functional currency at the average exchange rate in the current period, and the exchange different generated therefore shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposition involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated

therefore shall be held a part of the net investment in the foreign operations and stated as other comprehensive income.

(5) Current and non-current assets and liabilities

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

- A. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle.
- B. Assets primarily held for the purpose of trading.
- C. Assets expected to be realized within 12 months after the date of the balance sheet.
- D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

- A. Liabilities expected to be repaid in the Company's normal operating cycle.
- B. Assets primarily held for the purpose of trading.
- C. Assets expected to be discharged within 12 months after the date of the balance sheet.
- D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalent

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently

measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

Including financial assets at amortized cost and accounts receivable or contract assets that have a significant financing component, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash

flows from the financial asset expire.

(12) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading-if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(13) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(14) Convertible bonds payable

Convertible bonds or issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the

premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

- C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(15) Derecognition of financial liabilities

- A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.
- B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.
- C. Where there has been a substantial renegotiation or modification of the terms of an existing financial liability and resulted in a significant discrepancy which is at least ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(16) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(17) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and stop arranging the depreciation.

(18) Investment accounted for using equity method

An affiliate means an entity in which the Group has major influence over the financial and operating policies but has no control over the same. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

The consolidated financial statements shall include the income from the invested affiliates recognized subject to the shareholdings and other comprehensive income upon adjustment made in line with the Group's accounting policy, from the date when the Group has major influence until the date when the Group loses the major influence.

The unrealized gains from transactions between the Group and affiliates have been derecognized from the Group's equity in the investees. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the Group's share of loss from any affiliate to be recognized on a pro rata basis is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Group makes payment on behalf of the investee.

Where the Group forfeits its material influence over an affiliate when the Group disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(19) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment shall be recognized and measured using a cost model, and measured at the cost less accumulated depreciation and accumulated

impairment. The costs include the expenses directly attributable to the acquisition of assets. The costs of self-built assets include the costs of raw materials and direct labor, any other costs directly attributable to usable status of investment assets, costs of dismantling and removal of the items and recovery of premises, and loan cost that meets the requisite asset capitalization. Meanwhile, the costs also include the purchase of property, plant and equipment denominated in foreign currency. When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment should be treated separately (for major components).

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and proceeds on disposal of the same and recognized as the “other gains and losses” in the income statement on a net basis.

**B. After cost**

If the future economic effect expected to be generated from the after expenses of property, plant and equipment is very likely to flow into the Group and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

**C. Depreciation**

The depreciation shall be calculated at the cost of assets less residual value using the straight-line method over the estimated useful years, and evaluated based on the various major components of the assets. If the useful years for any component are different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-13
Transportation equipment	4-6
Furniture and fixtures	3-10



Research equipment	2-13
Other equipments	3-9
Assets leased to others	5

- D. Depreciation, useful years and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimate, adjustment should be made if necessary, and the changes shall be treated as changes in accounting estimates.
- (20) Leasing arrangements (lessor) – lease receivables/ operating leases
- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as ‘lease receivables’ at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as ‘unearned finance income of finance lease’.
- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.
- (d) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.
- (21) Leasing arrangements (lessee) – right-of-use assets / lease liabilities
- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.
- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (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.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(22) Intangible assets

A. Goodwill

Where the acquisition cost of identifiable net assets acquired upon merger, if any, is more than the fair value of the assets, the excess shall be stated as goodwill. Goodwill shall be measured at cost less accumulated impairment.

For the investment under equity method, the face value of goodwill is included into that of the investment. Meanwhile, the impairment loss on such investment is not allocated to goodwill or any assets, but a part of the book value of the investment under equity method.

B. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 5 years.

C. Internally generated intangible assets—research and development expenditures

- (a) Research expenditures are recognized as an expense as incurred.
- (b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognised as intangible assets

when the following criteria are met:

- Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Ⓑ An entity intends to complete the intangible asset and use or sell it;
- Ⓒ An entity has the ability to use or sell the intangible asset;
- Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And
- Ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

(23) Impairment on non-financial assets

- A. The Group will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.
- B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.
- C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit group expected to benefit from the merger of businesses generating the goodwill.

(24) Reserve for liabilities

The reserve for liabilities shall be recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Group's reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(25) Treasury stock

The issued stock recalled by the Group is stated based on the consideration paid for repurchase (including direct vested cost), recognized as "treasury stock" at the net after tax and presented as a deduction from equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title "additional paid-in capital-transaction of treasury stock". Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

Cancellation of treasury stock shall be credited under the title "treasury stock", and debited as "additional paid-in capital-stock premium" and "capital stock". Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference should be credited as the additional paid-in capital generated from the transactions of treasury stock under the same type.

(26) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

The Group provides semi-conductor production process and testing equipments

proxy services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

D. Incremental costs of obtaining a contract

The Group recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Group expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognized as expenses.

(27) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(28) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(29) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

B. Pension

(a) Defined contribution plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(b) Defined benefit plan

- Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.
- Ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.
- Ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.
- Ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Remuneration to employee and directors/supervisors

The remuneration to employees and directors/supervisors shall be recognized as

expenses and liabilities only when legal or constructive obligation is constituted and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(30) Employees' share-based payment

The transaction is share-based payment for settlement of equity. The share-based payment agreement shall measure the labor services provided by employees based on the fair value of the equity instruments granted on the date of granting, which shall be recognized as the remuneration cost during the vested period, and the equity shall be adjusted relatively.

The fair value of equity instruments shall reflect the effect produced by the vested conditions and non-vested conditions of market value. The recognized remuneration cost is adjusted based on the quantity of remuneration expected to meet service conditions and non-market value vested conditions, until the amount recognized ultimately is measured based on the vested quantity on the vested date.

(31) Income tax

- A. The income tax expenses consist of current income tax and deferred income tax. The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.
- B. The Group calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. Income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.
- C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized; insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Group and which is

not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.

- D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.
  - E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
  - F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.
  - G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.
  - H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.
- (32) Business combination
- A. The Group adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair



value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.

- B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(33) EPS

The Group will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Group's EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted average outstanding common stock. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Group's potential diluted common stock includes the stock options granted to employees.

(34) Information by department

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

5. **Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty**

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

## A. Critical judgements in applying the Group's accounting policies

### Revenue recognition on a net/gross basis

- (1) The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.
- (2) Indicators that the Group controls the good or service before it is provided to a customer include the following:
  - (a) The Group is primarily responsible for the provision of goods or services;
  - (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
  - (c) The Group has discretion in establishing prices for the goods or services.

## B. Critical accounting estimates and assumptions

### (1) Allowance for uncollectible of receivable accounts

The Group evaluates and estimates the collectible receivable accounts and allowance for uncollectible accounts according to the loan quality and collection of debt from customers and based on the past experience in collecting allowance for uncollectible accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is changed. Until December 31, 2020, the book value of receivable accounts has been NT\$1,155,366 thousand (exclusive of the allowance for uncollectible accounts, NT\$21,066 thousand).

### (2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the rapid transformation of technology, the Group evaluates the value of inventories after

excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until December 31, 2020, the book value of the Group's inventories has been NT\$2,468,575 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$308,781 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. Until December 31, 2020, the deferred income tax assets recognized by the Group have been NT\$118,180 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. Until December 31, 2020, the reserve for liabilities recognized by the Group have been NT\$10,493 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any changes in the actuarial hypotheses might affect the value of the Group's defined benefit obligation materially. As of December 31, 2020, the book value of accrual pension liabilities of the Group amounted to NT\$16,021 thousand.

**6. Notes to Major Accounting Titles**

**(1) Cash and cash equivalents**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash:		
Cash on hand	\$ 2,569	\$ 5,015
Cash in banks:		
Checking deposits	10	10
Demand deposits	1,406,410	1,075,301
Time deposits	36,278	22,985
Total	<u>\$ 1,445,267</u>	<u>\$ 1,103,311</u>

The bank deposits provided by the Group as collateral have been re-stated as other current assets. Please see Note 8.

**(2) Financial assets at amortized cost-current**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial products	\$ —	\$ —

- A. Start from January to December 31, at 2020 and 2019, the Group recognized interest revenue of financial assets at amortized cost were NT\$0 thousand and NT\$727 thousand.
- B. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group were NT\$0.
- C. The Group's financial assets at amortized cost were not been provided as collateral on December 31, 2020 and December 31, 2019.
- D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

**(3) Notes receivable, net**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 80,316	\$ 96,074
Less: Allowance for uncollectible accounts	—	—
Notes receivable, net	<u>\$ 80,316</u>	<u>\$ 96,074</u>

- A. The Group's receivable notes were issued for business and never been provided as collateral.
- B. The ageing analysis of notes receivable is stated as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Neither past due nor impaired	\$ 80,316	\$ —	\$ 96,074	\$ —
1~90 days	—	—	—	—
91 to 180 days	—	—	—	—
181 to 360 days	—	—	—	—
361 to 720 days	—	—	—	—
Over721 days	—	—	—	—
Total	<u>\$ 80,316</u>	<u>\$ —</u>	<u>\$ 96,074</u>	<u>\$ —</u>

The above ageing analysis was based on account day.

- C. As of December 31, 2020 and December 31, 2019, notes receivable were all from contracts with customers.

**(4) Accounts receivable, net**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 1,091,904	\$ 1,256,673
Less: Allowance for uncollectible accounts	(16,854)	(22,581)
Accounts receivable, net	<u>\$ 1,075,050</u>	<u>\$ 1,234,092</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Overdue receivable (stated as other non-current assets)	\$ 4,212	\$ 519
Less: Allowance for uncollectible accounts	(4,212)	(519)
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>

A. The Group's receivable accounts were incurred for business and never been provided as collateral.

B. For the information about the changes of allowance for uncollectible accounts provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	<u>Group provision</u>	<u>Individual provision</u>	<u>Total</u>
At January 1, 2020	\$ 23,100	\$ —	\$ 23,100
Provision for impairment	—	3,996	3,996
Reversal of impairment	(4,978)	—	(4,978)
Write-offs during the period	(802)	—	(802)
Unwinding of discount and premium	(192)	(58)	(250)
At December 31, 2020	<u>\$ 17,128</u>	<u>\$ 3,938</u>	<u>\$ 21,066</u>
At January 1, 2019	\$ 14,100	\$ —	\$ 14,100
Provision for impairment	11,913	2,698	14,611
Reversal of impairment	(2,880)	—	(2,880)
Write-offs during the period	—	(2,698)	(2,698)
Unwinding of discount and premium	( 33)	—	( 33)
At December 31, 2019	<u>\$ 23,100</u>	<u>\$ —</u>	<u>\$ 23,100</u>

C. The ageing analysis of accounts receivable is stated as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Neither past due nor impaired	\$ 903,878	\$ -	\$1,028,275	\$ —
1~90 days	157,121	10,999	181,027	12,671
91 to 180 days	24,170	3,625	32,138	4,821
181 to 360 days	4,550	1,138	10,112	2,528
361 to 720 days	2,185	1,092	5,121	2,561
Over721 days	4,212	4,212	519	519
Total	<u>\$ 1,096,116</u>	<u>\$ 21,066</u>	<u>\$1,257,192</u>	<u>\$ 23,100</u>

The above ageing analysis was based on past due date.

D. As of December 31, 2020 and December 31, 2019, accounts receivable were all from contracts with customers.

## **(5) Inventories**

<b>December 31, 2020</b>			
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 744,954	\$ (152,026)	\$ 592,928
Supplies	129,057	(31,589)	97,468
Work in progress	477,198	(32,264)	444,934
Semi-finished goods	430,709	(61,802)	368,907
Finished goods	927,586	(29,304)	898,282
Commodity	57,270	(1,796)	55,474
Materials and supplies in transit	10,582	—	10,582
Inventory, net	<u>\$ 2,777,356</u>	<u>\$ (308,781)</u>	<u>\$ 2,468,575</u>

<b>December 31, 2019</b>			
	<b>Cost</b>	<b>Allowance for valuation loss</b>	<b>Book value</b>
Raw material	\$ 635,425	\$ (126,241)	\$ 509,184
Supplies	119,819	(22,925)	96,894
Work in progress	402,527	(33,822)	368,705
Semi-finished goods	348,015	(55,757)	292,258
Finished goods	927,206	(47,080)	880,126
Commodity	120,756	(24,952)	95,804
Materials and supplies in transit	11,545	—	11,545
Inventory, net	<u>\$ 2,565,293</u>	<u>\$ (310,777)</u>	<u>\$ 2,254,516</u>

### A. Expenses and losses related to inventory recognized in the current period:

	<b>2020</b>	<b>2019</b>
Cost of inventories sold	\$ 3,285,066	\$ 3,179,227
Loss on market price decline inventories (gain from price recovery)	(1,996)	55,065
Loss on obsolescence of inventory	2,110	10,974
Other operating costs- employees' bonus	43,148	25,592
Estimated warranty liabilities	11,693	12,951
Depreciation of assets leased to others	—	2,490
Exchange difference, net	15	—
Operating Cost	<u>\$ 3,340,036</u>	<u>\$ 3,286,299</u>

B. As of December 31, 2020 and 2019, the inventory was not pledged as collateral.

## **(6) Property, plant and equipment**

A. The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Transportation	Office equipment	Research equipment	Other equipment	Leased assets	Assets leased to others	Construction in progress	Total
<b>Cost:</b>											
At January 1, 2020	\$ 770,963	\$ 1,569,824	\$ 1,484,847	\$ 1,818	\$ 63,119	\$ 709,680	\$ 46,326	\$ -	\$ -	\$ 233,416	\$ 4,879,993
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	-
Additions	-	1,088	63,267	-	9,281	12,222	778	-	-	413,716	500,352
Disposals	-	-	(39,651)	-	(9,615)	(137,145)	(1,554)	-	-	-	(187,965)
Reclassifications	-	-	107,624	-	738	50,249	-	-	-	(572)	158,039
effect of movements in exchange rate	-	(790)	(19,310)	(52)	(98)	-	(781)	-	-	(4)	(21,035)
At December 31, 2020	<u>\$ 770,963</u>	<u>\$ 1,570,122</u>	<u>\$ 1,596,777</u>	<u>\$ 1,766</u>	<u>\$ 63,425</u>	<u>\$ 635,006</u>	<u>\$ 44,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,556</u>	<u>\$ 5,329,384</u>
<b>Cost:</b>											
At January 1, 2019	\$ 770,963	\$ 1,569,383	\$ 1,493,629	\$ 2,518	\$ 68,630	\$ 748,872	\$ 49,343	\$ 79,415	\$ -	\$ 18,543	\$ 4,801,296
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	-
Additions	-	620	68,815	1,824	11,288	6,539	24	-	10,361	214,874	314,345
Disposals	-	-	(132,119)	(2,510)	(16,830)	(52,777)	(2,454)	-	-	-	(206,690)
Reclassifications	-	-	59,811	-	329	7,046	82	(79,157)	(10,361)	-	(22,250)
effect of movements in exchange rate	-	(179)	(5,289)	(14)	(298)	-	(669)	(258)	-	(1)	(6,708)
At December 31, 2019	<u>\$ 770,963</u>	<u>\$ 1,569,824</u>	<u>\$ 1,484,847</u>	<u>\$ 1,818</u>	<u>\$ 63,119</u>	<u>\$ 709,680</u>	<u>\$ 46,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,416</u>	<u>\$ 4,879,993</u>
<b>Accumulated depreciation and impairment :</b>											
At January 1, 2020	\$ -	\$ 421,928	\$ 969,447	\$ 124	\$ 35,263	\$ 477,630	\$ 41,658	\$ -	\$ -	\$ -	\$ 1,946,050
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	-
Additions	-	69,271	204,039	342	13,384	92,682	2,698	-	-	-	382,416
Disposals	-	-	(38,594)	-	(9,549)	(137,145)	(1,554)	-	-	-	(186,842)
Reclassifications	-	-	-	-	-	-	-	-	-	-	-
effect of movements in exchange rate	-	(135)	(14,556)	(9)	(259)	-	(710)	-	-	-	(15,669)
At December 31, 2020	<u>\$ -</u>	<u>\$ 491,064</u>	<u>\$ 1,120,336</u>	<u>\$ 457</u>	<u>\$ 38,839</u>	<u>\$ 433,167</u>	<u>\$ 42,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,125,955</u>
<b>Accumulated depreciation and impairment :</b>											
At January 1, 2019	\$ -	\$ 352,706	\$ 865,037	\$ 2,518	\$ 37,540	\$ 425,726	\$ 39,477	\$ 47,649	\$ -	\$ -	\$ 1,770,653
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-	-
Additions	-	69,244	232,323	124	14,683	103,578	5,262	-	2,490	-	427,704
Disposals	-	-	(126,537)	(2,510)	(16,745)	(51,674)	(2,454)	-	-	-	(199,920)
Reclassifications	-	-	2,452	-	-	-	-	(47,494)	(2,490)	-	(47,532)
effect of movements in exchange rate	-	(22)	(3,828)	(8)	(215)	-	(627)	(155)	-	-	(4,855)
At December 31, 2019	<u>\$ -</u>	<u>\$ 421,928</u>	<u>\$ 969,447</u>	<u>\$ 124</u>	<u>\$ 35,263</u>	<u>\$ 477,630</u>	<u>\$ 41,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,050</u>
<b>Book value</b>											
At December 30, 2020	<u>\$ 770,963</u>	<u>\$ 1,079,058</u>	<u>\$ 476,441</u>	<u>\$ 1,309</u>	<u>\$ 24,586</u>	<u>\$ 201,839</u>	<u>\$ 2,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,556</u>	<u>\$ 3,203,429</u>
At December 31, 2019	<u>\$ 770,963</u>	<u>\$ 1,147,896</u>	<u>\$ 515,400</u>	<u>\$ 1,694.00</u>	<u>\$ 27,856</u>	<u>\$ 232,050</u>	<u>\$ 4,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,416</u>	<u>\$ 2,933,943</u>

B. The Group signed the contract with the non-related party about the new construction of Zhubei third factory at Zhubei City Tai Ho Section, in September and October 2019. The total contract amount was NT\$724,000 thousand.

C. Guarantee

For details about the secured bank loan and facility until December 31, 2020 and 2019, please see Note 8.

D. Total capitalized interest see note 6 (18) B for details.

E. About Assets leased to others as follows :

The group has in July 2019 signed a leasing contract with a non-stake holder for a one-year production equipment server contract, and the two parties collectively agree to collaborate by means of principle of good faith and mutual benefit to achieve the integrated operating yield. The two parties consent to set the leasing period to span from July 15, 2019 to July 14, 2020. The monthly rent is RMB144,000 (excluding the VAT). The contract was early terminated on December 31, 2019.

## **(7) Right-of-use assets and Lease liabilities**

A. Leasing arrangements – lessee

(c) The Group leases various assets including land, buildings, machinery and equipment, business vehicles. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

(d) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>Jan 1~Dec 31, 2020</u>	<u>December 31, 2019</u>	<u>Jan 1~Dec 31, 2019</u>
	Book value	Depreciation charge	Book value	Depreciation charge
Land	\$ 31,703	\$ 9,823	\$ 30,493	\$ 8,314
Buildings	24,983	51,168	49,981	48,626
Machinery and equipment	-	15,553	15,780	15,832
Transportation(Business vehicles)	54,742	25,998	50,456	22,923
Total	<u>\$ 111,428</u>	<u>\$ 102,542</u>	<u>\$ 146,710</u>	<u>\$ 95,695</u>

(c) For the 2020 and 2019, the additions to right-of-use assets were NT\$71,480 thousand and NT\$84,614 thousand respectively.

(d)The information on income and expense accounts relating to lease contracts is as follows:

	<u>Jan 1~Dec 31, 2020</u>	<u>Jan 1~Dec 31, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,767	\$ 3,796
Expense on short-term lease contracts	\$ 3,708	\$ 5,301
Gains(losses) on lease modification	\$ 173	\$ 20



- (e) For the 2020 and 2019, the Group's total cash outflow for leases were NT\$109,404 thousand and NT\$94,153 thousand respectively.
- (f) The Group adopts the practical expedient of "Covid-19-related rent concessions", and recognized the profit of changes in lease payments resulting from the rent concessions for the 2020 are NT\$488 thousand.

**B. Lease liabilities**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current	\$ 54,879	\$ 84,235
Noncurrent	58,018	67,752
Total	<u>\$ 112,897</u>	<u>\$ 151,987</u>

- (a) Please refer to Note 6(18) B. for the interest expense of lease liabilities.
- (b) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.38%~4.5% and 1.42%~4.5% as of 2020 and 2019.

**C. Leasing arrangements – lessor**

- (a) The Group leases various assets including part of office buildings. Rental contracts are typically made for periods within one year. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- (b) For the 2020 and 2019, the Group recognized rent income in the amount of NT\$9,456 thousand and NT\$12,669 thousand, based on the operating lease agreement, which does not include variable lease payments.

**(8) Intangible assets**

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the ended of December 31, 2020 and 2019 were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
<b>2020</b>			
<b>January 1, 2020</b>	\$ —	\$ 34,803	\$ 34,803
Addition	—	48,376	48,376
Reclassification	—	—	—
Amortization expenses	—	(40,625)	(40,625)
Impairment	—	—	—
Exchange difference, net	—	(8)	(8)
<b>December 31, 2020</b>	<u>\$ —</u>	<u>\$ 42,546</u>	<u>\$ 42,546</u>
	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
<b>2019</b>			
<b>January 1, 2019</b>	\$ —	\$ 41,575	\$ 41,575
Addition	—	25,592	25,592
Reclassification	—	—	—
Amortization expenses	—	(32,362)	(32,362)

Impairment	—	—	—
Exchange difference, net	—	(2)	(2)
<b>December 31, 2019</b>	<u>\$ —</u>	<u>\$ 34,803</u>	<u>\$ 34,803</u>

	<b>Goodwill</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cost	\$ 45,533	\$ 45,533
Accumulated impairment	(45,533)	(45,533)
Net book value	<u>\$ —</u>	<u>\$ —</u>

#### A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other non-current assets) 2020 and 2019, respectively, were stated as the following items in the comprehensive income statement:

	<b>2020</b>	<b>2019</b>
Operating cost	\$ 23,614	\$ 29,421
Operating expense	40,117	33,891
Total amortization expenses	<u>\$ 63,731</u>	<u>\$ 63,312</u>

#### B. R&D expenditure

In FY2020 and FY2019, the R&D spending deriving from intangible assets internally developed amounted to NT\$682,471 thousand and NT\$710,627 thousand, respectively, recognized under the title of “Operating expenses –R&D expenses” in the comprehensive income statement.

#### C. Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Group has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT\$45,533 thousand for the year of 2016.

### **(9) Other non-current assets**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Prepayments for equipment	\$ 160,420	\$ 53,311
Refundable deposit	77,984	30,749
Deferred Charges	21,909	39,165
Total	<u>\$ 260,313</u>	<u>\$ 123,225</u>

#### A. About the refundable deposit for 2020 as follows:

Some of the former employees of the group were being prosecuted for stealing the trade secret of the group to WinWay Technology Co., Ltd. They were prosecuted by the Hsinchu District Prosecutors Office and the criminal justices were currently judged by Taiwan Hsinchu District Court.

The group was asking for civil compensation from the defendants. For the case, the

group applied for provisional seizure and deposited the guarantee amount of NT\$54,080 thousand including the processing fee. After the preliminary investigation, there were still a large number of exhibits waiting for identification. The civil justices were currently judged by Taiwan High Court.

The above cases have no significant impact on the group's financial condition and operating result. On the position of protecting fair competition and intellectual property rights, the group had engaged the attorney to prosecute the civil and criminal legal liability.

B. The costs of Deferred Charges, amortization, and the impairment loss of the Group as of and for the ended of December 31, 2020 and 2019 were as follows:

	<u>Deferred Charges</u>			<u>Deferred Charges</u>	
<b>January 1, 2020</b>	\$	39,165	<b>January 1, 2019</b>	\$	59,860
Addition		6,207	Addition		10,394
Reclassification		—	Reclassification		—
Amortization expenses		(23,106)	Amortization expenses		(30,950)
Reclassifications		—	Reclassifications		—
Impairment		—	Impairment		—
Exchange difference, net		(357)	Exchange difference, net		(139)
<b>December 31, 2020</b>	<u>\$</u>	<u>21,909</u>	<b>December 31, 2019</b>	<u>\$</u>	<u>39,165</u>

**(10) Short-term loan**

<u>Nature</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>Amounts</u>	<u>Interest rates</u>	<u>Amounts</u>	<u>Interest rates</u>
Credit loan	\$ —	—	\$ —	—
Secured borrowings	—	—	500,000	0.89%
Total	<u>\$ —</u>		<u>\$ 500,000</u>	

A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).

B. Collateral for bank loan.

For bank loans secured by the Group's assets, please see Note 8.

**(11) Other accounts payable**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expenses payable	\$ 672,772	\$ 584,612
Employees' remuneration payable	76,677	46,450
Short-term employee benefits	20,745	49,247
Others (less than 5%)	25,557	28,525
Total	<u>\$ 795,751</u>	<u>\$ 708,834</u>

**(12) Reserve for liabilities**

	<u>Warranty</u>		<u>Warranty</u>
At January 1, 2020	\$ 6,572	At January 1, 2019	\$ 4,859
Provision made/(Payment)	3,921	Provision made/(Payment)	1,713
At December 31, 2020	<u>\$ 10,493</u>	At December 31, 2019	<u>\$ 6,572</u>

Current	\$ 10,493	Current	\$ 6,572
Non-current	—	Non-current	—
At December 31, 2020	<u>\$ 10,493</u>	At December 31, 2019	<u>\$ 6,572</u>

The Group's reserve for warranty and liabilities in 2020 and 2019 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sales.

### (13) Corporate bonds-payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
4th domestic unsecured convertible bonds	\$ 1,000,000	\$ 1,000,000
Bonds transferred to common stock	(821,600)	(4,000)
Less : Convertible corporate bonds repayment due	—	—
Less : Buy back from open market	(36,700)	(36,700)
Less : Discount of bonds payable	(6,124)	(56,815)
Corporate bonds-payable, net	<u>\$ 135,576</u>	<u>\$ 902,485</u>
Current	\$ 135,576	\$ —
Non-current	—	902,485
Total	<u>\$ 135,576</u>	<u>\$ 902,485</u>
Embedded derivative-Financial (Assets) liability	\$ (1,289)	\$ 384
Equity element	<u>\$ 9,936</u>	<u>\$ 67,269</u>

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1070325999 dated July 26, 2018. The issuance conditions are stated as following:

- (a) Total issued amount: The Company issued NT\$1,000,000 thousand of convertible bonds, each bond had a face value of NT\$100 thousand; issued at 100.1% of the face value, a total of 10 thousand copies were issued.
- (b) Duration: 5 years (August 15, 2018~ August 15, 2023)
- (c) Coupon rate: 0%
- (d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).
- (e) Conversion price and adjustment thereof:
  - Ⓐ The conversion price at the time of issuance shall be NT\$71.50 per share.
  - Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.
  - Ⓒ The Company's board of directors resolved on August 7, 2019 to

authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 10, 2019, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$69.2 per share.

Ⓓ The Company's board of directors resolved on July 10, 2020 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.4 per share.

(f) Bondholders' put option:

The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book

value thereof in cash.

(h) Date and method of repayment of principal:

Except those converted to the Company's common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

- B. (a) For the year ended December 31, 2019, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 57,338 shares with face value of NT\$4,000 thousand, and recognized NT\$3,465 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.
- (b) For the year ended December 31, 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 12,121,471 shares with face value of NT\$817,600 thousand, and recognized NT\$707,291 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.
- C. The Company analyzed the 4th domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	August 15, 2018 <u>(Issuing date)</u>
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	<u>\$ 919,095</u>

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss".

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

- D. (a) Financial assets and liabilities profit (loss) measured at fair value through profit or loss of the Group from January to December 31, 2020 and 2019 were NT\$7,855 thousand and NT\$8,867 thousand.
- (b) The Group recognized interest expense of convertible bonds were NT\$10,446 thousand and NT\$15,155 thousand at 2020 and 2019.
- E. (a) For the year ended December 31, 2019, the 4th unsecured convertible bonds in the amount of NT\$1,900 thousand were repurchased by the company from open

market, buy back price is NT\$ 1,802 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$19 thousand, recognized in gain on repurchase of convertible bonds NT\$82 thousand in 2019 (stated as other revenue-others).

- (b) Till December 31, 2020, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$ 34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.

#### **(14) Long-term Loans**

<b>Lender</b>	<b>Nature</b>	<b>Amount</b>	<b>Period</b>	<b>December 31, 2020</b>
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 443,797
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Less: Long-term Loans payable-current portion				—
Long-term Loans, net				\$ 763,797
Interest rates for long-term loans				0.63%~0.88%

<b>Lender</b>	<b>Nature</b>	<b>Amount</b>	<b>Period</b>	<b>December 31, 2019</b>
Chang Hwa Bank –Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019.11.08~2029.10.15	\$ 142,208
Less: Long-term Loans payable-current portion				—
Long-term Loans, net				\$ 142,208
Interest rates for long-term loans				0.88%

- A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).
- B. Collateral for bank loan
- For bank loans secured by the Group's assets, please see Note 8.

#### **(15) Pension Benefits**

- A. Defined benefit plan
- (a) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the “Labor Standards Law” applicable to the years of services of employees before July 1, 2005, which is the day that the new “Labor Pension Act” came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued

for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 31, 2020, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$103,278 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 119,299	\$ 110,040
Fair value of planned assets	<u>(103,278)</u>	<u>(77,272)</u>
Net defined benefit liability	<u>\$ 16,021</u>	<u>\$ 32,768</u>

(c) Changes in the present value of defined benefit obligation:

	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation, January 1	\$ 110,040	\$ 107,279
Service cost in current period	172	5,147
Interest cost	1,210	1,395
Actuarial loss/gain		
Benefit payment-from planned assets	3,085	-
Actuarial loss (gain) from changes of financial hypotheses	4,846	3,056
Empirical adjustment	(54)	(6,837)
Present value of defined benefit obligation, December 31	<u>\$ 119,299</u>	<u>\$ 110,040</u>

(d) Changes in fair value of planned assets:

	<u>2020</u>	<u>2019</u>
Fair value of planned assets, January 1	\$ 77,272	\$ 64,752
Interest revenue	870	870
Return (loss) on remuneration of planned assets	2,169	2,119
Contribution by employer	23,021	9,531
Benefit payment-from planned assets	(54)	-
Fair value of planned assets, December 31	<u>\$ 103,278</u>	<u>\$ 77,272</u>

(e) Total expenses recognized in comprehensive income statement:

	<u>2020</u>	<u>2019</u>
Service cost in current period	\$ 172	\$ 5,147
Interest cost of defined benefit obligation	1,210	1,395
Interest revenue from planned assets	<u>(870)</u>	<u>(870)</u>
Defined benefit cost stated into income	<u>\$ 512</u>	<u>\$ 5,672</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or



foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2020 and 2019, please see the labor pension fund utilization report published by the government each year.

- (g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	<u>2020</u>	<u>2019</u>
Discount rate	0.90%	1.10%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%

Until December 31, 2020, the weighted average duration of the pension plan has been 13.3~16.7 years.

- (h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.

- (i) The variance in the estimation of the Group's discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	<u>Discount rate</u>		<u>Future raise rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 1.00%</u>	<u>Decrease by 1.00%</u>
December 31, 2020				
Effect on defined benefit obligation %	(3.02%) ~ (3.25%)	3.14% ~3.39%	13.07% ~14.36%	(11.50%) ~ (12.32%)
Amount of effect on defined benefit obligation	<u>\$ (3,845)</u>	<u>\$ 4,009</u>	<u>\$ 16,949</u>	<u>\$ (14,582)</u>
December 31, 2019				
Effect on defined benefit obligation %	(3.19%) ~ (3.49%)	3.31% ~3.65%	13.71% ~15.34%	(11.99%) ~ (13.05%)
Amount of effect on defined benefit obligation	<u>\$ (3,801)</u>	<u>\$ 3,971</u>	<u>\$ 16,661</u>	<u>\$ (14,218)</u>

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

- (j) Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at December 31, 2020 is NT\$3,648 thousand.

**B. Defined contribution plans**

- (a) As of July 1, 2005, the Group instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.
- (b) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.
- (c) The pension expenses recognized under the Group's defined contributed pension regulations were NT\$59,207 thousand and NT\$62,207 thousand in 2020 and 2019.

**(16) Equity**

- A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

	Unit : Share	
	2020	2019
Balance , beginning	79,958,726	79,901,388
Convertible Bonds Transferred To Common Stock	12,121,471	57,338
Balance , ending	<u>92,080,197</u>	<u>79,958,726</u>

**B. Capital surplus**

- (a) Pursuant to the R.O.C. Company Law amended in January 2012, capital

surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)</u>		
Common stock premium	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,304,697	597,406
Treasury Stock Transactions	58,623	58,623
<u>May be used to offset a deficit only (Note2)</u>		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
<u>Such capital surplus may not be used for any purpose</u>		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	9,936	67,269
Total	<u>\$ 1,630,283</u>	<u>\$ 980,325</u>

(Note1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

Ⓐ The company issued the first, second and third Domestic unsecured convertible corporate bonds; The company recognized NT\$593,941 thousand as paid-in capital in excess of par-common stock and treasury stock transaction NT\$8,477 thousand.

Ⓑ The 3rd domestic unsecured conversion of corporate bonds pay off convertible corporate bonds at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified “capital reserve – shareholding pledging” balance at NT\$27,005 thousand is reclassified as “capital reserve – invalidated shareholding pledging” item.

Ⓒ The group issued last time Domestic unsecured convertible corporate bonds; The company recognized NT\$49,759 thousand as paid-in capital in excess

of par-common stock.

- Ⓓ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT\$1 thousand.
- Ⓔ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. On June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT\$19,858 thousand on the date of investment, stated as capital surplus-others.

C. Retained earnings

- (a) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.
- (b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

(c) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(d) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company provided special reserve NT\$14,248 thousand to shareholders by the shareholders' meeting from earnings 2019 on June 15, 2020.

The Company provided special reserve NT\$11,921 thousand to shareholders by the shareholders' meeting from earnings 2018 on June 11, 2019.

(e) The Company proposed to allocate the cash dividend, NT\$199,897 thousand (NT\$2.5 per share) by the shareholders' meeting from earnings 2019 on June 15, 2020.

(f) The Company resolved to allocate the cash dividend, NT\$159,803 thousand (NT\$2 per share) by the shareholders' meeting from earnings 2018 on June 11, 2019.

D. Treasury stock : None.

E. Share-based payment — employee compensation plan

As of December 31, 2020, information on outstanding ESO is shown below: None.

**(17) Operating Income**

A. Operating income

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Sales revenue	\$ 5,703,860	\$ 5,267,654
Processing Fees revenue	219,029	241,894
Others		
Commission revenue	2,712	3,443
Lease revenue	—	2,209
Total	<u>\$ 5,925,601</u>	<u>\$ 5,515,200</u>

B. Contract assets and contract liabilities

The Group recognized the contract assets and contract liabilities of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liabilities as following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contract liability-current		
Sales revenue received in advance	\$ 677,524	\$ 811,231
Total	<u>\$ 677,524</u>	<u>\$ 811,231</u>

Revenue of the contract liabilities recognized in the beginning:

	<u>2020</u>	<u>2019</u>
At January 1		
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 671,877	\$ 561,585
Total	<u>\$ 671,877</u>	<u>\$ 561,585</u>

## **(18) Non-operating Income And Expenses**

### **A. Other gains and losses, net**

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposal of property, plant and equipment	\$ 1	\$ 1,930
Gains (losses) on obsolescence of property, plant and equipment	(11)	(586)
Net gains (losses) on financial liabilities at fair value through loss	7,855	8,867
Net currency exchange gains (losses)	(49,226)	(15,951)
Gains(losses) on lease modification	173	20
Others	(3,016)	(511)
Total	<u>\$ (44,224)</u>	<u>\$ (6,231)</u>

### **B. Financial cost**

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 5,876	\$ 7,115
The convertible bonds	10,446	15,155
Interest of Financial Leasing	3,767	3,796
subtotal	<u>20,089</u>	<u>26,066</u>
Less: capitalisation of qualifying assets	<u>(3,780)</u>	<u>(892)</u>
Total	<u>\$ 16,309</u>	<u>\$ 25,174</u>
Capitalized interest rate	<u>0.63%~1.45%</u>	<u>0.76%~1.63%</u>

C. Interest income

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 4,691	\$ 4,792
Imputed interest from rent	169	165
Interest income from financial assets measured at amortized cost	-	727
Total	<u>\$ 4,860</u>	<u>\$ 5,684</u>

(19) Income Tax

A. The Group's income tax expenses (gains) are specified as following:

	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the period	\$ 120,694	\$ 100,575
Adjustments in respect of prior years	(988)	(1,691)
Total current tax	<u>119,706</u>	<u>98,884</u>
Deferred tax:		
Origination and reversal of temporary differences	10,788	(37,837)
Impact of change in tax rate	-	-
Total deferred tax	<u>10,788</u>	<u>(37,837)</u>
Income tax expense	<u>\$ 130,494</u>	<u>\$ 61,047</u>

B. The Group recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to December, at 2020 and 2019.

C. The income tax expenses recognized under the title of equity are NT\$0 start from January to December, at 2020 and 2019.

D. Relations between income tax expenses (gains) and accounting profit

	<u>2020</u>	<u>2019</u>
Net profit (loss) before tax	<u>\$ 844,715</u>	<u>\$ 489,031</u>
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	\$ 168,943	\$ 97,806
Tax rate difference effect in foreign jurisdiction	7,150	25,550
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(9,931)	13,948
Income tax effect on deferred income tax assets/liabilities	10,788	(37,837)
Changes of foreign exchange rate of deferred income tax assets/liabilities	-	-
Unrecognized deferred income tax assets	9	13
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(45,477)	(36,742)
Imposition of 10% income tax on undistributed earnings	-	-
Income tax effect under minimum tax system	-	-
Overestimated (underestimated) income tax in previous year	(988)	(1,691)
Impact of change in tax rate	-	-
Total	<u>\$ 130,494</u>	<u>\$ 61,047</u>

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	<b>2020</b>				
	<b>January 1</b>	<b>Recognized in income statement</b>	<b>Recognized in other comprehensive income</b>	<b>Exchange difference</b>	<b>December 31</b>
<b>Deferred income tax assets</b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 62,155	\$ (532)			\$ 61,623
Realized net investment income (foreign)	18,094	987			19,081
Unrealized exchange loss	5,783	(728)			5,055
Unrealized warranty cost	1,349	750			2,099
Expected credit loss	9,107	-			9,107
Impairment loss	936	(936)			-
Unrealized gain on inter-affiliate accounts	7,975	(2,727)			5,248
Tax difference on depreciation expenses	18,733	(2,281)		\$ (505)	15,947
Recognition of pension expenses (excess)	119	(119)			-
Employee services and benefits amortized by year	40	(20)			20
<b>Total</b>	<b>\$ 124,291</b>	<b>\$ (5,606)</b>		<b>\$ (505)</b>	<b>\$ 118,180</b>
<b>Deferred income tax liabilities</b>					
Temporary difference					
Unrealized exchange gain	\$ (680)	\$ (830)			\$ (1,510)
Unrealized net investment income (foreign)	(1,146)	28			(1,118)
Recognition of pension expenses (deficit)	(5,186)	(4,380)			(9,566)
<b>Total</b>	<b>\$ (7,012)</b>	<b>\$ (5,182)</b>			<b>\$ (12,194)</b>
	<b>2019</b>				
	<b>January1</b>	<b>Recognized in income statement</b>	<b>Recognized in other comprehensive income</b>	<b>Exchange difference</b>	<b>December31</b>
<b>Deferred income tax assets</b>					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 51,142	\$ 11,013			\$ 62,155
Realized net investment income (foreign)	8,133	9,961			18,094
Unrealized exchange loss	451	5,332			5,783
Unrealized warranty cost	972	377			1,349
Expected credit loss	9,107	-			9,107
Impairment loss	12	924			936
Unrealized gain on inter-affiliate accounts	11,762	(3,787)			7,975
Tax difference on depreciation expenses	11,930	6,903		\$ (100)	18,733



Recognition of pension expenses (excess)	139	(20)		119
Employee services and benefits amortized by year	60	(20)		40
Total	<u>\$ 93,708</u>	<u>\$ 30,683</u>	<u>\$ (100)</u>	<u>\$ 124,291</u>

**Deferred income tax liabilities**

Temporary difference				
Unrealized exchange gain	\$ (489)	\$ (191)		\$ (680)
Unrealized net investment income (foreign)	(9,243)	8,097		(1,146)
Recognition of pension expenses (deficit)	(4,434)	(752)		(5,186)
Total	<u>\$ (14,166)</u>	<u>\$ (7,154)</u>		<u>\$ (7,012)</u>

(b) Unrecognized deferred income tax assets : None.

(c) Unrecognized deferred income tax liabilities : None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2020 shall be credited by the following deadline:

<u>Item</u>	<u>Total credit</u>	<u>Deducted amount</u>	<u>Credited balance in current period</u>	<u>Balance to be credited</u>	<u>Last year of credit</u>
R&D expenditure (projected) in 2020	\$ 59,777	\$ —	\$ 45,477	\$ —	(non-deferred)
	<u>\$ 59,777</u>	<u>\$ —</u>	<u>\$ 45,477</u>	<u>\$ —</u>	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G. Authorization of income tax:

	<u>Year</u>
MPI Corporation	2018
Chain-Logic International Corp.	2018
Allstron Corp	2018

H. Under the amendments to the Income Tax Act which was promulgated in February 7, 2018, the Company's applicable income tax rate was 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate. Besides, the tax rate of undistributed earnings in 2018 was 5%.

**(20) Earnings Per Common Share**

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2020			2019		
	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)
<b>Basic EPS</b>						
Net profit attributed to the Company's common stock shareholders	\$ 714,482	84,987	\$ 8.41	\$428,370	79,913	\$ 5.36
<b>Diluted EPS</b>						
Net profit attributed to the Company's common stock shareholders	\$ 714,482	84,987		\$428,370	79,913	
Effect of all potential diluted common stocks (Note)						
4th domestic unsecured convertible corporate bond	-	2,102		-	13,863	
Employee stock bonus	-	657		-	556	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$ 714,482	87,746	\$ 8.14	\$428,370	94,332	\$ 4.54

For the details about capital increase, please see Note 6(16).

**(21) Employee benefits, depreciation, depletion and amortization expenses are summarized as follow**

Nature \ Function	2020			2019		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Wages and salaries	1,038,516	859,191	1,897,707	896,997	747,494	1,644,491
Labor and health insurance expense (Note 1)	61,481	54,931	116,412	55,167	39,950	95,117
Pension costs (Note 1)	32,703	27,016	59,719	38,302	29,577	67,879
Director remuneration	—	18,469	18,469	—	6,200	6,200
Other personnel expense (Note 2)	107,345	29,128	136,473	95,997	24,460	120,457
Depreciation expenses	355,477	129,481	484,958	405,890	115,019	520,909
Depletion expenses	—	—	—	—	—	—
Amortization expenses	23,614	40,117	63,731	29,421	33,891	63,312

(Note1) In response to Covid-19, the government of mainland China has implemented to reduce the social insurance. Pension costs were be exempted from February to December 2020, and Labor and health insurance expense were be halved from February to June 2020.

(Note2) The other personnel expenses including food stipend, overtime pay and employee benefits.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings.

B. The Company has approved the motion for amendments to the Articles of Incorporation on June 15, 2020:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

C. The Company has approved the motion for amendments to the Articles of Incorporation on June 12, 2018:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

- D. The Company estimated the remuneration to employees was NT\$73,877 thousand and NT\$43,950 thousand, respectively, in 2020 and 2019, and the remuneration to directors/supervisors NT\$18,469 thousand and NT\$9,920 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).
- E. The remuneration to employees and directors/supervisors 2019 resolved to be allocated at the shareholders' meeting on June 15, 2020 by the Board of Directors meeting were NT\$43,950 thousand and NT\$9,920 thousand, respectively, identical with that recognized in the financial statement 2019, and the remuneration to employees will be paid in cash. The remuneration will be paid after the general shareholders' meeting 2020.
- F. The remuneration to employees and directors/supervisors 2018 resolved to be allocated at the shareholders' meeting on June 11, 2019 by the Board of Directors meeting were NT\$34,144 thousand and NT\$9,603 thousand, respectively, identical with that recognized in the financial statement 2018, and the remuneration to employees will be paid in cash. The remuneration will be paid after the general shareholders' meeting 2019.

**(22) Supplemental cash flow information**

A. Investing activities paid in cash in part only:

	<u>2020</u>	<u>2019</u>
Purchase of fixed assets	\$ 658,393	\$ 371,793
Add: opening balance of payable on equipment	65,720	22,722
Less: ending balance of payable on equipment	(133,660)	(65,720)
Cash paid during the period	<u>\$ 590,453</u>	<u>\$ 328,795</u>

B. Financing activities not affecting cash flow:

	<u>2020</u>	<u>2019</u>
Convertible bonds being converted to capital stocks	\$ 121,215	\$ 573

**7. Transactions with related parties**

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(2) The names and relationship of related parties: None.

(3) Important transactions with related parties

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. There was no transaction between the Group and other related parties for the year ended December 31, 2020 and 2019.

(4) Information about remuneration to the management

Information about remuneration to the Group's management is stated as follows:

	<u>2020</u>	<u>2019</u>
Salary and other short-term employee benefits	\$ 11,568	\$ 9,517
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Total	<u>\$ 11,568</u>	<u>\$ 9,517</u>

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

**8. Pledged assets**

The following assets have been provided to the Group as the collaterals for bank loans, import business tax, sale commitment, note payable and payment promise. The book value thereof is stated as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	\$ 770,963	\$ 770,963
Buildings	823,491	851,623
Pledged bank deposit (stated as other current assets)	16,523	15,691
Pledged fixed deposit (stated as other current assets)	5,023	4,321
Total	<u>\$ 1,616,000</u>	<u>\$ 1,642,598</u>

**9. Significant contingent liability and unrecognized contractual commitment**

(1) Contingency: None.

(2) Commitment:

A. Balance of unused letter of credit issued by the Group, guarantee money paid and service charges: None.

B. The outstanding capital expenditure amount under the purchase orders signed is stated as following:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchases of property, plant and equipment	\$ 130,976	\$ 478,144

**10. Significant disaster loss: N/A.**

**11. Significant subsequent events: N/A.**

**12. Others**

(1) Capital management

The Group's capital management objective is intended to protect the Group's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Group manages and adjusts the capital structure subject to the economic condition. The Group might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group maintained the same strategy in 2020 as that in 2019, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on December 31, 2020, and 2019 are stated as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 3,327,674	\$ 3,799,056
Total net worth	5,648,918	4,379,845
Debt/equity ratio	59%	87%

(2) Financial instruments by category

A. The financial instruments of the group are stated as follows:

(a) Financial assets: Including financial assets measured at fair value through profit, financial assets at amortized cost, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.

- (b) Financial liabilities: Including financial liabilities measured at fair value through profit, short-term loans, notes payable, accounts payable, other payables, lease liabilities, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

#### B. Risk management policies

- (a) The Group's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.
- (b) The Group has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Group shall strictly comply with the requirements related to financial risk management defined by the Company.

#### C. Significant financial risks and degrees of financial risks

- (a) Market risk

The Group's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

- Ⓐ Foreign exchange risk

The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Group's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Group did not adopt the hedging accounting policy. Further, the net investment in foreign operations was

identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or WON). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

		<b>December 31,2020</b>		
	<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>
<b>Financial assets</b>	NTD/USD	\$ 25,995	28.078	\$ 729,897
	NTD/JPY	\$ 1,025	0.27314	\$ 280
	NTD/EUR	\$ 1,619	34.512	\$ 55,890
	NTD/RMB	\$ 98,459	4.2947	\$ 422,854
	NTD/KRW	\$ 5,188	0.02644	\$ 137
	NTD/HKD	\$ 12	3.619	\$ 43
	NTD/SGD	\$ 6	21.409	\$ 135
	NTD/MYR	\$ 16	6.7895	\$ 108
	NTD/GBP	\$ 91	38.34776	\$ 3,478
	NTD/INR	\$ 10	0.3807	\$ 4
	NTD/PHP	\$ 91	0.5861	\$ 53
<b>Financial liabilities</b>	NTD/USD	\$ 5,345	28.257	\$ 151,028
	NTD/JPY	\$ 30,875	0.2745	\$ 8,474
	NTD/EUR	\$ 627	34.738	\$ 21,791
	NTD/RMB	\$ 1,721	4.341	\$ 7,471
	NTD/GBP	\$ 1	38.54	\$ 8



<b>December 31, 2019</b>				
	<b>Currency unit</b>	<b>Amount in foreign currency (thousand dollars)</b>	<b>Applicable foreign exchange rate, ending (Dollar)</b>	<b>Book value (NTD) (thousand dollars)</b>
<b>Financial assets</b>	NTD/USD	\$ 32,070	29.966	\$ 961,023
	NTD/JPY	\$ 2,183	0.39736	\$ 867
	NTD/EUR	\$ 2,026	33.524	\$ 67,931
	NTD/RMB	\$ 46,633	4.4294	\$ 206,558
	NTD/KRW	\$ 5,188	0.0262	\$ 135
	NTD/HKD	\$ 11	3.795	\$ 41
	NTD/SGD	\$ 18	22.155	\$ 406
	NTD/MYR	\$ 18	7.033	\$ 126
	NTD/THB	\$ 2	0.9752	\$ 2
	NTD/CHF	\$ 1	30.72	\$ 41
	NTD/GBP	\$ 112	39.37872	\$ 4,435
	NTD/INR	\$ 9	0.4164	\$ 4
	NTD/PHP	\$ 90	0.5847	\$ 53
<b>Financial liabilities</b>	NTD/USD	\$ 6,153	30.589	\$ 188,232
	NTD/JPY	\$ 24,880	0.2782	\$ 6,920
	NTD/EUR	\$ 778	33.805	\$ 26,312
	NTD/RMB	\$ 2,007	4.417	\$ 8,865
	NTD/GBP	\$ 5	39.58	\$ 207

In consideration of the Group's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) was NT\$(49,226) thousand and NT\$(15,951) thousand in 2020 and 2019.

Ⓑ Cash flow and fair value interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Group's interest rate risk arises primarily from the loan with floating interest rate.

The Group maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Pricing risk

Due to the fact that in the investment held by the Group indicated in the individual balance sheet, the Group did not hold the financial assets including equity instruments. Therefore, the Group did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Group did not sign any product contract which did not apply net settlement.

- Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2020 and 2019 is stated as following:

<b>December 31,2020</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of income</b>
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-30,723 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,909 thousand

<b>December 31, 2019</b>		
<b>Primary risk</b>	<b>Range of change</b>	<b>Sensitivity of income</b>
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-30,345 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,606 thousand

(b) Credit risk

- Ⓐ Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- Ⓑ The group set up the management of credit risk by group perspective. According to the loan policy expressly defined internally in the Group, each business dept. Within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Group also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.
- Ⓒ For the year ended December 31, 2020 and 2019, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's

- failure to perform contract.
- Ⓓ The Group's Finance Dept. Manage the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The Group's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.
  - Ⓔ Guarantee  
According to the Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. Before December 31, 2020 and 2019, the Group has never made any endorsements/guarantees.
  - Ⓕ The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:  
If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - Ⓖ The Group in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.
  - Ⓗ The Group classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
  - Ⓙ The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
  - Ⓚ The Group used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The group use provision matrix to estimate expected credit

loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Group updated the observed historical default rates and analyzed changes. On December 31, 2020 and 2019, the group expected credit loss rate during the lifetime is stated as follow:

	<b>Notes Receivable</b>	<b>Accounts Receivable</b>					
	Dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

- Ⓚ The Group grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of loss allowances provided for the Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(3) and Note 6(4).

(c) Liquidity risk

- Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.
- Ⓑ The Group's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT\$2,470,523 thousand on December 31, 2020.
- Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

Non-derivative financial liabilities	December 31, 2020			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	541,195	-	-	541,195
Other payable accounts (including related party)	929,411	-	-	929,411
Lease liabilities (note)	54,879	30,584	27,434	112,897
Long-term loan (including the current portion)	-	-	763,797	763,797
Corporate bond payable	135,576	-	-	135,576
<b>Total</b>	<b>\$ 1,661,061</b>	<b>\$ 30,584</b>	<b>\$ 791,231</b>	<b>\$ 2,482,876</b>

Non-derivative financial liabilities	December 31, 2019			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ 500,000	\$ -	\$ -	\$ 500,000
Payable accounts (including related party)	392,767	-	-	392,767
Other payable accounts (including related party)	774,554	-	-	774,554
Lease liabilities (note)	84,235	36,513	31,239	151,987
Long-term loan (including the current portion)	-	-	142,208	142,208
Corporate bond payable	-	-	902,485	902,485
<b>Total</b>	<b>\$ 1,751,556</b>	<b>\$ 36,513</b>	<b>\$ 1,075,932</b>	<b>\$ 2,864,001</b>

<Note>

Lease payments are low-value asset leases or short-term leases that are exempt from recognition of lease liabilities. If lease payment are significant, it should be disclose the maturity analysis of the contractual cash flow amounts.

### (3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in financial products and corporate bonds is included in Level 2.
- Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

- Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged Deposit, bank loan, notes payable, accounts payable and other payables are approximate to their fair values.

	<b>December 31, 2020</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	-	-	-	-
Financial liabilities				
Bonds payable (including current portion)	\$ 135,576	-	\$135,576	-

	<b>December 31, 2019</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	-	-	-	-
Financial liabilities				
Bonds payable (including current portion)	\$ 902,485	-	\$ 902,485	-

ⓑ The methods and assumptions of fair value estimate are as follows:

Corporate bond payable: The cash flow expected to be paid is measured by the present value discounted of the market interest rate on the balance sheet date.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

Ⓐ The Group measured at fair value by level on the basis of the assets and liabilities:

	<b>December 31, 2020</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>	-	-	-	-
Financial assets at fair value through profit or loss – current convertible bonds option	\$ 1,289	-	\$ 1,289	-
<u>Non-recurring fair value measurements</u>	-	-	-	-
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>	-	-	-	-

	<b>December 31, 2019</b>			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>	-	-	-	-
<u>Non-recurring fair value measurements</u>	-	-	-	-
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				

Financial liabilities at fair value  
through profit or loss— non-current \$ 384 - \$ 384 -  
convertible bonds option

Ⓑ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
Convertible bonds option	Binomial tree valuation model : Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

D. There were no transfer between Level 1 and Level 2 for the year ended December 31, 2020 and 2019.

### 13. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall also disclose the information about important transactions:

No.	Contents	January~ December 2020
1	Loans to others	N/A
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Attached table 1

Attached table 1 : Business relationship and important transactions between parent company and subsidiaries

a. 2020

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 45,974	Note 4	1%
				Receivable accounts	\$ 16,429	Note 6	-
				Advance sale receipts	\$ 63,697	Note 4	1%
				Other receivable accounts	\$ 1,058	Note 8	-
				Rent revenue	\$ 3,860	Note 7	-
				Other revenue	\$ 6	Note 4	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 23,264	Note 4	-
				Receivable accounts	\$ 22,922	Note 6	-
				Other revenue accounts	\$ 15,653	Note 8	-
				Other receivable	\$ 18,494	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 536,956	Note 4	9%
				Receivable accounts	\$ 317,331	Note 6	4%
				Advance sale receipts	\$ 28,314	Note 4	-
				Others revenue	\$ 4,731	Note 4	-
				Temporary receipts	\$ 700	Note 6	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 324,659	Note 4	5%
				Receivable accounts	\$ 278,551	Note 6	3%
				Other receivable accounts	\$ 21,642	Note 8	-
				Other revenue	\$ 22,436	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 10,142	Note 4	-
				Receivable accounts	\$ 2,552	Note 6	-
				Revenue from commission	\$ 35,027	Note 5	1%
				Receivable Commission	\$ 12,688	Note 6	-
				Other receivable accounts	\$ 132	Note 8	-
				Other revenue	\$ 1,864	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 1,361	Note 4	-
				Receivable accounts	\$ 298	Note 6	-
1	Chain-Logic	MPI (SUZHOU)	3	Sales revenue	\$ 9,992	Note 4	-



	International Corp.	CORPORATION		Receivable accounts	\$ 3,410	Note 4	-
				Advance sale receipts	\$ 159	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 2,258	Note 5	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 4,187	Note 4	-
				Receivable accounts	\$ 36	Note 6	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 1,900	Note 4	-
				Receivable accounts	\$ 385	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 19	Note 4	-
				Revenue from commission	\$ 14,466	Note 5	-
				Receivable Commission	\$ 28	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 954	Note 4	-
				Receivable accounts	\$ 135	Note 6	-
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 608	Note 4	-
				Receivable accounts	\$ 669	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 1,067	Note 4	-
				Receivable accounts	\$ 464	Note 6	-
				Other revenue	\$ 13	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 304	Note 4	-

b. 2019

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 52,402	Note 4	1%
				Receivable accounts	\$ 18,792	Note 6	-
				Advance sale receipts	\$ 12,906	Note 4	-
				Other receivable accounts	\$ 1,192	Note 8	-
				Rent revenue	\$ 3,973	Note 7	-
				Administrative and general expenses – other expenses, less	\$ 13	Note 7	-
				Other gains (losses)	\$ 458	Note 4	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 1,759	Note 4	-
				Receivable accounts	\$ 480	Note 6	-

				Other revenue	\$ 17,147	Note 4	-
				Other receivable accounts	\$ 14,354	Note 8	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 418,689	Note 4	8%
				Receivable accounts	\$ 232,124	Note 6	3%
				Advance sale receipts	\$ 28,311	Note 4	-
				Others revenue	\$ 8,063	Note 4	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 209,987	Note 4	4%
				Receivable accounts	\$ 208,057	Note 6	3%
				Other receivable accounts	\$ 41,701	Note 8	1%
				Other revenue	\$ 25,869	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 11,308	Note 4	-
				Receivable accounts	\$ 3,635	Note 6	-
				Revenue from commission	\$ 58,226	Note 5	1%
				Receivable Commission	\$ 20,721	Note 6	-
				Other receivable accounts	\$ 186	Note 5	-
				Other revenue	\$ 568	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 302	Note 4	-
				Receivable accounts	\$ 163	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 2,724	Note 5	-
				Receivable Commission	\$ 4	Note 6	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 10,392	Note 4	-
				Receivable accounts	\$ 8,700	Note 6	-
				Advance sale receipts	\$ 518	Note 4	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sales revenue	\$ 11	Note 4	-
2	MEGTAS CO., LTD.	MPI Corporation	2	Sales revenue	\$ 120	Note 4	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 2,806	Note 4	-
				Receivable accounts	\$ 325	Note 6	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 2,225	Note 4	-
				Receivable accounts	\$ 298	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue - maintenance	\$ 17,877	Note 4	-
				Revenue from commission	\$ 15,089	Note 5	-
				Receivable Commission	\$ 1,598	Note 6	-
3	MPI (SUZHOU) CORPORATION	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sales revenue	\$ 8,556	Note 4	-

3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 22	Note 4	-
				Receivable accounts	\$ 23	Note 6	-
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 84	Note 4	-
				Receivable accounts	\$ 41	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 238	Note 4	-
				Other receivable accounts	\$ 216	Note 5	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 109	Note 4	-

Note 1: Transactions between parent company and its subsidiaries are numbered as follows:

- (1) "0" for parent company.
- (2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related-party transactions are divided into the three categories as follows (If it refers to the same transaction between parent company and subsidiary or subsidiary and subsidiary, the transaction is not required to be disclosed repeatedly. For example, if the parent company has disclosed any transaction between it and its subsidiary, the subsidiary is not required to disclose the same transaction again. If either of the subsidiaries which trade with each other has disclosed the transaction, the other subsidiary is not required to disclose the same transaction again.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: For assets and liabilities, the proportion to the consolidated total income or total assets is shown as the Ratio of Shareholding to the consolidated total assets for the years ended on Dec.31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on Dec 31.

Note 4: Processed under the general trading conditions and price.

Note 5: Based on the price agreed by both parties.

Note 6: O/A 30~180 days, same as that applicable to the general customers or suppliers.

Note 7: Based on the rent agreed by both parties.

Note 8: Out-of-pocket expenses of the general expenditure.

## (2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) for the year ended December 31, 2020 is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	\$ 32	\$ 32	1,000	100%	\$ 58,685	\$ 1,722	\$ 1,722	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	\$ 573,502	\$ 573,502	18,267,987	100%	\$ 541,305	\$ 43,345	\$ 44,847	Subsidiary of MPI Corporation
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	\$ 53,767	\$ 53,767	400,000	80%	\$ 35,867	\$( 1,306)	\$( 1,010)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 221,418	\$ 36,750	\$ 36,884	Subsidiary of MPI Corporation
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	\$ 50,000	\$ 50,000	1,550,000	100%	\$ 1,536	\$ (42)	\$ (42)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	\$ 37,881	\$ 37,881	1,250,000	100%	\$ (167,963)	\$ (50,494)	\$ (50,494)	Subsidiary of MPI Corporation
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	\$ 3,724 (Note 4)	\$ 12,687 (Note 4)	300,100	100%	\$ 7,403	\$ ( 138)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 36,366	\$ 36,366	1,200,000	100%	\$ (156,968)	\$ (50,377)	—	Subsidiary of MPA TRADING CORP.

Note 1: Except MEGTAS CO., LTD. and MPI AMERICA INC., which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced

the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. So far, the Group has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

(3) Information related to investments in China:

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 3)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	— (Note 4) (Note 5)	(Note 1)	USD 300,000 (\$ 12,683)	—	USD 300,000 (\$ 12,683)	—	—	—	—	—	\$ 15,852
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 (\$ 502,470)	(Note 2)	USD 16,000,000 (\$ 502,470)	-	-	USD 16,000,000 (\$ 502,470)	\$ 11,547	100 %	\$ 11,547	\$485,767	-
MPI (Suzhou) Corporation	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 2,000,000 (\$60,180)  Registered capital USD 3,000,000 (\$ 90,270)	(Note 2)	USD 2,000,000 (\$60,180)	-	-	USD 2,000,000 (\$60,180)	\$ 32,574	100 %	\$ 32,574	\$ 63,774	-

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: The recognition of investment income was on the basis of the financial statement audited by CPA of the parent company.

Note4 : Our company presented a discussion to the board of directors that they decided to adopt a resolution about the reduction of capital RMB7,583,950(equivalent to US\$1,100,000), the amount of paid-in capital should amend to US\$300,000, the payment will be transferred to CHAIN-LOGIC TRADING CORP. account on June 28, 2019.

Note 5: The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 3,389,351

Note 1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000(equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.

(b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US\$2,857,000 (equivalent to NT\$84,006 thousand) was used to deduct the mainland investment quota in

April, 2018.

(c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US\$936,870 (equivalent to NT\$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.

(d) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting, and the amount of cash capital reduction has remitted to CHAIN-LOGIC TRADING CORP. in July, 2019. The amount was used to deduct the accumulated amount of investment in Mainland China.

(e) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, for the year ended December 31, 2020 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries”.

(4) Information of major shareholders

Name of major shareholders	Shares	Total Shares Owned	Ownership Percentage
MPI Investment Corporation		8,334,626	9.05%

Note 1: The table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of MPI Corporation stocks completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company’s consolidated financial statements and its dematerialized

securities arising from the difference in basis of preparation.

Note2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decision on trust property. Information on insider equity declaration is available on the Market Observation Post System website.

Note3: The principle of this table is based on the list of securities owners at the book closure date announced by the interim shareholders meeting without margin trading-short.

Note4: Ratio of holding shares (%) = total number of shares holding by the shareholder / total number of shares delivered in dematerialized form

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were 92,080,197 shares = 92,080,197 (common stock) + 0 (preferred stock).

#### **14. Information by department**

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.



By territory	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,317,602	\$ 3,433,843	\$ 2,365,602	\$ 3,013,170
China	1,296,546	174,230	421,257	209,669
U.S.A.	1,092,963	7,491	678,399	13,086
Singapore	502,265	—	439,900	-
Korea	26,147	2,152	20,410	2,756
Other countries	690,078	—	1,589,632	-
Total	\$ 5,925,601	\$ 3,617,716	\$ 5,515,200	\$ 3,238,681

(Note) The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

2020 : None.

2019 : None.

**MPI Corporation**

**Chairman: Ko, Chang-Lin**