Stock Code: 6223

MPI CORPORATION

Parent Company Only

Financial Statements for the Years Ended

December 31, 2021 and 2020

And Independent Accountants' Audit Report

Head Office: No. 155, Zhonghe Street, Zhubei City, Hsinchu County, Taiwan
Tel. No.: 03-5551771

MPI CORPORATION

Page

Independent Accountants' 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, 2021 and 2020 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Accountants' 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 accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters on the financial statements for the year ended December 31, 2021 were as follows:

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1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (26) of Note 4 of the Individual Financial Statements. Regarding relevant disclosure, please refer to (18) 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 (15) 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 (5) of Note 6 of Individual Financial

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Statements. The Company recognize inventories amounting to NT$2,806,104 thousand and Allowance for inventories amounting to NT$381,389 thousand. The book value of the Company's inventories as December 31, 2021 was NT$2,424,715 thousand and accounted 25% of the total assets in the parent company only 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 it's annul 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.

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Other Matter-Making Reference to the Audits of Component Auditors

As stated in the individual financial statements (6) 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$(66,487) thousand and NT$(51,422) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT$92,892 thousand and NT$(121,101) thousand as of December 31, 2021 and December 31, 2020.

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

Management is responsible for the preparation and fair presentation of the 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 audit committee, are responsible for overseeing the Company's financial reporting process.

Accountants' 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 accountants' 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.

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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 accountants' 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 accountants' 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, 2021 and are therefore the key audit matters. We describe these matters in our accountants' 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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Sun Rise CPAs & Company

NEXIA Sun Rise CPAs & Company

Taipei, Taiwan, Republic of China

March 24, 2022

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.

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MPI CORPORATION

BALANCE SHEETS (ASSETS)

DECEMBER 31, 2021 AND 2020

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

		December 31, 2021		December 31, 2020	
ASSETS	Note	Amounts	%	Amounts	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 657,007	7	$ 694,707	8
Financial assets at fair value through profit or loss－current	6(14)	68	-	1,289	-
Accounts receivable, net	6(4)	607,289	6	662,096	8
Accounts receivable -related parties, net	6(4).7	911,176	10	635,233	7
Other receivables		11,394	-	13,149	-
Other receivables -related parties	7	36,877	-	38,353	-
Inventories, net	6(5)	2,424,715	25	2,316,742	26
Prepayments		43,262	1	40,033	1
Other current assets	8	252	-	4,522	-
Total Current Assets		4,692,040	49	4,406,124	50
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income－noncurrent	6(2)	166,460	2	-	-
Investments accounted for using equity method	6(6)	956,974	10	858,811	10
Property, plant and equipment	6(7).7.8	3,315,712	35	3,060,758	35
Right-of-use assets	6(8)	114,654	1	74,655	1
Intangible assets	6(9)	19,943	-	42,320	-
Deferred income tax assets	6(20)	118,926	1	101,923	1
Other noncurrent assets	6(10)	169,845	2	233,484	3
Total Noncurrent Assets		4,862,514	51	4,371,951	50
TOTAL ASSETS		$ 9,554,554	100	$ 8,778,075	100

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

MPI CORPORATION

BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2021 AND 2020

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

		December 31,2021		December 31,2020	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(11)	$ 100,000	1	$ -	-
Contract liabilities－current	6(18).7	573,317	6	483,573	6
Accounts payable		531,016	6	479,051	5
Accounts payable-related parties	7	10,831	-	2,320	-
Payables on equipment		59,870	1	133,660	2
Other payables	6(12)	779,209	8	730,776	8
Other payables-related parties	7	23,881	-	13,506	-
Income tax payable		115,673	1	103,513	1
Provisions-current	6(13)	11,955	-	10,493	-
Lease liabilities－current	6(8)	39,049	1	34,214	-
Corporate bonds payable – current portion	6(14)	9,536	-	135,576	2
Current portion of long-term liabilities	6(15)	6,978	-	-	-
Other current liabilities		14,817	-	12,939	-
Total Current Liabilities		2,276,132	24	2,139,621	24
NONCURRENT LIABILITIES					
Long-term loans	6(15)	1,127,902	12	763,797	9
Provisions-noncurrent	6(13)	2,684	-		
Deferred income tax liabilities	6(20)	10,292	-	10,062	-
Lease liabilities－noncurrent	6(8)	76,530	1	41,315	1
Accrued pension cost	6(16)	21,343	-	15,276	-
Credit balance of investments account for using equity method	6(5)	-	-	167,963	2
Other noncurrent liabilities		1,356	-	96	-
Total Noncurrent Liabilities		1,240,107	13	998,509	12
TOTAL LIABILITIES		3,516,239	37	3,138,130	36
EQUITY	6(17)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		940,738	10	920,802	10
Capital surplus		1,736,500	18	1,630,283	19
Retained earnings					
Appropriated as legal capital reserve		710,848	7	639,975	7
Special reserve		79,234	1	68,477	1
Unappropriated earnings		2,651,200	28	2,459,642	28
Total Retained Earnings		3,441,282	36	3,168,094	36
Other					
Foreign currency translation adjustments		(78,665)	(1)	(79,234)	(1)
Unrealized gain(loss) on valuation of financial assets at fair value through other comprehensive income	6(2)	(1,540)	-	-	-
Total others		(80,205)	(1)	(79,234)	(1)
TOTAL EQUITY		6,038,315	63	5,639,945	64
TOTAL LIABILITIES AND EQUITY		$ 9,554,554	100	$ 8,778,075	100

(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, 2021 and 2020

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

Items	Note	January 1 ~ December 31,2021 Amounts	%	January 1 ~ December 31,2020 Amounts	%
OPERATING REVENUE, NET	6(18).7				
Sales revenue		$ 5,566,991	100	$ 5,173,327	100
Less: sales returns		(7,530)	-	(2,833)	-
sales discounts and allowances		(475)	-	(1,805)	-
Operating Revenue, net		5,558,986	100	5,168,689	100
OPERATING COSTS	6(5).7	(3,301,503)	(59)	(2,963,717)	(57)
GROSS PROFIT		2,257,483	41	2,204,972	43
Unrealized Gross profit on sales to subsidiaries and associates		(20,534)	-	(40,007)	(1)
Realized Gross profit on sales to subsidiaries and associates		19,064	-	53,643	1
GROSS PROFIT, NET		2,256,013	41	2,218,608	43
OPERATING EXPENSES	7				
Selling expenses		(492,924)	(9)	(459,950)	(9)
General & administrative expenses		(327,454)	(6)	(307,497)	(6)
Research and development expenses	6(9)	(722,154)	(13)	(671,942)	(13)
Expected Credit (loss) gains	6(4)	3,999	-	8,578	-
Operating expense, net		(1,538,533)	(28)	(1,430,811)	(28)
OPERATING INCOME		717,480	13	787,797	15
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(19)	(18,256)	-	(58,275)	(1)
Finance costs	6(19)	(5,402)	-	(14,261)	-
Share of profits of subsidiaries and associates	6(6)	11,452	-	31,908	1
Interest income	6(19)	682	-	607	-
Rent income	6(8)	14,783	-	13,316	-
Other non-operating revenue-other items		74,369	1	66,828	1
Total Non-operating Income		77,628	1	40,123	1
INCOME BEFORE INCOME TAX		795,108	14	827,920	16
INCOME TAX BENEFIT(EXPENSE)	6(20)	(101,257)	(2)	(113,438)	(2)
NET INCOME		693,851	12	714,482	14
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(9,902)	-	(5,510)	-
Unrealized gain(loss) on valuation of equity instruments at fair value through other comprehensive income	6(2)	(1,540)	-	-	-
Share of remeasurements of defined benefit plans of subsidiaries and associates		4,955	-	(250)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		569	-	(10,757)	-
Other comprehensive income for the year, net of income tax		(5,918)	-	(16,517)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 687,933	12	$ 697,965	14
EARNINGS PER COMMON SHARE(NTD)	6(21)	After-tax		After-tax	
Basic earnings per share		$ 7.44		$ 8.41	
Diluted earnings per share		$ 7.38		$ 8.14	

(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 ,2021 and 2020

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings: Legal Capital Reserve	Retained Earnings: Special Capital Reserve	Retained Earnings: Unappropriated Earnings	Others: Foreign Currency Translation Reserve	Others: Unrealised gains(losses) from investments in equity instruments measured at fair value through other comprehensive income	Total Equity
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 capital 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
BALANCE,JANUARY,1,2021	$ 920,802	$ 1,630,283	$ 639,975	$ 68,477	$ 2,459,642	$ (79,234)	$ -	$ 5,639,945
Legal capital reserve			70,873		(70,873)			-
Special reserve				10,757	(10,757)			-
Cash Dividends of Common Stock					(415,716)			(415,716)
Capital Reserve From Stock Warrants		115,466						115,466
Other changes in capital surplus		(9,249)						(9,249)
Net Income in 2021					693,851			693,851
Other comprehensive income in 2021, net of income tax					(4,947)	569	(1,540)	(5,918)
Total comprehensive income in 2021	-	-	-	-	688,904	569	(1,540)	687,933
Convertible Bonds Transferred To Common Stock	19,936	-						19,936
BALANCE,DECEMBER,31,2021	$ 940,738	$ 1,736,500	$ 710,848	$ 79,234	$ 2,651,200	$ (78,665)	$ (1,540)	$ 6,038,315

(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, 2021 and 2020

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

Items	Jan 1 ~ Dec 31, 2021	Jan 1 ~ Dec 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 795,108	$ 827,920
Adjustments to reconcile net income to net		
Depreciation	355,705	378,110
Amortization	52,875	53,697
Expected credit loss(gain)	(3,999)	(8,578)
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	241	(7,855)
Interest expense	5,402	14,261
Interest revenue	(682)	(607)
Loss (gain) on equity-method investments	(11,452)	(31,908)
(Gain) loss on disposal of property, plant and equipment	9,467	(304)
Unrealized gross profit on sales to subsidiaries and associates	20,534	40,007
Realized gross profit on sales to subsidiaries and associates	(19,064)	(53,643)
Adjustments-(Gain) loss on lease modification	(169)	(173)
Rent concessions	(479)	-
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in accounts receivable	58,806	276,601
Decrease (Increase) in accounts receivable-related parties	(275,944)	(175,780)
Decrease (Increase) in other receivables	1,762	(11,896)
Decrease (Increase) in other receivables-related parties	1,476	18,894
Decrease (Increase) in inventories	(107,973)	(186,547)
Decrease (Increase) in prepayments	(3,229)	7,370
Decrease (Increase) in other current assets	123	1,070
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	89,744	(144,850)
(Decrease) Increase in accounts payable	51,965	134,886
(Decrease) Increase in accounts payable-related parties	8,511	(1,523)
(Decrease) Increase in other accounts payable	48,318	93,348
(Decrease) Increase in other accounts payable-related parties	8,504	(8,959)
(Decrease) Increase in provision of liabilities	4,146	3,921
(Decrease) Increase in other current liabilities	1,879	(537)
Decrease(Increase) in accrued pension cost	(3,834)	(19,559)
Cash generated from operations	1,087,741	1,197,366
Interest received	674	607
Cash dividends received	32,851	27,349
Interest (excluding capitalization of interest)	(2,670)	(2,109)
Cash dividends	(415,716)	(199,897)
Income taxes paid	(105,870)	(48,900)
Net cash Provided By Operating Activities	597,010	974,416

(Continue)

MPI CORPORATION

STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2021 and 2020

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

Items	Jan 1 ~ Dec 31, 2021	Jan 1 ~ Dec 31, 2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of Financial assets accounted for air value through other comprehensive income	(168,000)	-
Addition of investments accounted for using equity method	(283,471)	-
Additions to property, plant and equipment	(647,249)	(543,246)
Proceeds from sale of property, plant and equipment	4,775	1,298
Intangible assets	(18,249)	(48,345)
Increase in other financial assets	-	(694)
Decrease in other financial assets	903	-
Increase in other non-current assets	-	(146,517)
Decrease in other non-current assets	54,634	-
Net cash Provided Used In Investing Activities	(1,056,657)	(737,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	100,000	(500,000)
Increase in long-term loans	371,083	621,589
Decrease in Guarantee Deposits Received	1,260	(1)
Repayments of lease principal	(50,396)	(61,519)
Net cash (Used In) Financing Activities	421,947	60,069
Net increase in cash and cash equivalents	(37,700)	296,981
Cash and cash equivalents at beginning of year	694,707	397,726
Cash and cash equivalents at end of year	$ 657,007	$ 694,707

(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, 2021 and 2020
(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$940,738 thousand and outstanding stock has been 94,073,772 shares until December 31, 2021. 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 have been approved and released by the Board of Directors on March 24, 2022.

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 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
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

Note：Earlier application from January 1, 2021 is allowed by FSC.

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

(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 2022 are as follows:

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 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 have no significant impact to the Company's financial condition and financial 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 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 IFRS 17, 'Initial application of IFRS 17 and IFRS 9 –comparative information'	January 1, 2023

Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1,’Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8,’Definition of accounting estimates’	January 1, 2023
Amendment to IAS 12, ’Deferred Tax related to Assets and Liabilities arising from a Single Transaction’	January 1, 2023

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

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 parent company only 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 parent company only 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(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) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(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 fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue 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.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) 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.

(9) 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.

(10) Derecognition of financial assets

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

(11) 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 inancial liabilities at fair value with any gain or loss recognised in profit or loss.

(12) 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.

(13) 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’.

(14) 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.

(15) 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.

(16) 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.

(17) 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 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.

(18) Investment in subsidiaries

In compiling the financial statements for the individual entities, the company shall valuate 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.

(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 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 and equipment	5-9
Transportation equipment	3-6
Research equipment	2-12
Other equipments	2-6

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.

(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.

(21) <u>Leasing arrangements (lessee)－right-of-use assets/ lease liabilities</u>

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.

(22) Intangible assets

A. 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.

B. Internally generated intangible assets—research and development expenses

(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.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(23) 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.

(24) 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.

(25) 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.

(26) <u>Revenue recognition</u>

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.

(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 recognised 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 Company, 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 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.

(30) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(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 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 parent company only 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.

(32) 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.

(33) 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.

(34) 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 parent company only 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

Revenue recognition on a net/gross basis

(1) 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, 2021, the book value of receivable accounts has been NT$1,518,465 thousand (exclusive of the allowance for uncollectible accounts, NT$5,388 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, 2021, the book value of the Company's inventories has been NT$2,424,715 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$381,389 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, 2021, the Company had deferred income tax assets amounting to NT$118,926 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, 2021, the Company recognized provision for liabilities amounted to NT$14,639 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, 2021, the book value of accrual pension liabilities of the Company amounted to NT$21,343 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash:		
Cash on hand	$ 2,026	$ 1,404
Bank deposit:		
Foreign currency deposit	102,257	81,221
Demand deposit	552,359	612,082
Time deposit	365	—
Total	$ 657,007	$ 694,707

The bank deposits provided by the Company as specific or restricted use have been re-stated as other current assets and other non-current assets. Please see Note 8.

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

	December 31, 2021	December 31, 2020
Current Items：	$ —	$ —
Non-current items：		
Equity instruments		
Stock in domestic listed company through private placement		
-Spirox Corporation	168,000	—
Valuation adjustment	(1,540)	—
Total	$ 166,460	$ —

A. The Company has passed the acquisition of common stock of Spriox Corporation 7,000 thousand shares through private placement by the Board of Directors meeting in November 25, 2021. The consideration of acquisition is NT$168,000 thousand.

B. Investment in equity instruments at fair value through other comprehensive income
The purpose that the Company invests in the equity instruments is for long-term strategies, but rather for trading purpose. Therefore, those equity instruments are designated as financial assets at fair value through other comprehensive income.

C. The amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below：

	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	$ (1,540)	$ —

D. As of December 31, 2021, financial assets at fair value through other comprehensive income were not pledged as collateral.

E. Information relating to risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) <u>Note receivables, net</u>：None.

(4) <u>Accounts receivable, net</u>

	December 31, 2021	December 31, 2020
Accounts receivable	$ 612,659	$ 671,393
Less: Allowance for uncollectible accounts	(5,370)	(9,297)
Accounts receivable, net	$ 607,289	$ 662,096

	December 31, 2021	December 31, 2020
Accounts receivable -related party	$ 911,176	$ 635,233
Less: Allowance for uncollectible accounts	—	—
Accounts receivable -related party, net	$ 911,176	$ 635,233

	December 31, 2021	December 31, 2020
Receivable on demand (stated as other non-current assets)	$ 18	$ 90
Less: Allowance for uncollectible accounts	(18)	(90)
Receivable on demand, net	$ —	$ —

A. The Company'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)):

	Group provision	Individual provision	Total
At January 1,2021	$ 9,387	—	$ 9,387
Provision for impairment	—	—	—
Reversal of impairment	(3,999)	—	(3,999)
Write-offs during the period	—	—	—
At December 31, 2021	$ 5,388	—	$ 5,388
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	$ 9,387	—	$ 9,387

C. The ageing analysis of accounts receivable is stated as follows:

	December 31, 2021		December 31,2020	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	$ 1,456,686	$ —	$ 1,196,283	$ —
Overdue for 1~90 days	60,354	4,225	96,443	6,751
Overdue for 91~180 days	5,535	830	9,332	1,400
Overdue for 181~360 days	1,260	315	4,550	1,137
Overdue for 1~2 years	—	—	18	9
Overdue for more than 2 years	18	18	90	90
Total	$ 1,523,853	$ 5,388	$ 1,306,716	$ 9,387

The above ageing analysis was based on past due date.

D. As of December 31, 2021 and December 31, 2020, accounts receivable were all from contracts with customers.

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw material	$ 714,190	$ (199,864)	$ 514,326
Supplies	171,666	(40,432)	131,234
Work in progress	572,592	(43,110)	529,482
Semi-finished goods	444,209	(76,421)	367,788
Finished goods	891,324	(21,518)	869,806
Commodity	3,782	(44)	3,738
Materials and supplies in transit	8,341	—	8,341
Inventory, net	$ 2,806,104	$ (381,389)	$ 2,424,715

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
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
Inventory, net	$ 2,623,345	$ (306,603)	$ 2,316,742

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

	2021	2020
Cost of inventories sold	$ 3,159,931	$ 2,909,187
Loss on market price decline inventories (gain from price recovery)	74,786	(311)
Loss on obsolescence of inventory	14,348	—
Other operating costs- employees' bonus	41,727	43,148
Estimated warranty liabilities	10,711	11,693
Operating Cost	$ 3,301,503	$ 2,963,717

B. As of December 31, 2021 and 2020, the inventory was not pledged as collateral.

(6) 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, 2021 Book value	December 31, 2021 Ratio of shareholding %	December 31, 2020 Book value	December 31, 2020 Ratio of shareholding %
Subsidiaries:				
MPI TRADING CORP.	$ 56,154	100 %	$ 58,685	100 %
MMI HOLDING CO., LTD.	579,718	100 %	541,305	100 %
MEGTAS CO.,LTD.	37,569	80 %	35,867	80 %
Chain-Logic International Corp.	231,124	100 %	221,418	100 %
Allstron Corporation	1,475	100 %	1,536	100 %
MPA TRADING CORP.	50,934	100 %	—	
Total	$ 956,974		$ 858,811	
Transfer to Credit balance of investments account for using equity method				
MPA TRADING CORP.	$ —		$ 167,963	100 %

A. Changes in investment under equity method:

	2021	2020
Balance, beginning	$ 858,811	$ 802,648
Increase in investment in the current period	283,471	—
Cash dividend distributed by affiliates	(32,851)	(27,349)
Investment income (loss) recognized under equity method	11,452	31,908
Exchange difference arising from translation of the financial statement of foreign operations	569	(10,757)
Realized (unrealized) income from downstream transactions with investees	(1,470)	13,636
Other comprehensive income – Actuarial income (loss) of determined welfare	4,955	(250)
Transfer from Credit balance of investments account for using equity method	(167,963)	—
Transfer to Credit balance of investments account for using equity method	—	48,975
Balance, ending	$ 956,974	$ 858,811

B. The information about affiliates important to the consolidated companies is stated as following:
Refer to the consolidated financial statements of FY2021.

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 2021 and 2020.

E. The financial statements of subsidiary MEGTAS CO., LTD. in FY2021 and FY2020 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 gain (loss) amounting to NT$6,432 thousand and NT$(1,045) thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. (include Celadon Systems Inc.) in FY2021 and FY2020 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$(72,919) thousand and NT$(50,377) thousand, respectively.

F. The Company acquired 100% of the shares of Allstron Corporation in March 2014 and controlled the company in whole.

Goodwill Impairment

Upon the discussion of the management and report to the Board of Directors in 2016, the Company has, according to the forecasted cash flow of the subsidiary of the Group - 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 on December 2016.

G. Information of increase in investment in the current period please refer to Note 13(2).

H. Guarantee

As of December 31, 2021 and 2020, the company had not pledged its investment accounted for under the equity method as collaterals.

(7) Property, plant and equipment

A. The changes in the cost, depreciations and impairments of the property, plant and equipment of the Company in FY2021 and FY2020:

	Land	House and building	Machine and equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
Cost:								
January 1, 2021	$ 770,963	$ 1,543,455	$ 944,232	$ 48,189	$ 635,041	$ 7,571	$ 646,555	$ 4,596,006
Addition	-	242,849	54,271	15,417	30,283	186	17,965	360,971
Disposition	-	(28,106)	(39,118)	(3,584)	(93,642)	(3,159)	-	(167,609)
Transfer	-	644,336	169,600	355	45,483	-	(646,339)	213,435
December 31, 2021	$770,963	$ 2,402,534	$ 1,128,985	$ 60,377	$ 617,165	$ 4,598	$ 18,181	$ 5,002,803
Cost:								
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	$ 770,963	$ 1,543,455	$ 944,232	$ 48,189	$ 635,041	$ 7,571	$ 646,555	$ 4,596,006
Depreciation and impairment:								
January 1, 2021	$ -	$ 485,865	$ 583,336	$ 26,169	$ 433,166	$ 6,712	$ -	$ 1,535,248
Depreciation	-	76,319	140,394	11,496	77,430	495	-	306,134
Disposition	-	(15,190)	(39,989)	(3,584)	(92,450)	(3,154)	-	(153,367)
Transfer	-	-	(924)	-	-	-	-	(924)
December 31, 2021	$ -	$ 546,994	$ 683,817	$ 34,081	$418,146	$ 4,053	$ -	$ 1,687,091

Depreciation and impairment:								
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	$ -	$ 485,865	$ 583,336	$ 26,169	$ 433,166	$ 6,712	$ -	$ 1,535,248
Book value								
December 31, 2021	$ 770,963	$ 1,855,540	$ 445,168	$ 26,296	$ 199,019	$ 545	$ 18,181	$ 3,315,712
December 31, 2020	$ 770,963	$ 1,057,590	$ 360,896	$ 22,019	$ 201,875	$ 859	$ 646,556	$ 3,060,758

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. The building ownership certificate has been obtained in 2021 for the new plant, and various projects which recognized to “House and building” have been accepted after completion.

C. Guarantee

For details about the secured bank loan and facility as for December 31, 2021 and 2020, please see Note 8.

D. For the capitalized interest, please see Note 6(19) B Financial cost.

(8) 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 within 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:

	December 31, 2021	Jan.1~Dec. 31, 2021	December 31, 2020	Jan.1~Dec. 31, 2020
	Book value	Depreciation charge	Book value	Depreciation charge
Land	$ 22,685	$ 8,688	$ 31,703	$ 9,824
Buildings	59,369	22,174	8,895	33,707
Transportation (Business vehicles)	32,600	18,709	34,057	16,621
Total	$ 114,654	$ 49,571	$ 74,655	$ 60,152

(c) For the year ended in 2021 and 2020, the additions to right-of-use assets were NT$91,247 thousand and NT$44,402 thousand respectively.

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

		Jan.1~ Dec. 31, 2021		Jan.1~ Dec. 31, 2020
Items affecting profit or loss				
Interest expense on lease liabilities	$	1,523	$	1,719
Expense on short-term lease contracts	$	2,061	$	3,590
Gains(losses) on lease modification	$	169	$	173

(e) For the 2021 and 2020, the Company's total cash outflow for leases were NT$50,396 thousand and NT$61,519 thousand respectively.

(f) The company adopts the practical expedient to "Covid-19-related rent concessions", and recognized the profit of changes in lease payments as other gains resulting from the rent concessions for the 2021and 2020 are NT$479 thousand and NT$0.

B. Lease liabilities

	December 31, 2021		December 31, 2020	
Current	$	39,049	$	34,214
Noncurrent		76,530		41,315
Total	$	115,579	$	75,529

(a) Please refer to Note 6(19) 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%~2% and 1.38%~3% as of 2021 and 2020.

C. Leasing arrangements – lessor

(a) The Company leases various assets including part of office buildings and plant. Rental contracts are typically made for periods within 1 to 20 years. 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 2021 and 2020, the Company recognized rent income in the amount of NT$14,783 thousand and NT$13,316 thousand, based on the operating lease agreement, which does not include variable lease payments.

(9) Intangible assets

The cost, amortization and impairment of intangible assets of the Company in FY2021 and FY2020 are shown below:

	Computer software			Computer software	
January 1, 2021	$	42,320	**January 1, 2020**	$	34,449
Addition		18,249	Addition		48,345
Reclassification		—	Reclassification		—
Amortization expenses		(40,626)	Amortization expenses		(40,474)
December 31, 2021	$	19,943	**December 31, 2020**	$	42,320

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2021 and 2020 were stated as the following items in the comprehensive income statement:

	2021		2020	
Operating cost	$	11,051	$	14,888
Operating expense		41,824		38,809
Total amortization expenses	$	52,875	$	53,697

B. R&D expenditure

In FY2021 and FY2020, the R&D spending deriving from intangible assets internally developed amounted to NT$722,154 thousand and NT$671,942 thousand, respectively, recognized under the title of "Operating expenses – R&D expenses" in the comprehensive income statement.

(10) Other non-current assets

	December 31, 2021		December 31, 2020	
Prepayments for equipment	$	61,964	$	145,858
Refundable deposit		76,346		74,053
Deferred Charges		28,291		13,573
Other financial assets-non-current		3,244		—
Total	$	169,845	$	233,484

A. About the refundable deposit for 2021 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$57,550 thousand to Intellectual Property and Commercial Court and Taiwan Hsinchu District Court. 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 and the Supreme 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.

Till December 31, 2021 and December 31, 2020, the Company has deposited the guarantee of processing fee NT$57,550 thousand and NT$53,500 thousand.

B. The costs of Deferred Charges, amortization, and the impairment loss of the Company as of and for the ended of December 31, 2021 and 2020 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2021	$ 13,573	**January 1, 2020**	$ 22,750
Addition	25,197	Addition	4,046
Reclassification	—	Reclassification	—
Amortization expenses	(12,249)	Amortization expenses	(13,223)
Reclassifications	1,770	Reclassifications	—
Impairment	—	Impairment	—
December 31, 2021	$ 28,291	**December 31, 2020**	$ 13,573

C. The other non-current financial assets are mainly restricted bank deposits. Please refer to Note 8 for details of the pledge and guarantee.

(11) <u>Short-term loan</u>

	December 31, 2021		**December 31, 2020**	
Nature	Amount	Interest rate	Amount	Interest rate
Credit loan	$ —	—	$ —	—
Secured borrowings	100,000	0.75%	—	—
Total	$ 100,000		$ —	

A. For the information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12(2).

B. Pledged assets for bank loan

For bank loans secured by the Company's assets, please refer Note 8.

(12) <u>Other accounts payable</u>

	December 31, 2021	**December 31, 2020**
Expenses payable	$ 639,889	$ 616,497
Employees' remuneration payable	71,048	73,877
Short-term employee benefits	49,649	20,745
Others (all less than 5%)	18,623	19,657
Total	$ 779,209	$ 730,776

(13) <u>Reserve for liabilities</u>

	Warranty		**Warranty**
Balance, January 1, 2021	$ 10,493	**Balance, January 1, 2020**	$ 6,572
Increase (decrease)	4,146	Increase (decrease)	3,921
Balance, December 31, 2021	$ 14,639	**Balance, December 31, 2020**	$ 10,493
Current	$ 11,955	Current	$ 10,493
Non-current	2,684	Non-current	—
Balance, December 31, 2021	$ 14,639	**Balance, December 31, 2020**	$ 10,493

The Company's reserve for warranty and liabilities in 2021 and 2020 was primarily related to the sales of semi-conductor production process and test equipment. The reserve for warranty and liabilities was estimated based on the historical warranty information.

(14) Corporate bonds-payable

	December 31, 2021	December 31, 2020
Total amount of 4th domestic unsecured convertible corporate bond	$ 1,000,000	$ 1,000,000
Less: Conversion amount	(953,500)	(821,600)
Less: Convertible corporate bonds expired	—	—
Less：Buy back from open market	(36,700)	(36,700)
Less: Corporate bond discount	(264)	(6,124)
Corporate bond payable, net	$ 9,536	$ 135,576
Current	$ 9,536	$ 135,576
Non-current	—	—
Total	$ 9,536	$ 135,576
Embedded financial derivatives - financial liabilities (assets)	$ (68)	$ (1,289)
Elements of equity	$ 687	$ 9,936

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.

Ⓔ The Company's board of directors reported on July 14, 2021 about the issuance of the 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 18, 2021, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT$65.10 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 whole 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.

Till the December 31, 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 12,178,809 shares with face value of NT$821,600 thousand, and recognized NT$710,756 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

(b) For the whole 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 1,993,575 shares with face value of NT$131,900 thousand, and recognized NT$115,466 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

Till the December 31, 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,172,384 shares with face value of NT$953,500 thousand, and recognized NT$826,223 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 **(Issuing date)**
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	$ 919,095

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, 2021 and 2020 were NT$(241) thousand and NT$7,855 thousand.

(b) The Company recognized interest expense of convertible bonds were NT$1,094 thousand and NT$10,446 thousand at 2021 and 2020.

E. (a) For the ended 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.

(b) For the ended December 31, 2021, 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.

(15) Long-term Loans

Lender	Nature	Limit	Duration	December 31, 2021
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	$ 1,134,880	2019/11/08~2029/10/15	$ 579,200
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	$ 1,134,880	2020/09/23~2027/09/23	320,000
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	$ 1,134,880	2021/11/09~2031/10/15	235,680
Less: Long-term Loans payable-current portion				(6,978)
Long-term Loans, net				$ 1,127,902
Interest rates for long-term loans				0.63%~0.88%

Bank	Nature	Limit	Duration	December 31, 2020
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%

A. For the Information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12 (2).

B. Pledged assets for bank loan

For bank loans secured by the Company's assets, please refer to Note 8.

(16) 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, 2021, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT$93,009 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	$ 114,352	$ 105,141
Fair value of planned assets	(93,009)	(89,865)
Net defined benefit liability	$ 21,343	$ 15,276

(c) Changes in the present value of defined benefit obligation:

	2021	2020
Present value of defined benefit obligation, January 1	$ 105,141	$ 96,609
Service cost in current period	133	133
Interest cost	946	1,063
Amount allocated by Labor Standards Act article 56 item 2	2,231	—
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	3,791	2,742
Empirical adjustment	6,659	4,648
Benefit payment-from planned assets	(4,549)	(54)
Present value of defined benefit obligation, December 31	$ 114,352	$ 105,141

(d) Changes in fair value of planned assets:

	2021	2020
Fair value of planned assets, January 1	$ 89,865	$ 67,285
Interest revenue	824	759
Return (loss) on remuneration of planned assets	549	1,878
Contribution by employer	6,320	19,997
Benefit payment-from planned assets	(4,549)	(54)
Fair value of planned assets, December 31	$ 93,009	$ 89,865

(e) Total expenses recognized in comprehensive income statement:

	2021	2020
Service cost in current period	$ 133	$ 133
Interest cost of defined benefit obligation	946	1,063
Interest revenue from planned assets	(824)	(759)
Amount allocated by Labor Standards Act article 56 item 2	2,231	—
Defined benefit cost stated into income	$ 2,486	$ 437

(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, 2021 and 2020, 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)

	2021	2020
Discount rate	0.65%	0.90%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2021, the weighted average duration of the pension plan has been 9.8 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:

	Discount rate		**Future raise rate**	
	Increase by 0.25%	**Decrease by 0.25%**	**Increase by 1.00%**	**Decrease by 1.00%**
December 31, 2021				
Effect on defined benefit obligation %	(3.32%)	3.49%	13.26%	(13.96%)
Amount of effect on defined benefit obligation	$ (3,791)	$ 3,991	$ 15,165	$ (15,963)
December 31, 2020				
Effect on defined benefit obligation %	(3.25%)	3.39%	14.36%	(12.32%)
Amount of effect on defined benefit obligation	$ (3,417)	$ 3,564	$ 15,098	$ (12,953)

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, 2021 is NT$3,429 thousand.

B. Defined contribution plans

(a) As of July 1, 2005, the Company instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Company 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) The pension expenses recognized under the Company's defined contributed pension regulations were NT$59,015 thousand and NT$55,653 thousand in 2021 and 2020.

(17) EQUITY

A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

Unit：Share

	2021	2020
Balance, January 1	92,080,197	79,958,726
Corporate bond conversion	1,993,575	12,121,471
Balance, December 31	94,073,772	92,080,197

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:

	December 31, 2021	December 31, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)		
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	1,420,163	1,304,697
Treasury stock trading	58,623	58,623
May be used to offset a deficit only（Note2）		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
Such capital surplus may not be used for any purpose		
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)	687	9,936
Total	$ 1,736,500	$ 1,630,283

(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.

(e) The appropriations of 2020 and 2019 earnings had been approved by the shareholders during their meeting on August 18, 2021 and June 15, 2020. Details are summarized below:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 70,873		$ 43,426	
Special reserve	10,757		14,248	
Cash dividends	415,716	4.50	199,897	2.50

(f) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the “MOPS”.

D. Treasury stock：None.

E. Share-based payment－employee compensation plan

As of December 31, 2021, information on outstanding ESO is shown below: None.

(18) OPERATING INCOME

A. Operating income

	2021	2020
Revenue from contracts with customers		
Sales revenue	$ 5,558,986	$ 5,168,689
Processing Fees revenue	—	—
Others		
Commission revenue	—	—
Total	$ 5,558,986	$ 5,168,689

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:

	December 31, 2021	December 31, 2020
Contract liability-current		
Sales revenue received in advance	$ 573,317	$ 483,573
Total	$ 573,317	$ 483,573

Revenue of the contract liability recognized in the beginning:

	2021	2020
At January 1		
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	$ 288,785	$ 480,010
Total	$ 288,785	$ 480,010

(19) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2021	2020
Gains (losses) from disposition of property, plant and equipment	$ 3,584	$ 304
Losses on obsolescence of property, plant and equipment	(13,051)	—
Net Gains (losses) on financial assets/liabilities at fair value through profit or loss	(241)	7,855
Net currency exchange gains (losses)	(8,717)	(64,490)
Gains(losses) on lease modification	169	173
Others	—	(2,117)
Total	$ (18,256)	$ (58,275)

B. Financial cost

	2021	2020
Interest expenses		
Bank loan	$ 6,589	$ 5,875
Imputed interest from deposit	3	1
Convertible corporate bond	1,094	10,446
Lease liabilities	1,523	1,719
Subtotal	9,209	18,041
Less: capitalized interest	(3,807)	(3,780)
Total	$ 5,402	$ 14,261
Capitalized interest rate	0.63%~1.10%	0.63%~1.45%

C. Interest income

	2021	2020
Interest income from bank deposits	$ 564	$ 444
Imputed interest from deposit	118	163
Total	$ 682	$ 607

(20) Income Tax

A. The Company's income tax expenses (gains) are specified as following:

	2021	2020
Current tax:		
Current tax on profits for the period	$ 118,030	$ 106,113
Adjustments in respect of prior years	—	—
Total current tax	118,030	106,113
Deferred tax:		
Occurrence and reversal of temporary difference	(16,773)	7,325
Impact of changes in tax rate	—	—
Total deferred tax	(16,773)	7,325
Total	$ 101,257	$ 113,438

B. The Company recognized Income tax expenses in other comprehensive income are NT$ 0 start from January to December, at 2021 and 2020.

C. The Company income tax expenses recognized under the title of equity are NT$0 start from January to December, at 2021 and 2020.

D. Relations between income tax expenses (gains) and accounting profit

	2021	2020
Net profit before tax	$ 795,108	$ 827,920
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place where the Company is situated	$ 159,022	$ 165,584
Income tax effect included into the items that shall not be recognized pursuant to tax laws	9,592	(13,994)
Income tax effect on deferred income tax assets/liabilities	(16,773)	7,325
Unrecognized deferred income tax assets	—	—
Tax-free income	—	—
Maximum foreign-tax deduction	—	—
Income tax effect on investment credit	(50,584)	(45,477)
Imposition of income tax on undistributed earnings	—	—
Income tax effect under minimum tax system	—	—
Overestimated (underestimated) income tax in previous year	—	—
Total	$ 101,257	$ 113,438

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2021				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 61,320	$ 14,958	—	—	$ 76,278
Unrealized exchange loss	5,055	(4,235)	—	—	820
Unrealized warranty cost	2,099	829	—	—	2,928
Unrealized impairment loss	9,107	—	—	—	9,107
Unrealized gain on inter-affiliate accounts	5,248	294	—	—	5,542
Tax difference on depreciation expenses	13	—	—	—	13
Realized net investment income (foreign)	8,133	—	—	—	8,133
Unrealized net investment income (foreign)	10,948	5,157	—	—	16,105
Total	$ 101,923	$ 17,003	—	—	$ 118,926

Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (964)	$ 537	—	—	$ (427)
Recognition of pension expenses (deficit)	(9,098)	(767)	—	—	(9,865)
Total	$ (10,062)	$ (230)	—	—	$ (10,292)

	2020				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
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 impairment loss	9,107	—	—	—	9,107
Expected Credit (loss) gains	935	(935)	—	—	—
Unrealized gain on inter-affiliate accounts	7,976	(2,728)	—	—	5,248
Tax difference on depreciation expenses	14	(1)	—	—	13
Realized net investment income (foreign)	8,133	—	—	—	8,133
Unrealized net investment income (foreign)	9,961	987	—	—	10,948
Total	$ 104,640	$ (2,717)	—	—	$ 101,923
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (267)	$ (697)	—	—	$ (964)
Recognition of pension expenses (deficit)	(5,187)	(3,911)	—	—	(9,098)
Total	$ (5,454)	$ (4,608)	—	—	$ (10,062)

(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, 2021 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 expenditure (projected) in 2021	$ 61,559	$ —	$ 50,584	$ —	(non-deferred)
	$ 61,559	$ —	$ 50,584	$ —	

(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 2019.

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%.

(21) 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:

	2021			2020		
	Amount after tax	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**	**Amount after tax**	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 693,851	93,280	$ 7.44	$ 714,482	84,987	$ 8.41
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 693,851	93,280		$ 714,482	84,987	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	—	150		—	2,102	
Employee stock bonus	—	610		—	657	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 693,851	94,040	$ 7.38	$ 714,482	87,746	$ 8.14

For the details about capital increase, please see Note 6(17).

(22) Business combinations - acquisition of subsidiaries

A. For the business development strategy, the Group reinvest the subsidiary – MPI AMERICA INC via the subsidiary – MPA TRADING CORP. (ANGUILLA) to acquired 100% of the share capital of Celadon Systems Inc. by US$10,200,000 (equivalent to NT$283,471 thousand) in September, 2021 and obtained the control over Celadon. The main operating activities of Celadon are selling and manufacturing the Probe Cards, Test systems and High-Performance Cables and its main customers are semiconductor manufacturers and semiconductor equipment distributors. The Group has expected the acquisition will enhance the competitive advantages of the Group's engineering probe cards and equipment, and expand the market business scale.

B. The acquisition date was September 9, 2021. The following table summarizes the consideration paid for Celadon and the fair values of the assets acquired and liabilities assumed at the acquisition date. The information about the acquisition date, please refer Note 6(21) of consolidated financial statements.

(23) Employee benefits, depreciation, depletion and amortization expenses are summarized as follows

Function / Nature	2021			2020		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**
Employee benefit expense						
Wages and salaries	1,044,077	708,038	1,752,115	974,753	675,184	1,649,937
Labor and health insurance expense	76,455	51,571	128,026	60,153	40,275	100,428
Pension costs	35,592	25,909	61,501	32,433	23,657	56,090
Director remuneration	-	17,762	17,762	-	18,469	18,469
Other personnel expenses (Note)	115,079	22,326	137,405	101,199	21,655	122,854
Depreciation expenses	250,843	104,862	355,705	276,175	101,935	378,110
Depletion expenses	-	-	-	-	-	-
Amortization expenses	11,051	41,824	52,875	14,888	38,809	53,697

(Note) The other personnel expenses including food stipend, overtime pay and employee benefits.

A. For the year ended of December 31, 2021 and 2020, the number of employees of the Company was 1,605 and 1,548, of which the number of directors who were not employees concurrently was both 7.

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$1,301 thousand for the year ended 2021 [(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$1,252 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)].

(b) The average salary expenses was NT$1,096 thousand for the year ended 2021 [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$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)].

(c) The adjustment change of average salary expenses was 2.33% [(the average salary expenses in 2021 – the average salary expenses in 2020) / the average salary expenses in 2020].

(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 both 2020 and 2021.

(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$ 71,048 thousand and NT$73,877 thousand, respectively, in 2021 and 2020, and the remuneration to directors/supervisors NT$ 17,762 thousand and NT$18,469 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 2020 resolved to be allocated at the shareholders' meeting on August 18, 2021 by the Board of Directors meeting were NT$73,877 thousand and NT$18,469 thousand, respectively, identical with that recognized in the financial statement 2020, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2021.

G. 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.

H. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(24) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	2021	2020
Purchase of property, plant and equipment	$ 575,330	$ 611,186
Add: Payables for equipment, beginning	133,660	65,720
Less: Payables for equipment, ending	(59,870)	(133,660)
Less: Payables for equipment-related, ending	(1,871)	—
Cash paid in current period	$ 647,249	$ 543,246

B. Financing activities not affecting cash flow:

	2021	2020
Conversion of corporate bond conversion into capital stock	$ 19,936	$ 121,215

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

		Owner's equity (shareholding %)	
	Place of incorporation	December 31, 2021	December 31, 2020
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%
Celadon Systems, Inc.	USA	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.
Celadon Systems, Inc.(Celadon)	Subsidiary- a subsidiary of MPI AMERICA INC.

(4) Important transactions with related parties

A. Operating revenue

The Company's sales values to related parties are stated as follows:

Type	2021	2020
Sale of products:		
-Subsidiary		
CLIC	$ 91,148	$ 45,974
Megtas	7,852	—
LUMITC	64,197	23,264
MPS	482,647	324,659
MPA	669,046	536,956
Celadon	33	—
Total	$ 1,314,923	$ 930,853

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	2021	2020
Subsidiary		
CLIC	$ 17,949	$ 9,172
MPS	568	—
MPA	1,038	13
Total	$ 19,555	$ 9,185

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:

Title	Type	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiary		
	CLIC	$ 29,792	$ 16,429
	Megtas	3,944	—
	LUMITC	47,741	22,922
	MPS	343,213	278,551
	MPA	486,453	317,331
	Celadon	33	—
Accounts receivable		911,176	635,233
Less: Loss allowance		—	—
Accounts receivable, net		$ 911,176	$ 635,233

Other accounts receivable	Subsidiary		
	CLIC	$ 1,058	$ 1,058
	LUMITC	13,028	15,653
	MPS	22,791	21,642
	Total	$ 36,877	$ 38,353

D. Accounts payable-related parties

The Company's accounts payable-related parties are stated as following:

Title	Type	December 31, 2021	December 31, 2020
Accounts payable	Subsidiary		
	CLIC	$ 9,501	$ 2,320
	MPS	570	—
	MPA	760	—
		$ 10,831	$ 2,320
Other accounts payable	Subsidiary		
	CLIC	20,920	13,013
	Megtas	28	—
	MPS	2,923	28
	MPA	10	465
Total		$ 23,881	$ 13,506

E. Prepayment

Type	December 31, 2021	December 31, 2020
Subsidiary		
CLIC	$ 145	$ —
Total	$ 145	$ —

F. Exchange of property

a. Acquisition of property, plant, and equipment：

Type	Type	2021	2020
Subsidiary			
MPS	R & D equipment	$ 1,875	$ —

b. Disposition of property, plant, and equipment:

2021：

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary-MPS	R & D equipment	$ 26,335	$ (25,154)	$ 1,181	$ 4,360	$ 3,179
Subsidiary-Megtas	R & D equipment	$ 690	$ (679)	$ 11	$ 416	$ 405

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

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	2021	2020
Promotion-expenditure in commission:		
-Subsidiary		
CLIC	$ 40,092	$ 35,027
MPS	10,856	15,094
Total	$ 50,948	$ 50,121

I. Others

a. Payment on behalf of others (stated as other current assets): None.

b. Advance sale receipts

Type	December 31, 2021	December 31, 2020
Subsidiary		
CLIC	$ 62,479	$ 63,697
MPA	75,260	28,314
Total	$ 137,739	$ 92,011

c. Temporary receipts (stated as other current liabilities):

Type	December 31, 2021	December 31, 2020
Subsidiary		
MPA	$ 1,601	$ 700
Total	$ 1,601	$ 700

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2021	2020
Subsidiary			
CLIC	Other expenses	$ 18	$ 16
CLIC	Consumable expenses	$ —	$ 50
Megtas	Consumables expense	$ 28	$ —
MPA	Other expense	$ 2	$ —

e. Selling expenses

Type	Nature	2021	2020
Subsidiary			
CLIC	Other expense	$ 1,762	$ 2,759
MPS	Other expense	$ —	$ 20
MPA	Shipping expense	$ 10	$ —
MPA	Advertising expense	$ -	$ 13
MPA	Other expense	$ 702	$ 1,061

f. Research expenses

Type	Nature	2021	2020
Subsidiary			
CLIC	Other expense	$ —	$ 10

g. Lease

The Company's lease revenue from related parties is stated as follows:

Type	2021	2020
Subsidiary-CLIC	$ 3,859	$ 3,860

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.

h. Other revenue

Type	2021	2020
Subsidiary		
CLIC	$ —	$ 6
Megtas	141	—
LUMITC	15,334	18,494
MPS	25,074	22,436
MPA	5,570	4,731
Total	$ 46,119	$ 45,667

(5) Information about remuneration to the management

Information about remuneration to the Company's management is stated as follows:

	2021	2020
Salary and other short-term employee benefits	$ 11,004	$ 11,568
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Total	$ 11,004	$ 11,568

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 creation of pledge, import business tax, sale commitment and payment promise. The book value thereof is stated as follows:

	December 31, 2021	December 31, 2020
Land	$ 770,963	$ 770,963
Building	1,538,833	804,988
Pledged bank deposit (stated as other current assets)	—	4,147
Other non-current financial assets (stated as other non-current assets)	3,244	—
Total	$ 2,313,040	$ 1,580,098

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:

	December 31, 2021	December 31, 2020
Purchase of property, plant and equipment	$ 14,273	$ 118,757

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 2021 as that in 2020, dedicated to maintaining the debt/equity ratio less than

50%~100%. The Company's debt ratios on December 31, 2021 and December 31, 2020 are stated as follows:

	December 31, 2021	December 31, 2020
Total liabilities	$ 3,516,239	$ 3,138,130
Total net worth	6,038,315	5,639,945
Debt/equity ratio	58%	56%

(2) <u>Financial instruments by category</u>

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, financial assets at fair value through other comprehensive income, 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:

	December 31, 2021			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 25,731	27.632	$ 711,003
	NTD/JPY	$ 17,085	0.24012	$ 4,102
	NTD/EUR	$ 174	31.313	$ 5,434
	NTD/RMB	$ 102,397	4.3210	$ 442,461
	NTD/KRW	$ 5,188	0.02350	$ 122
	NTD/HKD	$ 12	3.495	$ 41
	NTD/SGD	$ 20	20.335	$ 416
	NTD/MYR	$ 13	6.355	$ 81
	NTD/RUB	$ 1	0.3707	$ 1

	NTD/PHP	$ 91	0.5353	$ 49
	NTD/INR	$ 10	0.3665	$ 4
	NTD/GBP	$ 255	37.27485	$ 9,509
Financial liabilities	NTD/USD	$ 1,818	27.729	$ 50,404
	NTD/JPY	$ 112,968	0.2421	$ 27,344
	NTD/EUR	$ 471	31.493	$ 14,843
	NTD/RMB	$ 867	4.371	$ 3,788
	NTD/GBP	$ 6	37.4755	$ 237

	December 31, 2020			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	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
Financial liabilities	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

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$(8,717) thousand and NT$(64,490) thousand until December 31, 2021 and 2020.

Ⓑ 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.

Ⓒ Equity price risk

Equity securities held by the Company are susceptible to price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Company's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	December 31, 2021		December 31, 2020	
Prices of securities at the reporting date	**Sensitivity of Profit of Loss**	**Sensitivity of other comprehensive income**	**Sensitivity of Profit of Loss**	**Sensitivity of other comprehensive income**
Increasing 1%	$ -	$ 1,680	$ -	$ -
Decreasing 1%	$ -	$ (1,610)	$ -	$ -

Ⓓ 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, 2021 and 2020 are stated as following:

December 31, 2021

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-32,298 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-3,087 thousand

December 31, 2020

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-25,751 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,909 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, 2021 and 2020, 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. Manage 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, 2021 and December 31, 2020, 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.

Ⓘ 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.

Ⓙ 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, 2021 and 2020, the Company expected credit loss rate during the lifetime is stated as follow:

	Notes Receivable	**Accounts Receivable**					
	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 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(4).

(c) Liquidity risk

Ⓐ 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.

Ⓑ 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$1,999,440 thousand on December 31, 2021.

Ⓒ 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.

	December 31, 2021			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 100,000	$ —	$ —	$ 100,000
Payable accounts (including related party)	541,847	—	—	541,847
Other payable accounts (including related party)	862,960	—	—	862,960
Lease liabilities (note)	39,049	28,758	47,772	115,579
Corporate bond payable	9,536	—	—	9,536
Long-term loan (including the current portion)	6,978	103,740	1,024,162	1,134,880
Total	$ 1,560,370	$ 132,498	$ 1,071,934	$ 2,764,802

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	$ 1,529,103	$ 18,922	$ 786,190	$ 2,334,215

<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. Amarket 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 Equity instruments - Stock in domestic listed company through private placement 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 bank deposit, bank loan, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2021			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	$ 9,536	—	$ 9,536	—

	December 31, 2020			
		Fair value		
	Book value	Level 1	Level 2	Level3
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	$ 135,576	—	$ 135,576	—

Ⓑ 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:

	December 31, 2021			
		Fair value		
	Book value	**Level** 1	**Level** 2	**Level** 3
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss－current convertible bonds option	$ 68	—	$ 68	—
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments -Stock in domestic listed company through private placement	166,460	—	166,460	—
<u>Non-recurring fair value measurements</u>	—	—	—	—
Liabilities				
<u>Recurring fair value measurements</u>	—	—	—	—

	December 31, 2020			
		Fair value		
	Book value	**Level 1**	**Level** 2	**Level** 3
Assets				
<u>Recurring fair value measurements</u>	—	—	—	—
Financial assets at fair value through profit or loss－current convertible bonds option	$ 1,289	—	$ 1,289	—

Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments -Stock in domestic listed company through private placement	—	—	—	—
Non-recurring fair value measurements	—	—	—	—
Liabilities				
Recurring fair value measurements	—	—	—	—

Ⓑ 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

Financial instruments	Instruments and inputs
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.

Equity instruments- Stock in domestic listed company through private placement

Valuation techniques and inputs applied for Level 2 fair value measurement

Financial instruments	Instruments and inputs
Equity instruments -Stock in domestic listed company through private placement	Black-Scholes valuation model： Observing the parameters at the end of the period, such as restriction period, stock price, strike price, volatility, and risk-free interest rate, estimate the put value and liquidity discount to obtain the fair value of the privately placed common stock.

D. There were no transfer between **Level** 1 and **Level** 2 for the year ended December 31, 2021 and 2020.

(4) Assessment of impact of COVID-19

The Company's business operation has taken the impact of COVID-19 into consideration. As a result, production of some of the Company's factories came to a halt. As of December 31, 2021, all factories have resumed operations, and do not cause any default risk. Additionally, although the Company's sales orders from certain areas have declined because of the said pandemic, the Company's overall business and financial position were not significantly impacted based on the Company's assessment

13. Supplementary Disclosures

(1) Significant transactions information

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	2021
1	Loans to others:	N/A
2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	Attached table 1
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.	Attached table 2
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 3
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 4
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：Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable Securities	Relationship with the securities issuer	Financial Statement Account	Ending Balance				Note
				Number of shares (In thousand shares or thousand units)	Book Value	Percentage Of Ownership (%)	Fair Value	
The Company	Private equity of domestic listed company – Spirox Corporation	–	Note 1	7,000	$166,460	5.90%	$166,460	–

Note 1 ：Financial Statement Account：Financial assets at fair value through other comprehensive income - non-current.

Attached table 2：Acquisition or sale of the same security with the accumulated cost reaching NT$300 million or 20% of paid-in capital or more

Investor	Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Book value	Gain/Loss on Disposal	Shares	Amount
MPI America Inc.	Celadon Systems, Inc.	Note 1	Bryan Root, Valerie Leach Root	–	–	–	1,000	USD 10,200,000 (equivalent to NT$283,471 thousand)	–	–	–	–	1,000	USD 10,200,000 (equivalent to NT$283,471 thousand)

Note 1 ：Financial Statement Account：Investments accounted for using equity method

Attached table 3: 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	$ 646,046	12 %	same as that applicable to the general customer	—	—	Receivable accounts $486,453	32%	
The Company	MPS	The Company's subsidiaries	Sale	$ 482,646	9 %	same as that applicable to the general customer	—	—	Receivable accounts $343,213	23%	

Attached Table 4: 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 $486,453	1.6075	—	—	$73,032	—
MPI Corporation	MPS	The Company's subsidiaries	Receivable accounts $343,213	1.5525	—	—	$ 89,421	—

(2) **Information on 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) for the year ended December 31, 2021 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%	$ 56,154	$ (1,667)	$ (1,667)	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%	$ 578,.718	$ 42,881	$ 42,775	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%	$ 37,569	$ 8,039	$ 6,072	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%	$ 231,124	$ 37,295	$ 37,300	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%	$ 1,475	$ (61)	$ (61)	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	$ 321,352 (Note 5)	$ 37,881	11,450,000	100%	$ 50,934	$ (72,966)	$ (72,966)	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	$ 3,724 (Note 4)	100	100%	$ 3	$ (43)	—	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	$ 319,837 (Note5)	$ 36,366	6,300,000	100%	$ 55,324	$ (72,919)	—	Subsidiary of MPA TRADING CORP.
MPI AMERICA INC.	Celadon Systems Inc.	13795 Frontier Ct Burnsville, Minnesota 55337 , USA	Selling and manufacturing of Probe Card , Test Equipment and High-performance cables	$ 283,471 (Note5)	$ —	1,000	100%	$ 283,711	$ 2,640	—	Subsidiary of MPI AMERICA INC.

Note 1: Except MEGTAS CO., LTD., MPI AMERICA INC., and Celadon Systems 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%.

Note5: For the business development strategy, the Group reinvest the subsidiary – MPI AMERICA INC via the subsidiary – MPA TRADING CORP. (ANGUILLA) to acquired 100% of the share capital of Celadon Systems Inc. by US$10,200,000 (equivalent to NT$283,471 thousand) in September, 2021 and obtained the control over Celadon.

(3) Information on investments in Mainland 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 2)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
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)	(Note1)	USD 16,000,000 ($ 502,470)	–	–	USD 16,000,000 ($ 502,470)	$ 67,783	100 %	$ 67,783	$ 557,304	–
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	USD 2,000,000 ($60,180) Registered capital USD 3,000,000 ($ 90,270)	(Note1)	USD 2,000,000 ($60,180)	–	–	USD 2,000,000 ($60,180)	$ (24,711)	100 %	$ (24,711)	$ 39,435	–

	electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.											

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 2: The recognition of investment income was on the basis of the financial statement audited by CPA of the parent company.

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 3,628,681

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 2021 (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) <u>Major shareholders information</u>

Shares / Name of major shareholders	Total Shares Owned	Ownership Percentage
MPI Investment Corporation	8,334,626	8.85%

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 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 94,073,772 shares = 94,073,772 (common stock) + 0 (preferred stock).

14. Information by department

Please see the consolidated financial statements 2021.

MPI CORPORATION

Statement of cash and cash equivalents

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		
NTD		$ 50
USD	USD 13,971.73, exchange rate 27.6150	386
JPY	JPY 831,114, exchange rate 0.2376	197
KPW	KRW 5,188,000, exchange rate 0.0235	122
HKD	HKD 11,794.30, exchange rate 3.4950	41
GBP	GBP 2,620.00, exchange rate 37.15	97
SGD	SGD 20,454.15, exchange rate 20.3350	416
RMB	RMB 84,341.52, exchange rate 4.3280	365
EUR	EUR 6,985, exchange rate 31.1700	218
MYR	MYR 12,779.90, exchange rate 6.3550	81
RUB	RUB 900, exchange rate 0.3707	1
PHP	PHP 90,900, exchange rate 0.5353	49
INR	INR 9,800, exchange rate 0.3665	3
Subtotal		2,026
Bank deposit		
Checking account		-
Demand deposit		552,359
Foreign currency deposit		
USD	USD 2,130,054,99, exchange rate 27.67800	58,956
EUR	EUR 166,541.58, exchange rate 31.31850	5,216
JPY	JPY 16,248,420, exchange rate 0.24025	3,903
RMB	RMB 5,709,811.44, exchange rate 4.34545	24,812
GBP	GBP 251,363.43, exchange rate 37.27775	9,370
Subtotal		102,257
Time deposit		365
Total		$ 657,007

MPI CORPORATION

Statement of accounts receivable-non-related parties

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Non-related parties:			
Customer C	Business	$ 110,480	
Customer A	Business	88,901	
Customer E	Business	60,142	
Customer B	Business	41,268	
Customer F	Business	41,215	
Customer G	Business	36,170	
Others	Business	234,483	Less than 5% for each customer
Subtotal		612,659	
Less: Allowance for uncollectible accounts		(5,370)	
Accounts receivable, net		$ 607,289	

MPI CORPORATION

Statement of inventories

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Cost	Net realizable value	Note
Raw material	$ 714,190	$ 731,012	In addition to the allowance for inventories obsolescence and slow-moving, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less estimated costs of completion and selling expenses under the normal operation.
Supplies	171,666	172,436	
Work in progress	572,592	876,399	
Semi-finished goods	444,209	679,790	
Finished goods	891,324	1,576,571	
Commodity	3,782	4,833	
Materials and supplies in transit	8,341	8,341	
Subtotal	$ 2,806,104	$ 4,049,382	
Less: Allowance for valuation loss	(381,389)		
Inventories, net	$ 2,424,715		

MPI CORPORATION

Statement of other receivables, prepayments and other current assets

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other receivables			
-Non-related parties			
Other receivables-Others		$ 11,394	
Total		$ 11,394	
Prepayments			
Prepaid Commissions		$ 6,975	
Prepaid insurance premiums		5,180	
Prepaid software		3,120	
Prepaid know-how fee		2,380	
Others		14,582	None of the individual item exceeds 5% of this account.
Subtotal		32,237	
Prepayments to suppliers		11,025	
Total		$ 43,262	
Other current assets			
Temporary payments		$ 202	
Payment on behalf of others		50	
Total		$ 252	

MPI CORPORATION

Statement of financial assets at fair value through other comprehensive income - non-current

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Name	Balance, beginning		Increases		Decreases		Balance, ending		Accumulated impairment	Collateral or pledge	Note
	Shares (in thousands)	Fair value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Fair value			
Equity instruments											
Stock in domestic listed company through private placement											
-Spirox Corporation	—	$ —	7,000	$ 168,000	—	$ —	7,000	$ 168,000	N/A	None	—
Valuation adjustment		—		—		(1,540)		(1,540)			
Total		$ —		$ 168,000		$ (1,540)		$ 166,460			

MPI CORPORATION

Statement of changes in investments accounted for using the equity method

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Name	Value of per share	Balance, beginning		Increases		Decreases		Balance, ending			Equity	
		Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ratio of shareholding %	Amount	Unit Price	Total price
Subsidiaries:												
MPI TRADING CORP.	USD 1	1,000	$ 58,685	–	$ –	–	$ (2,531)	1,000	100 %	$ 56,154	USD 2,028.8270	USD 2,028,827.02
MMI HOLDING CO.,LTD.	USD 1	18,267,987	541,305	–	38,413	–	–	18,267,987	100 %	579,718	$ 33.2885	$ 608,114
MEGTAS CO.,LTD.	KRW 5,000	400,000	35,867	–	1,702	–	–	400,000	80 %	37,569	KRW 5,046.8066	KRW 2,018,722,625
Chain-Logic International Corp.	$ 10	5,000,000	221,418	–	9,706	–	–	5,000,000	100 %	231,124	$ 46.2406	$ 231,203
Allstron Corporation	$ 10	1,550,000	1,536	–	–	–	(61)	1,550,000	100 %	1,475	$ 0.9516	$ 1,475
MPA TRADING CORP.	USD 1	1,250,000	–	10,200,000	283,471	–	(232,537)	11,450,000	100 %	50,934	$ 4.9380	$ 56,540
Total			$ 858,811		$ 333,292		$ (235,129)			$ 956,974		
Transfer to Credit balance of investments account for using equity method												
MPA TRADING CORP.	USD 1	1,250,000	$ 167,963		$ –		$ (167,963)			$ –		

MPI CORPORATION

Statement of changes in property, plant and equipment

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Collateral or pledge
Cost						
Land	$ 770,963	$ –	$ –	$ –	$ 770,963	Book value of Land, House and building
House and building	1,543,455	242,849	(28,106)	644,336	2,402,534	amounted NT$2,309,796 thousand
Machine and equipment	944,232	54,271	(39,118)	169,600	1,128,985	provided as security for bank borrowing
Furniture and fixtures	48,189	15,417	(3,584)	355	60,377	purposes.
Research equipment	635,041	30,283	(93,642)	45,483	617,165	
Other equipment	7,571	186	(3,159)	–	4,598	
Total	3,949,451	343,006	(167,609)	859,774	4,984,622	
Accumulated depreciation						
House and building	(485,865)	(76,319)	15,190	–	(546,994)	
Machine and equipment	(583,336)	(140,394)	38,989	924	(683,817)	
Furniture and fixtures	(26,169)	(11,496)	3,584	–	(34,081)	
Research equipment	(433,166)	(77,430)	92,450	–	(418,146)	
Other equipment	(6,712)	(495)	3,154	–	(4,053)	
Total	(1,535,248)	(306,134)	153,367	924	(1,687,091)	
Accumulated impairment	–	–	–	–	–	
Construction in progress	646,555	17,965	–	(646,339)	18,181	
Book value	$ 3,060,758	$ 54,837	$(14,242)	$ 214,359	$ 3,315,712	

MPI CORPORATION

Statement of changes in right-of-use assets

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Collateral or pledge
Cost						None
Land	$ 42,749	$ 1,348	$ (8,218)	$ –	$ 35,879	
Buildings	46,897	72,648	(50,462)	–	69,083	
Transportation	59,944	17,251	(7,711)	–	69,484	
Total	149,590	91,247	(66,391)	–	174,446	
Accumulated depreciation						
Land	(11,047)	(8,688)	6,541	–	(13,194)	
Buildings	(38,002)	(22,174)	50,462	–	(9,714)	
Transportation	(25,886)	(18,709)	7,711	–	(36,884)	
Total	(74,935)	(49,571)	64,714	–	(59,792)	
Book value	$ 74,655	$ 41,676	$ (1,677)	$ –	$ 114,654	

MPI CORPORATION

Statement of lease liabilities

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Duration of lease	Discount rate	Balance, ending		Note
				Current	Non-current	
Cost						
Land	Parking lots	2019/03~2025/08	1.38%	$ 16,199	$ 16,973	
Buildings	Dormitory and Plant	2021/03~2026/11	1.38%	15,622	43,824	
Transportation	Business vehicles	2019/01~2025/08	2%	7,228	15,733	
			Total	$ 39,049	$ 76,530	

MPI CORPORATION

Statement of changes in intangible assets

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Balance, beginning	Increases	Decreases	Transfer	Balance, ending	Note
Computer software	$ 42,320	$ 18,249	$ (40,626)	$ —	$ 19,943	
Book value	$ 42,320	$ 18,249	$ (40,626)	$ —	$ 19,943	

MPI CORPORATION

Statement of deferred tax assets and other non-current assets

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Deferred tax assets		$ 118,926	Please refer to Note 6 (20)
Other non-current assets			
Prepayments for equipment		$ 61,964	
Refundable deposits	Provisional seizure and deposited the guarantee	57,550	
	Business vehicles	13,281	
	Others	5,515	None of the individual item exceeds 5% of this account.
	Subtotal	76,346	
Deferred Charges	Office decoration	6,719	
	Miscellaneous equipment	15,738	
	Hydropower engineering	4,714	
	Parking lots renovation	1,120	
	Subtotal	28,291	
Other financial assets- non-current	Restricted bank deposits	3,244	
Total		$ 169,845	

MPI CORPORATION

Statement of short-term loans

December 31, 2021

(In Thousands of New Taiwan Dollars)

Creditor	Type of Loan	Descriptions	Balance, ending	Period	Interest rate	Credit lines	Collateral or pledge	Note
Land Bank of Taiwan - Tunghsinchu Branch	Secured borrowings		$ —			$ 500,000	Land (No. 155,153,151, Zhonghe Street) NT$98,189 thousand	
							Land (Employee dormitory at Jiaren Street) NT$48,996 thousand Land (Xinpu Township) NT$220,594 thousand Buildings ((No. 155,153,151, Zhonghe Street) NTS153, 502 thousand Buildings (Employee dormitory at Jiaren Street) NT$36,336 thousand Buildings (No. 7, Luke 1st Road) NT$74,088 thousand Buildings (No. 988, Sec. Litoushan) NT$78,293 thousand Buildings (No. 5, Luke 1st Road) NT$195,385 thousand	
First Commercial Bank- Hsinchu Science Park Branch	Secured borrowings	Principal and interest repayment when due	100,000	2021.12.24 ~2022.2.22	0.75%	$ 260,000	Land (No. 129, Zhonghe St.,) NT$80,065 thousand	
	Credit loans		—			$ 240,000	Buildings (No. 129, Zhonghe St.,) NT$240,922 thousand	
Bank SinoPac-Hsinchu Branch	Credit loans		—			$ 300,000		
Total			$ 100,000				.	

MPI CORPORATION

Statement of accounts payable-non-related parties

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	‘	Note
General supplier				
P34	Business	$ 27,210		Less than 5% for each supplier
Others	Business	503,806		
Total		$ 531,016		

MPI CORPORATION

Statement of other payables

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Payables for equipment		$ 59,870
Other payables-non-related parties		
Accrued expenses	Salaries and wages payable and bonus payable	$ 456,516
	Others (None of the individual item exceeds 5% of this account)	201,996
Subtotal		658,512
Payables for remuneration to employees	Remuneration to employees in 2021	71,048
Short-term employee benefits	Employee benefits in 2021	49,649
Total		$ 779,209

MPI CORPORATION

Statement of provisions-current and other current liabilities

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Short-term warranty provision	Estimated warranty liabilities	$ 11,955	
Contract liabilities-current			
Advance receipt	Business	$ 573,317	
Other current liabilities			
Temporary receipts		$ 1,768	
Receipts under custody		13,049	
Total		$ 14,817	

MPI CORPORATION

Statement of long-term loans

December 31, 2021

(In Thousands of New Taiwan Dollars)

Creditor	Description	Borrowings Amount: Current portion	Borrowings Amount: Exceeds one year	Borrowings Amount: Total	Period	Interest rate	Collateral or pledge
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	$ 6,978	$ 572,222	$ 579,200	2019/11/08~ 2029/10/15	0.63% ~0.88%	Land (Tai Ho Section) NT$323,119 thousand Buildings (Tai Ho Section) NT$760,307 thousand
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	-	320,000	320,000	2020/09/23~ 2027/09/23	0.63%	
Chang Hwa Bank - Chengnei Branch	Interest is paid on the 15th of each month, loan principal repay every month since 4th year.	-	235,680	235,680	2021/11/09~ 2031/10/15	0.63%	
Total		$ 6,978	$ 1,127,902	$ 1,134,880			

MPI CORPORATION

Statement of deferred tax liabilities and other non-current liabilities

December 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Long-term warranty provision	Estimated warranty liabilities	$ 2,684	
Deferred tax liabilities		$ 10,292	Please refer to Note 6 (20)
Other non-current liabilities			
Guarantee deposits paid	Deposit from lease, etc.	$ 1,356	

MPI CORPORATION

Statement of operating revenue

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Quantity	Amount	Note
Net revenue			
Wafer probe card (include maintenance service)	13,344,495 PIN	$ 3,659,369	
Wafer probing equipment (include maintenance service)	295 SET	611,464	
Probing equipment of semi-conductor	216 SET	871,615	
Temperature testing series	428 SET	361,925	
Others (None of the individual item exceeds 5% of this account)		54,613	
Total		$ 5,558,986	

MPI CORPORATION

Statement of operating costs

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Subtotal	Total
Cost of commodity sold		
Commodity-beginnig of period		$ 254
Add:Commodity purchase		3,648
Raw material, Supplies and Semi-finished goods sold		335,267
Less:Transfer to property, plant and equipment and operating expenses		(4)
Transfer to Semi-finished Goods		(230)
Commodity-end of period		(3,782)
Cost of Commodity sold		335,153
Cost of goods manufactured		
Raw materials consumed		
Raw materials-beginning of period	707,242	
Raw material purchase, net	1,382,353	
Add:Transfer from Supplies, Semi-finished goods and Finished goods	3,499,339	
Less:Transfer to property, plant and equipment and operating expenses	(3,102)	
Raw material sold	(57,910)	
Raw materials-end of period	(714,190)	4,813,732
Supplies consumed		
Supplies-beginning of period	128,854	
Add:Supplies purchase	348,447	
Less:Transfer to property, plant and equipment and operating expenses	(114,751)	
Transfer to raw materials	(144)	
Transfer to Commodity sold	(1,887)	
Supplies-end of period	(171,666)	188,853
Direct labor		700,782
Manufacturing expenses		1,177,387
Manufacturing expenses-supporting (transfer to research and development expenses)		(18,070)
Manufacturing costs of the year		6,862,684
Add:Work-in-progress-beginning of period		462,341
Semi-finished goods-beginning of period		430,709
Semi-finished goods purchase		238
Transfer from commodity		230
Less:Semi-finished goods sold		(275,470)
Transfer to Raw materials and Supplies		(3,371,575)
Transfer to property, plant and equipment and operating expenses		(81,689)
Semi-finished goods-end of period		(444,209)
Work in progress-end of period		(572,592)
Cost of finished goods		3,010,667
Add: Finished goods-beginning of period		883,363
Less:Transfer to raw materials		(127,620)
Transfer to property, plant and equipment and operating expenses		(50,308)
Finished goods-end of period		(891,324)
Cost of goods manufactured		2,824,778
Other operating costs		141,572
Operating costs		$ 3,301,503

MPI CORPORATION

Statement of manufacturing expenses

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Indirect labor		$ 301,569	
Insurance fees		83,463	
Depreciation		250,843	
Indirect material		139,144	
Overtime pay		87,836	
Utilities expense		59,461	
Other expenses		70,659	
Others		184,412	None of the individual item exceeds 5% of this account
Total		$ 1,177,387	

MPI CORPORATION

Statement of selling expenses

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries and wages		$ 160,839	
Expenditure in commission		97,039	
Other expenses		135,031	
Others		100,015	None of the individual item exceeds 5% of this account
Total		$ 492,924	

MPI CORPORATION

Statement of administrative expenses

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries and wages		$ 187,126	
Depreciation		31,388	
Other expenses		42,226	
Others		66,714	None of the individual item exceeds 5% of this account
Total		$ 327,454	

MPI CORPORATION

Statement of research and development expenses

YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Salaries and wages		$ 377,835	
Depreciation		54,611	
Consumable expenses		51,349	
Other expenses		70,236	
Others		168,123	None of the individual item exceeds 5% of this account
Total		$ 722,154	