

# **MSSCORPS CO., LTD.**

## **2021**

# **Annual Report**

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Link for Annual Report of MSSCORPS CO., LTD.: <http://www.msscorps.com>

Publication Date: May 27, 2022

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IV. Name, firm, address, website and telephone number of the CPA attesting the most recent annual financial statements:

CPA name: Chang, Keng-Hsi and Hsueh, Chun-Min CPAs.

Firm: Deloitte, Taiwan

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City

Website: <http://www.deloitte.com.tw>

TEL: (02)2725-9988

V. The name of any exchanges where the Company's securities are listed offshore, and the method by which to access information on the offshore securities: None.

VI. Company website: <http://www.msscorps.com>

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## One. Letter to Shareholders

### I. 2021 Business Result

#### 1. Results of the Business Plan Implementation

The operating revenue and the net income after tax of the Company for 2021 are NT\$1,469,881 thousand and NT\$252,493 thousand, or increasing by 32.04% and 58.69% from 2020, respectively. In 2021, benefitting from the continuous growth of capex of the semiconductor industry, and progressive advance of the advanced process technological nodes, the demands for material analysis grew significantly, and thus the overall profit has increased. By adapting to the expansion of the operating scales and human resources, the Company invests in R&D to build up high technological barriers for better stickiness of customers to commission project, while simultaneously expanding the management of the onshore and offshore clientele. In the future, the Company will insist the principle of ethical and robust management, targeting the maintenance of stable growth and profit, and seeking another outperformance of the operation.

2. Budget Implementation: the Company does not prepare the financial forecast disclosed publicly, and thus not applicable.

#### 3. Financial Position and Profitability Analysis

Unit: NT\$ thousand

Item		2020	2021	Increased (decreased) percentage	
Financial income and expenses	Operating revenue	1,113,184	1,469,881	32.04%	
	Gross profit before unrealized gross profit on sales to subsidiaries	410,323	555,106	35.29%	
	Net profit after tax	159,106	252,493	58.69%	
	Return on assets	7.46%	9.93%	33.10%	
	Return on equity	10.40%	14.63%	40.67%	
Profitability analysis	Percentage to the paid- in capital (%)	Operating profit	49.36%	71.66%	45.18%
		Net income before tax	47.88%	71.41%	49.14%
	Net profit margin		14.29%	17.18%	20.22%
	Earnings per share (before distribution) (NT\$)		NT\$4.05	NT\$6.21	53.33%

#### 4. Research and Development Status

The Company seeks to be a global leader in the professional material analytical technologies. For many years, the energies have been input to the R&D, with incremental R&D expenses every year. Currently six patents are awarded for key inventions, and as many as twelve patent applications are pending at home and abroad. All these are core invention patents in the analytic and inspection industry, and builds the high barrier one after another in terms of the material analytical technologies, to make the technological entrance more difficult to be overcome by competitors. In the future, the Company will position more analytical patents, provide the most advanced working methods to shorten their R&D timeframes, and become the essential key R&D partner of customers to develop various advanced process nodes.

### II. 2022 Operational Summary

#### 1. Operating Guidelines and Implementation Summary

Since founding, the Company has cultivated the material analytical technologies for the semiconductor advanced process, and provided the analytic reports with consistent quality and data-accurate to the global semiconductor customers. Through the in-house developed auto-

scheduling system to provide the best delivery schedule of report to customers, so they may shorten the R&D schedule. Other than actively looking for the suitable sites for the continuous expansion of analytic capacities, the Company also will invest more R&D energies, to position the analytic technologies for the more advanced future processes early, which in turn improves the overall stickiness of the commissioning clients, so that the profitability of the Company will have a robust growth trend, for more shareholders' value. In addition, the Company insists the philosophy of taking from the society and feedbacking to the society; for many years, we insist the continuous engagements in social welfare to take care of the disadvantageous groups at all age-levels. Furthermore, currently there is a shortage of excellent talents in the overall semiconductor industry. The Company has various R&D industrial-academic collaborations, cooperation projects of the full-time internship, and tutorials by the industrial instructors, to enter campuses deeply to cultivating more excellent seeds from the youths, and recruit them into our team.

## 2. Key Production and Sales Policies

- (1) Continuously developing more advanced analytical working method services, to satisfy customers' demands for the analytic and inspections during the R&D of advanced processes, with the improvement of the customers' stickiness, to form the long-term partnership with cooperation and reliance.
- (2) The Company develops a "smart e-system" in-house; through the automatic scheduling system, the most efficient production schedule is provided, and the customers are provided with the precise report quality and delivery time swiftly, for assisting them to shorten the R&D timeframe.
- (3) The Company will actively plan to expand the presence domestically and internationally, to increase the analytic and inspection capacities. Other than serving customers nearby, the plan also satisfies the demands for outsourced analytic services.

## III. Effects of the Competitive Environment, Regulatory Environment and Overall Operating Environment

### 1. Competitive Status

The era of the N3 technological node in the global advanced process is coming soon. To manufacture one single chip, it used to take hundreds of processes, but now it takes thousands of processes. The greatest difficulty of the semiconductor manufacturing technologies is that each process needs to be refined, and any tiniest problem may destruct the yield. Therefore, the role played by the material analysis is an essential partner in the R&D process. Every process depends on the material analysis to check the quality, and there are dozens of key processes that have to rely on numerous analytical services with transmission electron microscopes to examine data, and supplemented with the quantitative analysis to examine the stability of a process and the result of yield optimization. However, the issue is not with the equipment, but whether the professional analytic and inspection service providers may have their in-house developed analytic working methods accommodated to the different materials, structures, and ingredients of the technological nodes in the most advanced process R&D, and provide the corresponding analytic service; this is the key competition barrier. In addition, the capability to provide analytic reports with consistent quality and accuracy in mass production is another competition barrier, which becomes the key development advantage of the Company in the advanced process material analytic area.

### 2. Regulatory Environment

The Company complies with the ethical management philosophy, and thorough implementation of the committed principles is one of the key Company's policies. Therefore, our operation always has the premises of compliance, ethics, and corporate social responsibility. Other than monitoring and collecting the movements in the economic and political environment as well as regulations at home and abroad all the time, the internal management procedures and regulations are established, updated, and adjusted in the timely manner, to respond and adjust the operating strategies any time.

### 3. Overall Operating Environment

The main customers served by the Company cover the up-, mid-, and downstream semiconductor sectors, photo-electronics sector, and network communication sector. Since the analytic and inspection industry is an essential part of the overall semiconductor supply chain, the overall market of the analytic industry is greatly influenced by the “capital expenditures” of the semiconductor industry, in particular, it is closely correlated with the fields of the “evolution of the semiconductor advanced process,” “third-generation (quasi) semiconductor material development,” and “advanced IC packaging technologies.” Based on the research institution, Gartner’s forecast, the global semiconductor production value of 2021 has reached US\$474.12 billion, and for 2022, the production value will exceed US\$500 billion. showing that the overall semiconductor industry development will have a stable growth trend, and is favorable to the macroeconomic environment development.

### IV. The Company’s Future Development Strategies

The semiconductor industry has become the key national defense industry in Taiwan and the key industry supported by the national government. The Company plays the roles of “navigator” that is essential to the advanced processes in the semiconductor industry, or the locomotive of the R&D of the advanced processes, accelerating the R&D paces of the advanced processes for the semiconductor manufacturers, assisting them to win the early chances in the global advanced process competition, and becoming the key but unseen driver enabling the semiconductor advanced process to lead the world continuously.

Chairman: Liu, Chi-Lun  President: Liu, Chi-Lun  Accounting Officer in Charge: Su, Ching-Chi 

## Two. Company Profile

I. Date of incorporation: July 27, 2005

II. Company history

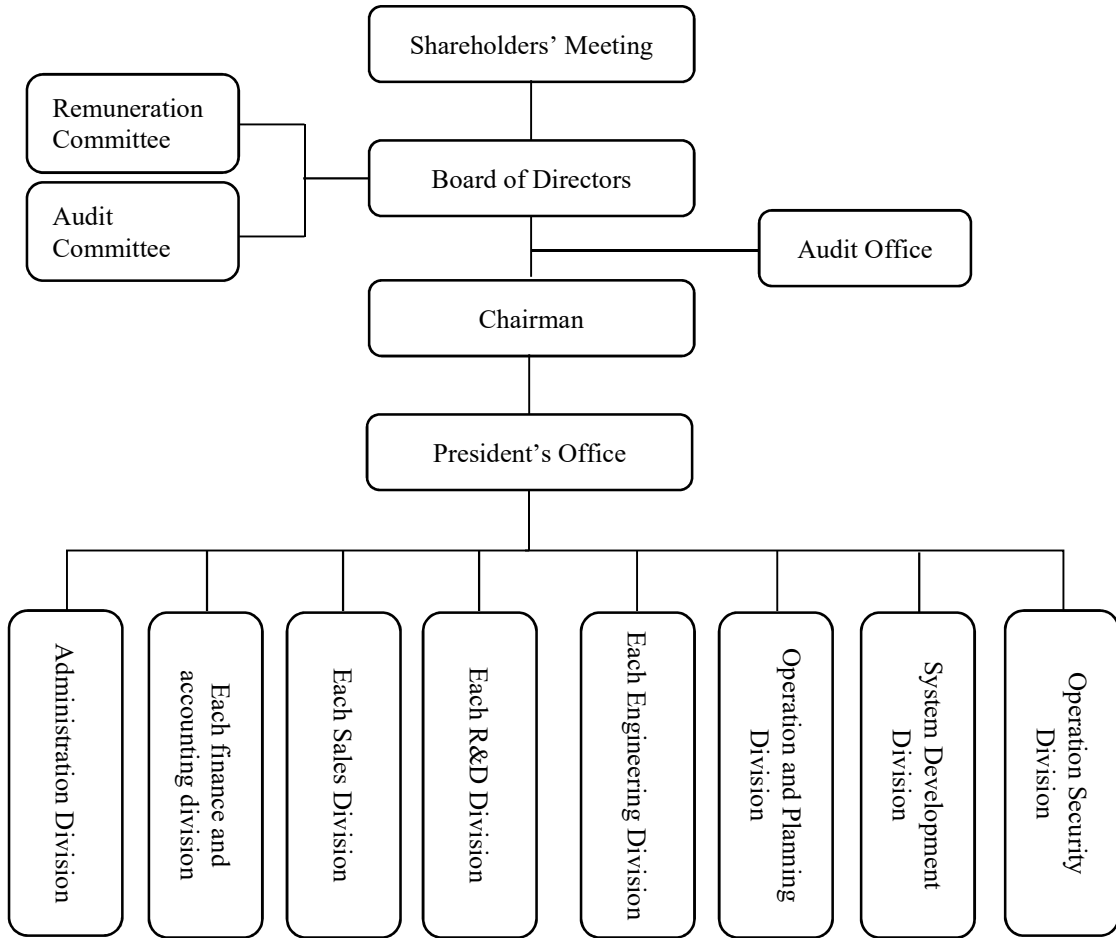
Year	Key Event
July 2005	The incorporation was approved, with the capital of NT\$25,000 thousand.
June 2015	Successfully developed the ultra-thin test specimen of 5 nano for analyzing the features of the advanced process.
February 2016	Successfully developed the high-resolution ingredient analysis method and technology.
December 2016	Successfully developed the low temperature atomic layer deposition (LT-ALD) technology.
July 2017	Successfully developed the photoresist protection method during the observation with electron microscopy.
February 2018	Successfully developed the extreme ultra-violet photoresist (EUV PR) analysis solution.
April 2018	Branch in Hsinchu Science Park was established.
August 2018	Established Nanjing MSS Electronic Technology Limited.
August 2018	Successfully developed the precision analysis for low k material topography.
October 2018	Branch in Tainan Science Park was established.
October 2018	Won the 27th National Award of Outstanding SMEs from MOEA.
November 2019	Successfully developed the precision measuring technology.
December 2019	The headquarter relocated to Nan Shan Technology Building, Hsinchu City.
April 2020	Successfully developed the new generation transistor analysis technology (GAA).
November 2020	Zhubei branch was established.
March 2021	Conduct the public offering of shares.
July 2021	Shares registered on the Emerging Stock Market.



### Three. Corporate Governance Report

#### I. Organizational system

##### (I) Organizational system



(II) Businesses of each major department

Major department	Major functions
President's Office	<ul style="list-style-type: none"> <li>● Implement each resolution of the board of directors</li> <li>● Formulate the Company's overall operating strategies and supervise each unit to achieve annual operating goals</li> <li>● Review business performance, manage and control risks, to achieve sustainable development and sustainable management goals</li> <li>● Implement corporate governance and corporate social responsibility (CSR)</li> <li>● Maintain the Company's investor relations</li> <li>● Plan and execute various projects</li> <li>● Legal affairs and shareholder services</li> </ul>
Audit Office	<ul style="list-style-type: none"> <li>● Evaluate and audit the reasonableness and effectiveness of the Company's internal operating system</li> <li>● The formulation, implementation and tracking of the Company's annual audit plan</li> </ul>
Administration Division	<ul style="list-style-type: none"> <li>● Recruitment, education and training, insurance, attendance and appraisal, and employee benefits</li> <li>● Management of fixed assets</li> <li>● Procurement, engineering outsourcing and supplier management</li> <li>● Material procurement and inventory management</li> <li>● Reconciliation and settlement of customer-commissioned analyses</li> <li>● Management and maintenance of labor, environment, safety, and plant affairs.</li> </ul>
Each finance and accounting division	<ul style="list-style-type: none"> <li>● Budgeting, variance analysis and cost control</li> <li>● Accounting, tax processing, auditing, and preparation of financial statements</li> <li>● Overall planning of short-, med- and long-term capital utilization and deployment</li> </ul>
Each R&D Division	<ul style="list-style-type: none"> <li>● Provide complete solutions specific to customers' special analysis needs</li> <li>● Formulation of new item development</li> <li>● Develop new analysis methods</li> <li>● Apply for various R&amp;D patent portfolio</li> </ul>
Each Sales Division	<ul style="list-style-type: none"> <li>● Formulation of the Company's business promotion strategies</li> <li>● Industry information collection and market research</li> <li>● Development of new customer and maintenance of customer relationship</li> <li>● Building of customer basic information and application of credit limit</li> </ul>
Each Engineering Division	<ul style="list-style-type: none"> <li>● Provide customers with various material analysis service solutions</li> <li>● Provide customers with various failure analysis service solutions</li> <li>● Provide customers with various surface analysis service solutions</li> <li>● Maintenance and services to existing equipment</li> </ul>
Operation and Planning Division	<ul style="list-style-type: none"> <li>● Schedule customer-commissioned project production</li> <li>● Plan the matches of the existing equipment capacities</li> </ul>
System Development Division	<ul style="list-style-type: none"> <li>● System program development, maintenance and system security management</li> <li>● Management and maintenance of the Company's customer service system</li> </ul>
Operation Security Division	<ul style="list-style-type: none"> <li>● Responsible for customer audit information security and maintenance of information confidentiality</li> <li>● Responsible for applying for review of various international certification institutions</li> <li>● Management of the data center and server maintenance</li> <li>● Maintenance of software and hardware in the Company's information equipment</li> <li>● Execute the backup mechanism and various operational safeguard projects</li> </ul>

## II. Information on directors, supervisors, presidents, vice presidents, assistant vice presidents, and officers of departments and branches

### (I) Directors and supervisors

April 29, 2022; Unit: Shares; %

Title	Name	Gender Age	Nationality or place of registration	Date of elected	Number of Shares Held		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in the Company and other companies now	Spouse or relatives within the second-degree of kinship who are officers, directors or supervisors of the Company			Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor	
Chairman (Note 1)	Shun Shun Investment Co., Ltd.	—	ROC	—	2,514,815	6.09	—	—	—	—	—	—	—	—	—	—
	Representative Liu, Chi-Lun	Male 51-60	ROC	July 1, 2021	1,310,837	3.18	681,000	1.65	2,787,833	6.75	Bachelor, Department of Applied Physics, Tamkang University Engineer, Product Department, United Microelectronics Corporation Vice Manager, Manufacturing Department, United Microelectronics Corporation Vice Manager, Production Planning Department, United Microelectronics Corporation Manager, Material Department, Novatek Microelectronics Corp	President of MSSCorps Co., Ltd. Executive Director, MSS (Shanghai) Electronic Technology Limited Chairman, Nanjing MSS Electronic Technology Limited Chairman, MSS Investment Co., Ltd. Chairman, Shun Shun Investment Co., Ltd.	—	—	—	—
Director	Jia Cheng Investment Co., Ltd	—	ROC	—	1,097,544	2.66	—	—	—	—	—	—	—	—	—	—
	Representative: Chen, Jung-Chin	Male 51-60	ROC	July 1, 2021	—	—	—	—	1,268,180	3.07	PhD, Materials Science and Engineering, Tsing Hua University	CTO of MSSCorps Co., Ltd. President, MSS (Shanghai)	—	—	—	—

											Vice Manager, Product Department, TSMC Project Manger, Jing-Yan Technology Chief, Technology Division, Materials Analysis Technology Inc.	Electronic Technology Limited Director and President, Nanjing MSS Electronic Technology Limited Director, MSS Investment Co., Ltd. Chairman, Jia Cheng Investment Co., Ltd.				
Director	Qiao Zan Investment Co., Ltd.	—	ROC	—	783,485	1.90	—	—	—	—	—	—	—	—	—	—
	Representative: Liao, Yung-Shun	Male 51-60	ROC	July 1, 2021	30,000	0.07	9,107	0.02	906,343	2.20	Master's, Materials Science and Engineering, Tsing Hua University Chief Engineer, TSMC Manager, Department of Technology, Integrated Service Technology Inc. Vice Division Chief, Visera Technologies Company Ltd.	COO of MSSCorps Co., Ltd. Director, Nanjing MSS Electronic Technology Limited Supervisor, MSS (Shanghai) Electronic Technology Limited Director, MSS Investment Co., Ltd. Chairman, Qiao Zan Investment Co., Ltd	—	—	—	—
Director	Zhong Hua Development Advantageous Venture Capital Limited Partnership	—	ROC	—	5,275,000	12.78	—	—	—	—	—	—	—	—	—	—
	Representative: Wang, Yung-Ta	Male 41-50	ROC	July 1, 2021	—	—	—	—	—	—	Soochow University Master's, Institute of Biomedical Engineering & Environmental Sciences, National Tsing Hua University Master's, Graduate Institute of	Assistant Vice President, CDIB CAPITAL MANAGEMENT CORPORATION	—	—	—	—

											Technology, Innovation & Intellectual Property Management, National Cheng Chi University Optical Design R&D Engineer, Projector Business Division, BenQ Corporation Manager of CDIB Capital Group					
Director	Mu-Bo Investment Co., Ltd.	—	ROC	—	1,580,231	3.83	—	—	—	—	—	—	—	—	—	—
	Representative: Lin, Hsin-Tsai	Male 61-70	ROC	July 1, 2021	783,781	1.90	545,280	1.32	1,750,867	4.24	Electronic Engineering Department, Asia Eastern University of Science and Technology Vice Manager, Testing Department, United Microelectronics Corporation Vice President of Sales, King Yuan Electronics Co., Ltd. Director, King Yuan Electronics Co., Ltd.	Supervisor, Nanjing MSS Electronic Technology Limited Director, MSS Investment Co., Ltd. Chairman, Mu-Bo Investment Co., Ltd.	—	—	—	—
Independent Director	Tsui, Chang-Feng	Male 41-50	ROC	July 1, 2021	—	—	—	—	—	—	Department of Information Management, Chung Hua University Computer Management Program, Institute of Computer Science & Information Engineering, Chung Hua University Director of Jing Young Biotech Business Co., Ltd. Director of Wei Hung	Secretary General of Alumni Association, Chung Hua University	—	—	—	—

											Tool Co., Ltd. Director of Wei Cheng Global Enterprise Inc. Chairman and President of Network Era Information Media Co., Ltd.					
Independent Director	Yuan, Hung-Chang	Male 41-50	ROC	July 1, 2021	—	—	—	—	—	—	Department of Business Administration, Fu Jen Catholic University Master's, Institute of Finance, Chiao Tung University CFO, TaiwanJ Pharmaceuticals Co., Ltd. Head of Finance of K Laser Technology Inc.	Director and President, TaiwanJ Pharmaceuticals Co., Ltd.	—	—	—	—
Independent Director	Chan, Ting-Hsun	Male 41-50	ROC	July 1, 2021	—	—	—	—	—	—	Department of Accounting, Tunghai University Deloitte Taiwan Independent director of UBI Pharma Inc.	CPA of Lan-Jai CPAs Firm Independent Director of Amia Co., Ltd. and Wha Yu Industrial Co., Ltd. Supervisor, Process Advance Technology Ltd.	—	—	—	—
Independent Director	Wang, Chien-Min	Male 41-50	ROC	July 1, 2021	—	—	—	—	—	—	Department of Financial and Economic Law, Chung Yuan Christian University Team Leader, Litigation Team, JS International Attorneys At Law Intern Lawyer of Wu & Associates, Attorneys-at-Law Specialist of Securities	Attorney-in Charge of W.S.C Attorneys at Law	—	—	—	—

											and Futures Investors Protection Center Clerk of Administrative Enforcement Agency, Taoyuan Branch					
Supervisor	Chen, Chin-Fu	Male 61-70	ROC	June 12, 2019	—	—	—	—	—	—	Graduated from Chung Yuan Christian University Chairman, Hitekcorps Co., Ltd. Chairman, Jie Dong Consulting Co., Ltd. President, Jie Dong Co., Ltd.	President, Jie Dong Co., Ltd. Chairman, Hitekcorps Co., Ltd. Chairman, Jie Dong Consulting Co., Ltd.	—	—	—	(Note 2)
Supervisor	Tsai, Wei-Cheng	Male 41-50	ROC	June 12, 2019	—	—	—	—	—	—	Department of Business Administration, Two-Year Program, Jinwen University of Science and Technology President, Limited Liability Taipei Risheng Taxi Transportation Cooperative Director, Jin-Lun Transportation Co., Ltd.	President, Ri Ri Sheng Real Estate and Land Development Co. Director, Tai-Lu Architecture Co., Ltd. Person in Charge, Yong-You Transportation Ltd. Director, TaiwanJ Pharmaceuticals Co., Ltd.	—	—	—	(Note 2)

Note 1: Where the chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing seats of independent directors, and the majority of the directors shall not concurrently serve as the employees or managerial officers) must be disclosed: In order to strengthen the effectiveness of the Company's operation and decision-making implementation, the chairman, president, and CEO of the Company are the same person to effectively link the board members for participating each decision-making and build the consensus, to accomplish the board's resolutions. Furthermore, the Company has elected four independent directors in 2021 regular shareholders' meetings, and established the Audit Committee to replace the supervisor system, to increase the external supervision and check-balance power in the board of directors, with more than a half of the directors not concurrently serving as employees or managerial officers, as the implementation of corporate governance goals.

Note 2: The directors were fully re-elected in the regular shareholders' meeting on July 1, 2021.

2. Major shareholders of corporate shareholders:

(1) Major shareholders of corporate shareholders

April 29, 2022

Names of corporate shareholders	Major shareholders of corporate shareholders
Shun Shun Investment Co., Ltd.	Liu, Chi-Lun(57.7%); Fang, Mei-Yu (29.5%); Liu, Meng-Chuan (6.4%); Liu, Chun-Hao (6.4%)
Jia Cheng Investment Co., Ltd	Chen, Jung-Chin (73.33%); Wang, Yueh(9.52%); Chen, Hui-Cheng (5.73%); Chen, Hsin-Cheng (5.71%); Chen, Wan-Cheng (5.71%)
Qiao Zan Investment Co., Ltd.	Liao, Yung-Shun (90.52%); Yeh, Li-Chun (9.48%)
Zhong Hua Development Advantageous Venture Capital Limited Partnership	CDIB Venture Capital Corporation (24.58%) Mega International Commercial Bank Co., Ltd. (23.13%) Yuanta Life Insurance Co.,Ltd. (11.01%) China Life Insurance Co.,Ltd. (7.71%) Guo Heng Investment Co., Ltd. (4.40%) GlobalWafers Co., Ltd (3.85%) Win Semiconductors Corp. (3.30%) Tong Hsing Food Ind. Corp. (2.20%) Sunplus Venture Capital Co., Ltd. (2.20%) Chang, Po-Wen (2.20%); Li, Tsai-Chiu(2.20%)
Mu-Bo Investment Co., Ltd.	Lin, Hsin-Tsai (40.0%); Liu, Hui-Mei (20.0%); Lin, Kung-Huan (20.0%); Lin, Kung-Hsien (20.0%)

(2) Major shareholders of corporate shareholders that are major shareholders of corporate shareholders

July 1, 2021

Names of corporate shareholders	Major shareholders of corporate shareholders
CDIB Venture Capital Corporation	CDIB Capital Group (100%)
Mega International Commercial Bank Co., Ltd.	Mega Financial Holding Co., Ltd. (100%)
Yuanta Life Insurance Co.,Ltd.	Yuanta Financial Holding Co., Ltd. (100%)
China Life Insurance Co.,Ltd.	China Development Financial Holding Corporation(47.30%); KGI Securities Co., Ltd. (8.66%); Videoland Inc. (2.42%); Cathay Life Insurance Co.,Ltd. (1.27%); Chan, Ling-Lang (1.24%); Sung, Kuang-Ming (0.72%); Standard Chartered Bank in custody for iShares



Names of corporate shareholders	Major shareholders of corporate shareholders
	Core MSCI Emerging Markets ETF (0.66%); Chen, Shih-Chin (0.63%); Citibank (Taiwan) Ltd. in custody for Norges Bank (0.60%); Huang, Pei-Ju (0.60%)
Guo Heng Investment Co., Ltd.	Grand Pacific Petrochemical Corporation (81.60%); Videoland Inc. (18.40%)
GlobalWafers Co., Ltd.	Sino-American Silicon Products Inc. (51.17%), 2018 2nd Mandate of New Labor Pension Fund to Capital Securities (1.44%); Cathay Life Insurance Co.,Ltd. (1.42%); HSBC in custody for RWC Emerging Market Securities Fund Limited (0.87%); Citibank (Taiwan) Ltd. in custody for Government of Singapore -GOS-EFMC (0.86%); JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (0.85%); JPMorgan Chase Bank N.A., Taipei Branch in custody for JP Morgan Fund (0.81%); JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds (0.70%); HSBC in custody for Murray International Trust (0.69%); Chase in custody for JP Morgan Investment (0.69%)
Win Semiconductors Corp.	Tian He Industrial Co., Ltd. (5.12%); CTBC Bank in Custody for Avago Technologies International Sales Pte. Limited (4.72%); Yeh, Kuo-Yi (3.94%); Chen, Chin-Tsai (3.01%); New Labor Pension Fund (2.55%); Standard Chartered Bank in custody for New Era Connection Fund (2.42%); CTBC Bank in Custody for Win Semiconductors Corp. Employees Stock Ownership Trust (1.94%); Yeh, Li-Chuan (1.81%); Yeh, Li-Cheng (1.81%); HSBC in Custody for Virtus Vontobel Emerging Markets Opportunities Fund(1.69%)
Tong Hsing Food Ind. Corp.	Yang Yi-Ling (19.26%); Yang, Hui-Chieh (14.38%); Huang, Yin-Fang (9.99%); Huang, Yin-Chung (9.27%); Yang, An-Cho (7.50%); Yang, Yi-Wen (7.50%); Yang, Chia-Yu (7.25%); Yang, Nien-Hua (7.23%); Yang, Pei-Chen (4.26%); Hsu, Chung-Mei (1.10%)
Sunplus Venture Capital Co., Ltd.	Sunplus Technology Co., Ltd. (100%)

(3) Disclosure of the professional qualifications of directors and supervisors, and the independence of the independent directors

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Liu, Chi-Lun	Bachelor, Department of Applied Physics, Tamkang University; served as Engineer, Product Department, United Microelectronics Corporation; Vice Manager, Manufacturing Department, United Microelectronics Corporation; Vice Manager, Production Planning Department, United Microelectronics Corporation; and Manager, Material Department, Novatek Microelectronics Corp. Currently serving as the Chairman, President, and CEO of the Company; not having circumstances set for in Article 30 of the Company Act.	Among the general directors (independent directors excluded) of the Company, only Liu, Chi-Lun, Chen, Jung-Chin, and Liao, Yung-Shun are employed by the Company, and Lin, Hsin-Tsai is the supervisor of an affiliate; all other directors are not the employees, managerial officers, directors, supervisors of the Company and its affiliates, or the spouses, relatives within second-degree kinship, or linear relatives within third-degree kinship thereof, nor related to any other director as a spouse or within the second-degree of kinship.	—
Chen, Jung-Chin	PhD, Materials Science and Engineering, Tsing Hua University; served as Vice Manager, Product Department, TSMC, Project Manager, Jing-Yen Technology, and Chief, Technology Division, Materials Analysis Technology. Currently serving as the Executive VP and CTO of the Company; not having circumstances set for in Article 30 of the Company Act.		—
Liao, Yung-Shun	Master's, Materials Science and Engineering, Tsing Hua University; served as Chief Engineer, TSMC; Manager, Department of Technology, Integrated Service Technology Inc; Vice Division Chief, Visera Technologies Company Ltd. Currently serving as the Senior VP and COO of the Company; not having circumstances set for in Article 30 of the Company Act.		—

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Wang, Yung-Ta	Master's, Institute of Biomedical Engineering & Environmental Sciences, National Tsing Hua University; Master's, Institute of Technology Innovation & Intellectual Property Management, National Cheng Chi University; served as Optical Design R&D Engineer, Projector Business Division, BenQ Corporation and Manager of CDIB Capital Group; currently serving as the Assistant VP of CDIB Capital Management Corporation; not having circumstances set for in Article 30 of the Company Act.	Among the general directors (independent directors excluded) of the Company, only Liu, Chi-Lun, Chen, Jung-Chin, and Liao, Yung-Shun are employed by the Company, and Lin, Hsin-Tsai is the supervisor of an affiliate; all other directors are not the employees, managerial officers, directors, supervisors of the Company and its affiliates, or the spouses, relatives within second-degree kinship, or linear relatives within third-degree kinship thereof, nor related to any other director as a spouse or within the second-degree of kinship.	—
Lin, Hsin-Tsai	Electronic Engineering Department, Asia Eastern University of Science and Technology; served as Vice Manager, Testing Department, United Microelectronics Corporation and Vice President of Sales, King Yuan Electronics Co., Ltd. Currently serving as the representative of the corporate shareholder for the Company; not having circumstances set for in Article 30 of the Company Act.		—

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Tsui, Chang-Feng	Graduated from Department of Information Management and Computer Management Program, Institute of Computer Science & Information Engineering, Chung Hua University; served as Director of Jing Young Biotech Business Co., Ltd., Director of Wei Cheng Global Enterprise Inc., Secretary General of Alumni Association, Chung Hua University; Director of WEI Hung Tool Co., Ltd.; Chairman and President of Network Era Information Media Co., Ltd.; currently serving as the independent director and the Audit Committee member of the Company; not having circumstances set for in Article 30 of the Company Act.	Four independent director of the Company are not any of the following: an employee, managerial officer, director, or supervisor of the Company or any of its affiliates; the spouse, relative within the second-degree of kinship, or lineal relative within the third-degree of kinship thereof; a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings; a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act; a director, supervisor, or employee of a company where a majority of the company's	—
Yuan, Hung-Chang	Graduated from Department of Business Administration, Fu Jen Catholic University, with a master's degree from Institute of Finance, Chiao Tung University. Served as CFO of TaiwanJ Pharmaceuticals Co., Ltd., Head of Finance of K Laser Technology Inc. Currently serving as the independent director of the Company, and Director and President of TaiwanJ Pharmaceuticals Co., Ltd.; not having circumstances set for in Article 30 of the Company Act.	Four independent director of the Company are not any of the following: an employee, managerial officer, director, or supervisor of the Company or any of its affiliates; the spouse, relative within the second-degree of kinship, or lineal relative within the third-degree of kinship thereof; a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings; a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act; a director, supervisor, or employee of a company where a majority of the company's	—

Criteria Name	Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Chan, Ting-Hsun	Graduated from Department of Accounting, Tunghai University. Served in Deloitte Taiwan, as an independent director of UBI Pharma Inc. Currently serving as the Company's independent director and member of the Audit Committee, Independent Director of Amia Co., Ltd and Wha Yu Industrial Co., Ltd, and CPA of Lan-Jai CPAs Firm; not having circumstances set for in Article 30 of the Company Act.	director seats or voting shares and those of any other company are controlled by the same person; or director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; none of them are related as spouse or within second-degree kinship.	Two
Wang, Chien-Min	Department of Financial and Economic Law, Chung Yuan Christian University; served as Team Leader, Litigation Team, JS International Attorneys At Law; Intern Lawyer of Wu & Associates, Attorneys-at-Law; Specialist of Securities and Futures Investors Protection Center and Clerk of Administrative Enforcement Agency, Taoyuan Branch; currently served as the independent director of the Company and Attorney-in Charge of W.S.C Attorneys at Law; not having circumstances set for in Article 30 of the Company Act.	director seats or voting shares and those of any other company are controlled by the same person; or director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; none of them are related as spouse or within second-degree kinship.	—

Note: None of the directors or supervisors has the circumstances set for in Article 30 of the Company Act

(II) Information on presidents, vice presidents, assistant vice presidents, and officers of departments and branches

Title	Name	Gender	Nationality	Date of inauguration	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second-degree of kinship			Employee's subscription warrants obtained by managerial officers	Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor		
Chairman, President, and CEO (Note 1)	Liu, Chi-Lun	Male	ROC	July 2005	1,310,837	3.18	681,000	1.65	2,787,833	6.75	Bachelor, Department of Applied Physics, Tamkang University Engineer, Product Department, United Microelectronics Corporation Vice Manager, Manufacturing Department, United Microelectronics Corporation Vice Manager, Production Planning Department, United Microelectronics Corporation Manager, Material Department, Novatek Microelectronics Corp	Executive Director, MSS (Shanghai) Electronic Technology Limited Chairman, Nanjing MSS Electronic Technology Limited Chairman, MSS Investment Co., Ltd. Chairman, Shun Shun Investment Co., Ltd.	—	—	—	—	—

Title	Name	Gender	Nationality	Date of inauguration	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second-degree of kinship			Employee's subscription warrants obtained by managerial officers	Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor		
Executive Vice President and CTO (Head of R&D)	Chen, Jung-Chin	Male	ROC	July 2005	—	—	—	—	1,268,180	3.07	PhD, Materials Science and Engineering, Tsing Hua University Vice Manager, Product Department, TSMC Project Manger, Jing-Yan Technology Chief, Technology Division, Materials Analysis Technology Inc.	President, MSS (Shanghai) Electronic Technology Limited Director and President, Nanjing MSS Electronic Technology Limited Director, MSS Investment Co., Ltd. Chairman, Jia Cheng Investment Co., Ltd.	—	—	—	—	—
Senior Vice President and COO	Liao, Yung-Shun	Male	ROC	May 2008	30,000	0.07	9,107	0.02	906,343	2.20	Master's, Materials Science and Engineering, Tsing Hua University Chief Engineer, TSMC Manager, Department of Technology, Integrated Service Technology Inc. Vice Division Chief, Visera Technologies Company Ltd.	Director, Nanjing MSS Electronic Technology Limited Supervisor, MSS (Shanghai) Electronic Technology Limited Director, MSS Investment Co., Ltd. Chairman, Qiao Zan Investment Co., Ltd	—	—	—	—	—

Title	Name	Gender	Nationality	Date of inauguration	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second-degree of kinship			Employee's subscription warrants obtained by managerial officers	Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor		
Vice President and COO	Chou, Hsueh-Liang	Male	ROC	January 2010	410,130	0.99	222,746	0.54	76,445	0.19	Master's, Institute of Earth Sciences, National Cheng Kung University Quality Engineer, Hertide Material Corp. Manager, Failure Analysis Section, United Microelectronics Corporation Manager, Physical Property and Micro-Analysis, Hejian Technology	—	—	—	—	—	—
Vice President and CFO	Su, Ching-Chi	Male	ROC	August 2017	341,250	0.83	103,172	0.25	40,953	0.10	Master's, Institute of Finance, Chiao Tung University Auditor, Deloitte Taiwan Senior Manager, Investment Banking, Capital Securities Sales Assistant VP, Underwriting, Concord Securities Co.,Ltd.	Independent Director, Trusval Technology Co., Ltd.	—	—	—	—	—



Title	Name	Gender	Nationality	Date of inauguration	Shareholding.		Shareholding of spouse and minor children now		Shareholding in the name of others		Major Experience (Education)	Concurrent positions in other companies now	Managerial officers with spouses or relatives with second-degree of kinship			Employee's subscription warrants obtained by managerial officers	Remarks
					Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership			Title	Name	Relationship with the endorser/guarantor		
Vice President and CIO	Chien, Wen-Hsiang	Male	ROC	June 2016	328,904	0.80	—	—	227,853	0.55	Bachelor, Department of Computer Science & Information Engineering, National Taiwan University Senior Consultant, Oracle Senior Consultant, SAP Assistant VP, SAS Technology Platform	Chairman, Asia Ritai Capital Management Co., Ltd.	—	—	—	—	—
Division Chief (Corporate Governance Officer)	Chan, Hui-Wen	Female	ROC	March 2022	52,000	0.13	3,000	0.007	—	—	Master's, Institute of Business Operation, Dayeh University Vice Accounting Manager, ACT Genomics Co. Ltd. Chief Auditor, Integrated Service Technology Inc.	—	—	—	—	—	—

Note 1: In order to strengthen the effectiveness of the Company's operation and decision-making implementation, the chairman, president, and CEO of the Company are the same person to effectively link the board members for participating in each decision-making and build the consensus, to accomplish the board's resolutions. Furthermore, the Company has elected four independent directors in 2021 regular shareholders' meetings, and established the Audit Committee to replace the supervisor system, to increase the external supervision and check-balance power in the board of directors, with more than a half of the directors not concurrently serving as employees or managerial officers, as the implementation of corporate governance goals.

### III. Remuneration for directors, supervisors, presidents and vice presidents

#### (I) Directors' remuneration

Unit: Thousand NTD; %

Title	Name	Directors' remuneration								A, B, C, and D as a % of the net profits after tax		Remuneration for a concurrent position as an employee								A, B, C, D, E, F and G as a % of the net profits after tax		Remuneration from invested enterprises outside subsidiaries or from the parent company
		Base remuneration (A)		Severance and pension (B)		Remuneration for directors (C)		Business execution expenses (D)				Salary, bonus, allowance (E)		Severance pension (F)		Remuneration for employees (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements			
Director	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun	-	-	-	-	7,276	7,276	120	120	2.93%	2.93%	18,196	18,196	216	216	1,748	-	1,748	-	10.91%	10.91%	-
	Representative of Chia Cheng Investment Co., Ltd: Chen, Jung-Chin																					
	Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun																					
	Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta																					
	Representative of Mu-Bo Investment Co., Ltd.: Lin, Hsin-Tsai																					
Independent Director	Tsui, Chang-Feng	-	-	-	-	1,453	1,453	48	48	0.59%	0.59%	-	-	-	-	-	-	-	-	-	-	-
	Yuan, Hung-Chang																					
	Chan, Ting-Hsun																					
	Wang, Chien-Min																					
<p>1. Policy, system, standards, and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed:</p> <p>(1) Directors' remunerations: The independent directors of the Company also function as the Audit and Remuneration Committees, and the directors' remunerations are distributed based on the profit of the year, the time engaged and the risks borne by them.</p> <p>(2) Business execution expenses: mainly the transportation subsidies, and determined by reference to the standard of the peers.</p> <p>2. Except as disclosed above, the remuneration for the directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.</p>																						

Note: The directors were fully re-elected on July 1, 2021.

Directors' remuneration ranges

Remuneration ranges for the directors of the Company	Director's name			
	Total amount of the first four remunerations (A+B+C+D)		Total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements (H)	The Company	All companies in the financial statements (I)
Less than NT\$1,000,000	Tsui, Chang-Feng; Yuan, Hung-Chang; Chan, Ting-Hsun; Wang, Chien-Min	Tsui, Chang-Feng; Yuan, Hung-Chang; Chan, Ting-Hsun; Wang, Chien-Min	Tsui, Chang-Feng; Yuan, Hung-Chang; Chan, Ting-Hsun; Wang, Chien-Min	Tsui, Chang-Feng; Yuan, Hung-Chang; Chan, Ting-Hsun; Wang, Chien-Min
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun, Chen, Jung-Chin, Liao, Yung-Shun; Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta; Representative of Mu-Bo Investment Co., Ltd: Lin, Hsin-Tsai	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun, Chen, Jung-Chin, Liao, Yung-Shun; Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta; Representative of Mu-Bo Investment Co., Ltd: Lin, Hsin-Tsai	Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta; Representative of Mu-Bo Investment Co., Ltd: Lin, Hsin-Tsai	Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta; Representative of Mu-Bo Investment Co., Ltd: Lin, Hsin-Tsai
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun; Representative of Jia Cheng Investment Co., Ltd: Chen, Jung-Chin; Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun; Representative of Jia Cheng Investment Co., Ltd: Chen, Jung-Chin; Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	Nine	Nine	Nine	Nine

(II) Supervisor's remuneration (disclosed in aggregation with name)

Unit: NT\$ Thousand; %

Title	Name	Supervisor's remuneration						A, B, and C as a % of the net profits after tax		Remuneration from invested enterprises outside subsidiaries or from the parent company
		Base remuneration (A)		Remuneration (B)		Business execution expenses (C)		The Company	All companies in the financial statements	
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)			
Supervisor	Chen, Chin-Fu Tsai, Wei-Cheng	—	—	1,441	1,441	24	24	0.58%	0.58%	—

Note: The Company fully re-elected the directors in the regular shareholders' meeting on July 1, 2021; four independent directors were elected to form the Audit Committee to replace the supervisors. The supervisors, Chen, Chin-Fu and Tsai, Wei-Cheng were discharged on July 1, 2021.

Remuneration ranges

Remuneration ranges for the supervisor of the Company	Name of supervisor	
	Total amount of the first three remunerations (A+B+C)	
	The Company	All companies in the financial statements (D)
Less than NT\$1,000,000	Chen, Chin-Fu; Tsai, Wei-Cheng	Chen, Chin-Fu; Tsai, Wei-Cheng
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—
More than NT\$100,000,000	—	—
Total	Two	Two

(III) President and vice president's remuneration (disclosed in aggregation with name)

Unit: Thousand NTD; %

Title	Name	Salary (A)		Severance and pension (B)		Bonus and allowance (C)		Remuneration for employees (D)				A, B, C, and D as a % of the net profits after tax		Remuneration from invested enterprises outside subsidiaries or from the parent company
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Liu, Chi-Lun	15,619	15,619	540	540	14,296	14,296	2,914	-	2,914	-	13.22%	13.22%	-
Executive Vice President	Chen, Jung-Chin													
Senior Vice President	Liao, Yung-Shun													
Vice president	Chou, Hsueh-Liang													
Vice president	Su, Ching-Chi													
Vice president	Chien, Wen-Hsiang													

Remuneration ranges

Remuneration ranges for the presidents and vice presidents of the Company	Name of president or vice president	
	The Company	All companies in the financial statements (E)
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Liao, Yung-Shun; Chien, Wen-Hsiang; Su, Ching-Chi	Liao, Yung-Shun; Chien, Wen-Hsiang; Su, Ching-Chi
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Liu, Chi-Lun, Chen, Jung-Chin; Chou, Hsueh-Liang	Liu, Chi-Lun, Chen, Jung-Chin; Chou, Hsueh-Liang
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	Six	Six

(IV) The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution for the most recent year (2021):

Unit: Thousand

NTD; %

Title	Name	Stock amount	Cash amount	Total	Total amount as a % of the 2021 net profits after tax
President	Liu, Chi-Lun	—	3,060	3,060	1.21%
Executive Vice President	Chen, Jung-Chin				
Senior Vice President	Liao, Yung-Shun				
Vice president	Chou, Hsueh-Liang				
Vice president	Su, Ching-Chi				
Vice president	Chien, Wen-Hsiang				
Division Chief	Chan, Hui-Wen				

(V) Compare and describe the total remuneration paid to directors, supervisors, general managers, and deputy general managers in the most recent 2 years by the Company and all companies in the consolidated financial statements as a % of the net profits after tax in the parent-only or consolidated financial statements, and explain the policies, criteria, combination, the procedures for determining remuneration and the correlation to operating performances and future risks.

Unit: %

Title	Item	2020		2021	
		Total remuneration as a % of the net profits after tax (%)		Total remuneration as a % of the net profits after tax (%)	
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director		2.95%	2.95%	3.52%	3.52%
Supervisor		1.18%	1.18%	0.58%	0.58%
President and vice president		20.27%	20.27%	13.22%	13.22%

The Company's remuneration standards, or structure and system for paying directors, supervisors, presidents and vice presidents, have taken into account of the positive correlation between risks and operating performance, and have achieved a balance between risk and operating performance control. It should not lead directors, supervisors, presidents and vice presidents to engage in conduct that exceeds the Company's risk tolerance to the pursuit of remuneration. Pursuant to the relevant provisions of the Company's Articles of Incorporation, upon the approval of the board of directors, it will be reported to the shareholders' meeting pursuant to the Article 235-1 of the Company Act; the remunerations of the president and vice president include the salaries, bonuses and employees' bonuses, and comply with the Company's system and regulations related to remunerations; the remunerations paid by the Company to the directors and supervisors are based on the degree of their participation in the Company's operations and the value of their contributions.

#### IV. Implementation of corporate governance

##### (I) The operation of the board of directors

1. The Board of Directors held 10 meetings (A), including four meetings of the 8th term and six meetings of the 9th term, respectively, in the most recent year (2021) and as of the publication date of the annual report with the attendance of directors and supervisors as follows:

Title	Name	Number of participation in person (B)	Number of attendance by proxy	Actual participation rate %(B/A)	Remarks
Chairman	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun	10	—	100	Re-elected (Note 1)
Director	Representative of Jia Cheng Investment Co., Ltd: Chen, Jung-Chin	10	—	100	Re-elected (Note 1)
Director	Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun	10	—	100	Re-elected (Note 1)
Director	Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta	10	—	100	Re-elected (Note 1)
Director	Representative of Mu Bo Investment Co., Ltd: Lin, Hsin-Tsai	10	—	100	Re-elected (Note 1)
Independent Director	Tsui, Chang-Feng	6	—	100	Newly elected (Note 1)
Independent Director	Yuan, Hung-Chang	6	—	100	Newly elected (Note 1)
Independent Director	Chan, Ting-Hsun	6	—	100	Newly elected (Note 1)
Independent Director	Wang, Chien-Min	6	—	100	Newly elected (Note 1)
Supervisor	Chen, Chin-Fu	4	—	100	Previously elected (Note 1)
Supervisor	Tsai, Wei-Cheng	4	—	100	Previously elected (Note 1)

Note 1: The directors and supervisors were re-elected and discharged in the regular shareholders' meeting on July 1, 2021.



2. Other matters required to be recorded:

- (1) If the operation of the Board of Directors is under any of the following circumstances, the date, period, proposal content, all independent directors' opinions and the Company's handling of their opinions should be described:

Matters set forth in Article 14-3 of the Securities and Exchange Act: the Company has established the Audit Committee, and the independent directors are applicable for the provision regarding expressing opinions to the resolution set for the Article 14-5 of the Securities and Exchange Act; thus Article 14-3 of the Securities and Exchange Act is not applicable.

- (2) In addition to the previous matters, other board meeting resolutions that have been opposed or reserved by independent directors with records or written statements: No such situation.

3. In the implementation of a director's recusal for being an interested party in a proposal, the director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated:

Board of Directors meeting date	Director's name	Motion content	Reason for recusal	Participation in voting
August 6, 2021	Shun Shun Investment Co., Ltd.	Review the directors' remunerations of Shun Shun Investment Co., Ltd.	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Jia Cheng Investment Co., Ltd.	Review the directors' remunerations of Jia Cheng Investment Co., Ltd.	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Qiao Zan Investment Co., Ltd.	Review the directors' remunerations of Qiao Zan Investment Co., Ltd.	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Zhong Hua Development Advantageous Venture Capital Limited Partnership	Review the directors' remunerations of Zhong Hua Development Advantageous Venture Capital Limited Partnership	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Mu-Bo Investment Co., Ltd.	Review the directors' remunerations of Mu-Bo Investment Co., Ltd.	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Liu, Chi-Lun	Discuss the employee remuneration of Liu, Chi-Lun, and the salary adjustment for 2021	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Chen, Jung-Chin	Discuss the employee remuneration of Chen, Jung-Chin, and the salary adjustment for 2021	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.
August 6, 2021	Liao, Yung-Shun	Discuss the employee remuneration of Liao, Yung-Shun, and the salary adjustment for 2021	Recusal due to conflict of interest, as required by the Company Act	The proposal was passed by the directors present unanimously, except for those directors who had recused themselves from attending the meeting and voting according to the laws.

4. The periodicity and duration, scope, method and content of the self-evaluation (or peer evaluation) by the board of directors are as below:

Evaluation cycle	Evaluation duration	Evaluation scope	Evaluation method	Evaluation content
Once a year	01/01/2021 ~ 12/31/2021	Performance evaluation for board members, the board and functional committees	Board member self-evaluation, self-evaluation within the board and within the functional committees for performance	1. Evaluation and measurement of the board's performance (1) Participation in the operation of the company (2) Improvement in the quality of the board's decision-making (3) Composition and structure of the board (4) Election and continuing education of directors (5) Internal control 2. Evaluation of the board member's performance (1) Alignment of the Company's objectives and tasks (2) Participation in the operation of the company (3) Internal relationship management and communication (4) Professionalism and continuing education of directors (5) Internal control 3. Evaluation of the functional committees' performance (1) Participation in the operation of the company (2) Perception of functional committees' responsibilities (3) Improvement in the quality of the functional committee's decision-making (4) Composition and member appointment of functional committees. (5) Internal control

5. Evaluation of the objective for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year:

(1) Establishment of the Audit Committee

The Company established the Audit Committee to replace the supervisors on July 1, 2021; the members of the Audit Committee consist of all independent directors; since the establishment of the Audit Committee, at least one meeting has been convened quarterly, and the Committee operated smoothly.

(2) Establishment of Remuneration Committee

To enhance the remuneration system for the directors and managerial officers, the Company established the Remuneration Committee on July 9, 2021, to assist the board of directors to fulfill its supervisory responsibility. As of the publication date of the annual report, three meetings were convened, and operated smoothly.

(3) Directors' continuing education

To encourage directors' continuing education, the Company regularly arranges lecturers with courses to continuously replenish their new knowledge.

(II) The operation of the Audit Committee or the participation of supervisors in the operation of the board of directors

1. The Company elected four independent directors in the regular shareholders' meeting on July 1, 2021, and established the Audit Committee on the same day pursuant to the Securities and Exchange Act. The Audit Committee held 5 meetings (A) in the most recent year (2021) and as of the publication date of the annual report with the attendance of independent directors as follows:

Title	Name	Number of participation in person (B)	Number of attendance by proxy	Actual participation rate (%) (B/A)	Remarks
Independent Director	Tsui, Chang-Feng	5	—	100	—
Independent Director	Yuan, Hung-Chang	5	—	100	—
Independent Director	Chan, Ting-Hsun	5	—	100	—
Independent Director	Wang, Chien-Min	5	—	100	—

2. Other matters required to be recorded:

(1) If the operation of the Audit Committee is under any of the following circumstances, the date, term, proposal content, all independent directors' dissented opinions, qualified opinion, or material suggestion content, the resolution of the Audit Committee, the Company's handling their opinions, and the matters specified in Article 14-5 of the Securities and Exchange Act, should be described: see the following table.

(2) In addition to the previous matters, other matters that have not been approved by the Audit Committee but approved by more than two-thirds of all directors: see the following table.

Date and session of the Audit Committee meetings	Motion content	Matters specified in Article 14-5 of the Securities and Exchange Act	A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee of the Company.
July 9, 2021, 1st meeting, 1st Term	1. Amending the "Table of Approval Authority," and some provisions of the "Salary and Work Cycle"	V	None
	2. Investment proposal to purchase plant-office for the Nanjing subsidiary	V	None
	3. The Company intended to increase investment in the investee in China, "Nanjing MSS Electronic Technology Limited"	V	None
	Resolutions of the Audit Committee: approved by all Audit Committee members		
	The Company's handling of the Audit Committee members' opinions: approved by all attending directors		
August 6, 2021, 2nd meeting, 1st Term	1. Proposal of consolidated financial statements for the first half of 2021	V	No
	2. Proposal of amendment to the "Internal Control System" and "Plan of Internal Audit Implementation"	V	No
	Resolutions of the Audit Committee: approved by all Audit Committee members		
	The Company's handling of the Audit Committee members' opinions: approved by all attending directors		
December 22,	1. Proposal to commission Deloitte Taiwan	V	No

Date and session of the Audit Committee meetings	Motion content	Matters specified in Article 14-5 of the Securities and Exchange Act	A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee of the Company.	
2021, 3rd meeting, 1st Term	for 2022 taxation audit and certification, and the service fee.			
	2. Plan for the Company to enhance the ability to prepare the financial reports in-house	V	No	
	3. Amendment to written internal control system and other related management procedures	V	No	
	4. 2022 audit plan	V	No	
	Resolutions of the Audit Committee: approved by all Audit Committee members			
	The Company's handling of the Audit Committee members' opinions: approved by all attending directors			
March 31, 2022, 4th meeting, 1st Term	1. 2021 financial report	V	No	
	2. 2021 business report	V	No	
	3. Proposal of 2021 earning distribution	V	No	
	4. To cope with the share listing, the financial forecasts for Q2 and Q3 2022 were prepared.	V	No	
	5. 2021 appraisal of the effectiveness of the internal control system, and the Statement of the internal control system	V	No	
	6. Established the operational procedures for financial and business dealings with affiliates and related parties	V	No	
	7. Amended the "Articles of Incorporation"	V	No	
	8. Amended the Company's organizational structure	V	No	
	9. Amended "Operating Procedures for Acquisition or Disposal of Assets"	V	No	
	10. Amended "Rules of Procedure for Shareholders' Meetings"	V	No	

Date and session of the Audit Committee meetings	Motion content	Matters specified in Article 14-5 of the Securities and Exchange Act	A resolution is adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee of the Company.	
	11. Amended the “Corporate Governance Best Practice Principles”	V	No	
	12. Amended the “Corporate Social Responsibility Best Practice Principles”	V	No	
	13. Intended to approve the Company’s “Corporate Governance Self-Evaluation Report”	V	No	
	14. Proposal to appoint and discharge the corporate governance officer	V	No	
	15. Coordinated certain shareholders to cooperate with the Company’s over-allotment for public listing, and the centralized custody for a certain period when listing.	V	No	
	Resolutions of the Audit Committee: approved by all Audit Committee members			
	The Company’s handling of the Audit Committee members’ opinions: approved by all attending directors			
May 11, 2022, 5th meeting, 1st Term	1. 2022 Q1 financial report	V	No	
	2. Amending the computerized information system cycle and authority of approval	V	No	
	3. Updating the 2022 audit plan	V	No	
	4. Subsidiary, MSS (Shanghai) Electronic Technology Limited established the written internal control system and other related management procedures	V	No	
	Resolutions of the Audit Committee: approved by all Audit Committee members			
	The Company’s handling of the Audit Committee members’ opinions: approved by all attending directors			

(3) In the implementation of an independent director’s recusal for being an interested party in a proposal, the independent director’s name, the proposal content, the

recusal reasons and his or her participation in voting should be stated: None.

- (4) Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):

Summary of the communications between the independent directors and CPAs

Date	Communication meeting	Matters communicated	Communication outcomes
July 9, 2021	Audit Committee	Internal audit activities	No opinion raised in this meeting
August 6, 2021	Audit Committee	Internal audit activities	No opinion raised in this meeting
December 22, 2021	Audit Committee	Internal audit activities	No opinion raised in this meeting
December 22, 2021	Audit Committee	The independent directors and CPAs communicated the planning of audit for 2021 financial reports and the key audit matters.	No opinion raised in this meeting
March 31, 2022	Audit Committee	Internal audit activities	No opinion raised in this meeting
May 11, 2022	Audit Committee	Internal audit activities	No opinion raised in this meeting

- (5) Key annual tasks of the Audit Committee:

- A. Review the financial reports.
- B. Review the engagement and independence of CPAs and the service fees of CPAs.
- C. Review the annual audit plans.
- D. Evaluate the effectiveness of the internal control system design and implementation, as well as review the internal audit reports and tracking reports.



### 3. Supervisors' participation in the board of directors

In the most recent year (2021), the board of directors of the 8th term convened four (A) meetings, and the participation is as below:

Title	Name	Number of participation in person (B)	Number of attendance by proxy	Actual participation rate (%) (B/A)	Remarks
Supervisor	Chen, Chin-Fu	4	—	100	—
Supervisor	Tsai, Wei-Cheng	4	—	100	—

Other matters required to be recorded.

#### I. Composition and responsibility of supervisors:

(I) Communication between supervisors, employees and shareholders (such as communication channels and approaches):

The supervisor may exercise the power of supervision timely, and they may communicate with the employees and shareholders timely when necessary. The supervisor may review the internal audit reports of the Company and track the implementation of the Company's internal control and internal audit.

(II) Communication between supervisors, internal audit officer and CPA (e.g. major matters, methods and results of communication on the Company's financial and business conditions):

1. The audit officer, based on the audit plan, when the audit items are completed, shall submit the audit report to the supervisor on time as required by laws and regulations, and report the audit implementation status to the board of directors periodically.

2. The CPAs report the audit results of the financial statements to the supervisor as necessary, as well as other communication matters required by relevant laws and regulations.

II. If the supervisor participates in the board meetings and expresses opinions, the date of the board meeting, the session, the content of the proposal, the results of the resolution adopted by the board of directors, and the Company's treatment of the supervisor's opinions shall be specified:  
None.

(III) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reason

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?”	V		On April 27, 2021, the board of directors approved the Corporate Governance Best Practice Principles, mainly to be used to establish an effective corporate governance framework, protect the interests of shareholders, strengthen the functions of the board of directors, exert the supervisors’ functions, respect the interests of stakeholders, and improve information transparency. The details of the Principles are disclosed in the Corporate Governance section on the official website.	None
II. The Company’s equity structure and shareholder equity (I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes, litigations, and implemented them according to the procedures? (II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?  (III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?  (IV) Has the Company formulated internal regulations to prevent	V  V  V  V		(I) The spokesperson, acting spokesperson, IR, and shareholder service are established to handle the related shareholders’ issues.  (II) The shareholder service company (Shareholder Service Agent Department of Taishin Securities Co., Ltd) is engaged; internally, there is a shareholder service unit to grasp the related information. The Company has good relationship with shareholders, without material dispute or litigation.  (III) The business transactions between the Company and its subsidiaries are handled pursuant to the internal control system and relevant laws and regulations.  (IV) The “Management Procedures for Preventing Insider	None

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
insiders from trading securities using undisclosed information on the market?			Trading” have been prescribed, and relevant personnel implement accordingly to avoid improper leakage of information and prevent insider trading from occurring.	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Does the board of directors formulate diversified policies, and specific management objectives and implementation?</p> <p>(II) Does the Company voluntarily establish functional committees other than the Remuneration Committee and the Audit Committee?</p> <p>(III) Does the Company formulate a performance evaluation method and approaches for the Board of Directors, conduct performance evaluation annually and regularly, and report the performance evaluation results to the Board of Directors and apply it as a reference for the consideration of remuneration and nomination of each director?</p> <p>(IV) Does the Company regularly evaluate the independence of the attesting CPAs?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company’s board members have different expertise in each field, and help the Company’s operation to a certain degree.</p> <p>(II) Currently, the Company has set up the Audit Committee and the Remuneration Committee. In the future, different functional committees may be set up based on the overall development to meet the actual needs.</p> <p>(III) The Company has passed the “Measures for the Board of Directors Performance Evaluation” on April 27, 2021; the evaluation was conducted in 2021 and the evaluation results were reported to the board of directors on March 31, 2022.</p> <p>(IV) The Company regularly reviews the independence of the CPAs, and reports the evaluation results to the board of directors (Note 1). The accounting firm issues a letter of declaration.</p>	No significant difference

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
IV. Does the public listed company have a suitable and appropriate number of corporate governance personnel and appoint a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors to perform their business, assisting directors in complying with laws and regulations, conducting board meeting and shareholder meeting related matters in accordance with law, handling company registration and alteration registration, and preparing minutes of board meetings and shareholder meetings)?	V		The board of directors approved to establish the corporate governance officer on March 31, 2022.	None
V. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special section for stakeholders on the Company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V  V  V		(I) There are spokespersons and acting spokespersons as the main communication channel with external stakeholders. (II) Have smooth communication channels with banks, creditors, employees, customers and suppliers, and respect and protect their legitimate interests. (III) The Company's website has set up a stakeholder section so that stakeholders can click to enter and understand the contact channels of various related issues and obtain appropriate responses.	None
VI. Has the Company appointed a professional stock affairs agency to handle matters for shareholder meetings?	V		In addition to the internal dedicated personnel for shareholders' service, Shareholder Service Agent Department, Taishin Securities is also retained to handle the affairs related to the shareholders' meetings.	None
VII. Information Disclosure (I). Has the Company set up a website to disclose finance and business matters and corporate governance	V  V		(I) The "Investor" section is set up at the website, link: <a href="http://www.msscrops.com.tw">http://www.msscrops.com.tw</a> (II) Set up the dedicated personnel	None

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
<p>information?</p> <p>(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?</p> <p>(III) Does the Company publicly announce and file annual financial statements within two months after the end of the fiscal year? The financial statements for the first, second and third quarters and the monthly operating status before the prescribed deadline?</p>		V	<p>to be responsible for the collection and disclosure of the Company's information, and have a spokesperson and an acting spokesperson to implement the spokesperson system. If there is an investor conference in the future, its key content will also be available on the Company's website and MOPS.</p> <p>(III) The annual financial report shall be announced and reported pursuant to Article 36 of the Securities and Exchange Act, and the monthly operating conditions are reported within the prescribed time limit.</p>	
<p>VIII. Does the Company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and supervisors, Implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?</p>	V		<p>1. Employee interests: Treat employees with ethics, protect their legitimate and interests of employees pursuant to the Labor Standards Act, and establish the Employee Welfare Committee to coordinate and handle the employee benefit-related matters. Build a good relationship of mutual trust and mutual reliance with employees. For example: subsidizing community activities, providing cultural and recreational entertainment and health examination.</p> <p>2. Investor relations: Spokesperson and acting spokesperson are established to handle shareholders' opinions and suggestions, and an investor section is set up on the website to provide information.</p> <p>3. Supplier relationship: Transactions with each supplier are based on the contracts, a good long-term partnership is</p>	None

Evaluation Items	The State of Operations			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor.
	Yes	No	Summary Description	
			<p>maintained, and evaluations are conducted pursuant to the supplier management procedure. The new supplier's product quality, financial position, price, supply quantity, environmental protection, occupational safety and health and other aspects are evaluated, and only those passing the evaluation will become qualified suppliers.</p> <p>4. Rights of stakeholders: Stakeholders may communicate and raise suggestions to the Company through e-mail, telephone, or official website, as a protection of their interests.</p> <p>5. Directors and supervisors' continuing education: in 2021, all directors (independent directors) have fulfilled the statutory hours of continuing education. Please refer (Note 2) for the details of the board members' 2021 continuing education.</p> <p>6. The implementation of risk management policies and risk measurement standards: The Company implements hierarchical accountability, and integrated and reports to the President's Office.</p> <p>7. Implementation of customer policy: maintain a stable and good relationship with customers, to create a sustainable and stable source of profit for the Company.</p> <p>8. The Company purchases liability insurance for directors: it has been implemented after the re-election of the 2021 regular shareholders' meeting.</p>	
IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved: Not applicable.				

Note 1: Evaluation criteria of the independence of the CPAs:

Evaluation Items	Evaluation result	Status of independence
1. The CPAs do not serve as a director of the Company or its affiliates.	Yes	Yes
2. The CPAs are not shareholders of any affiliate of the Company.	Yes	Yes
3. The CPAs are not paid with salaries in the Company's affiliates.	Yes	Yes
4. The CPAs confirm that their accounting firm has complied with the relevant independence regulations.	Yes	Yes
5. No partner of CPAs' accounting firm has not served as a director, managerial officer, or any position that has a significant influence on the audit case of the Company within one year.	Yes	Yes
6. No CPAs has provided auditing services to the Company for seven consecutive years (starting from the public offering).	Yes	Yes
7. The CPAs have complied with the Norm of Professional Ethics for Certified Public Accountant No. 10 regarding independence.	Yes	Yes

Note 2: Continuing education received by the board member in 2021

Director	Advanced study date	Course organizer	Course of continuing education	Training hours	Personal continuing education hours
Liu, Chi-Lun	July 9, 2021	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Chen, Jung-Chin	July 9, 2021	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Liao, Yung-Shun	July 9, 2021	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Wang, Yung-Ta	July 9, 2021	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Lin, Hsin-Tsai	July 9, 2021	Taiwan Corporate Governance Association	Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors	3	

			for securities trading		
Tsui, Chang- Feng	July 9, 2021		Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Yuan, Hung- Chang	July 9, 2021		Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Wang, Chien- Min	July 9, 2021		Corporate governance and securities regulations	3	6
	December 22, 2021		Analysis of false financial statement cases and the responsibility of directors and supervisors for securities trading	3	
Chan, Ting- Hsun	July 9, 2021		Corporate governance and securities regulations	3	18
	September 15, 2021	The National Federation of CPA Associations of the R.O.C.	Accounting standards: accounting treatment of income tax	3	
	September 17, 2021		Virtual currencies and new chapter of AML	3	
	November 16, 2021		Planning and application of the legal functions of insurance policy	3	
November 29, 2021	Sharing the business tax case selection and common errors/ analysis of tax disputes		6		



(IV) Composition and operation of the Remuneration Committee

1. Information on the members of the Remuneration Committee

March 31, 2022

Position	Name	Criteria Professional qualification and experience	Independence	Number of other public companies in which the individual is concurrently serving as a remuneration committee member
Independent Director	Tsui, Chang-Feng	Graduated from Department of Information Management and Computer Management Program, Institute of Computer Science & Information Engineering, Chung Hua University; served as Director of Jing Young Biotech Business Co., Ltd., Director of Wei Cheng Global Enterprise Inc., Director of Wei Hung Tool Co., Ltd.; Chairman and President of Network Era Information Media Co., Ltd.; Secretary General of Alumni Association, Chung Hua University; currently serving as the independent director and the Audit Committee member of the Company; not having circumstances set for in Article 30 of the Company Act.	Three members of the Remuneration Committee are served by the Company's independent directors, and are not any of the following: and employee, managerial officer, director, or supervisor of the Company or any of its affiliates; the spouse, relative within the second-degree of kinship, or lineal relative within the third-degree of kinship thereof; a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings; a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or	—

Independent Director	Yuan, Hung-Chang	Graduated from Department of Business Administration, Fu Jen Catholic University, with a master's degree from Institute of Finance, Chiao Tung University. Served as CFO of TaiwanJ Pharmaceuticals Co., Ltd., Head of Finance of K Laser Technology Inc. Currently serving as the independent director of the Company, and Director and President of TaiwanJ Pharmaceuticals Co., Ltd.; not having circumstances set for in Article 30 of the Company Act.	that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act; a director, supervisor, or employee of a company where a majority of the company's director seats or voting shares and those of any other company are controlled by the same person; or director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company; a professional individual who, or an owner, partner, director, supervisor, or officer of a sole	—
Independent Director	Chan, Ting-Hsun	Graduated from Department of Accounting, Tunghai University. Served in Deloitte Taiwan, as an independent director of UBI Pharma Inc. Currently serving as the Company's independent director and member of the Audit Committee, Independent Director of Amia Co., Ltd and Wha Yu Industrial Co., Ltd, and CPA of Lan-Jai CPAs Firm; not having circumstances set for in Article 30 of the Company Act.	proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; none of them are related as spouse or within second-degree kinship.	Two

2. Current term of office: From July 1, 2021 to June 30, 2024. There were three Remuneration Committee meetings (A) held in the most recent year. The qualifications and attendance of the Remuneration Committee members are as follows:

Title	Name	Number of participation in person (B)	Number of attendance by proxy	Actual participation rate (%) (B/A)	Remarks
Independent Director	Tsui, Chang-Feng	3	—	100	—
Independent Director	Yuan, Hung-Chang	3	—	100	—
Independent Director	Chan, Ting-Hsun	3	—	100	—

3. 2021 and up to the publication date of the annual report, the key resolutions adopted by the Remuneration Committee:

Remuneration Committee Date and session	Motion content	Resolution result
1st Meeting, 1st Term August 6, 2021	1. Remuneration Committee's work plan and operation pattern 2. Regulations Governing Directors and Managerial Officers' Remuneration Payment 3. Regulations Governing Employees' Remuneration Payment 4. Distribution of directors' remunerations 5. Distribution of manager officers' remunerations and 2021 salary adjustment	No opinion raised in this meeting
2nd Meeting, 1st Term December 22, 2021	1. Amendment to the Remuneration Committee Charter 2. Amendment to the Regulations of Directors and Managerial Officer Performance Evaluation 3. Assessment of managerial officers' remuneration and performance	No opinion raised in this meeting
3rd Meeting, 1st Term March 31, 2022	1. 2021 Employees' remunerations and directors' and supervisors' remuneration	No opinion raised in this meeting

(V) The implementation of the sustainable development and its deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and designated a full-time (part-time) unit to promote sustainable development, which is to be handled by the senior management with the authorization of the Board of Directors, and the actual supervision of the Board of Directors?		V	While the Company has not set up a dedicated (concurrent) unit to promote sustainable development, currently, it is the accounting department coordinating the promotion of the Company’s sustainable development affairs. The Chief of Accounting Division is approved by the board of directors to serve as the corporate governance officer. Each department implements the Company’s social responsibility and maintains the operation for public welfare, and continues to promote sustainable development in daily operating activities.	None
II. Does the company conduct risk assessments on environmental, social, and corporate governance issues related to the Company’s operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V	The Company has established the “Sustainable Development Best Practice Principles,” the “Corporate Governance Best Practice Principles,” the “Management Procedures for Preventing Insider Trading,” the “Codes of Ethical Conduct,” and the “Procedures and Approaches of Internal Control Self-Evaluation.” With the continuous operations of various management procedures, to grasp and respond to the risks such as operation-related environment, employee safety, customer, suppliers and each stakeholder. Risk management policies or strategies are established as below: 1. Environment (1) Support the policy to use green power. It is expected that from 2023, green power will be introduced into the Company’s power consumption. Currently, it has been negotiating with a number of green power providers. (2) The Company is not a manufacturer, but in order to implement environmental protection and reduce the Company’s overall carbon emissions, the Company promotes a paperless policy by reducing photocopying. In addition, the Company also adopts the control of the indoor air-	None

Promotion items	Status of implementation		Summary Description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No		
			<p>conditioning temperature in the office and observes the environmental regulations for the management of energy saving and carbon reduction.</p> <p>2. Social</p> <p>(1) By establishing an industrial-academic collaboration mechanism, work-study programs and industry mentor programs with various universities, to attract outstanding talents to join, so that students are employed immediately upon graduation while reducing the lack of talent recruitment that affects the Company’s operations.</p> <p>(2) The Company values the information security and confidentiality, and obtains ISO 27001 (information security certification) with regular reviews from external auditing and certification institutions, to ensure the security of company operations, and customers may commission projects with peace of mind, without concern about leakage of confidential information.</p> <p>(3) Hold the meetings of the Employee Welfare Committee, labor-management meetings, and employee symposiums quarterly, to communicate with employees for avoiding labor-management disputes. Employees may raise suggestions through meetings or suggestion boxes. The Company and its employees work together to create a harmonious and good labor-management relationship.</p> <p>3. Corporate governance</p> <p>(1) The Company has established a corporate governance officer to assist directors in handling the meetings of the board of directors and shareholders pursuant to the law, and comply with various laws and regulations.</p> <p>(2) Insuring directors with the director’s liability insurance, to protect them against lawsuits or claims. Directors are arranged with the continuing education courses</p>	

Promotion items	Status of implementation		Summary Description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No		
			<p>every year, to provide directors with the latest regulations and policies.</p> <p>(3) Establish the communications channel for stakeholders, set up a dedicated section for investors on the Company’s website, as well as a mailbox for stakeholders to report. By active and effective communication, it is to reduce confrontation and misunderstanding. The investor mailbox is set up, and the Company’s spokesperson system handles such and is responsible for responding.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?</p> <p>(II) Is the Company committed to improving resource utilization efficiency and using recycled materials with low impact on the environment?</p> <p>(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?</p> <p>(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and the total weight of waste for the past two years and formulate policies for energy conservation and</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company’s environmental management is handled pursuant to the domestic environmental safety and health-related regulations. In addition, the Company has a labor safety and health management unit, and is committed to environmental safety maintenance.</p> <p>(II) The Company continues to promote energy-saving measures, such as waste sorting and recycling, and paper reduction, to reduce the impacts on the environment. In addition, companies with waste disposal permits have also been retained to recycle related wastes.</p> <p>(III) The Company has established the “Sustainable Development Best Practice Principles.” The Company not only should consider the impact of operations on ecological benefits, but also enhance the internal promotion to implement and promote the importance of environmental protection, with the evaluations of the potential impact of climate change, to achieve the goal of strengthening environmental protection.</p> <p>(IV) In order to implement environmental protection and reduce the Company’s overall carbon emissions, the Company</p>	None

Promotion items	Status of implementation			Summary Description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No			
carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?				is committed to saving energy, sorting garbage and recycling waste, and controlling photocopiers to promote the Company’s paperless policy. In addition, the Company controls the temperature of indoor air conditioning in the office, replaces old and high-energy-consuming equipment, and observes environmental regulations, to achieve energy-saving and carbon-reduction management; statistical reviews on water and power consumption are regularly conducted.	
IV. Social issues (I) Has the company formulated relevant management policies and procedures according to relevant laws and regulations and the International Bill of Human Rights?	V			(I) The Company respects human rights and supports the concept of diversity and equality. It complies with the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Covenant and the United Nations International Labor Organization, and other internationally recognized human rights conventions. The management policies are established pursuant to the relevant laws and regulations, for protecting employees’ legitimate interests.	None
(II) Whether the Company has formulated and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately reflects operating performance or results in employee remuneration?	V			(II) The Company values employee benefits, and protects employees’ interests with the related measures: 1. Employee welfare programs The Company values employee benefits and regards employees as the Company’s most important asset. It has also established the Employee Welfare Committee to implement various welfare measures, including wedding and funeral subsidies (such as wedding gift money, maternity gift money, birthday gift money, public injury condolences, and funeral condolences, among other things), company trips, emergency relief, birthday celebration events, festival gift money/ vouchers, subsidies for club	None

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
(III) Operating performance or results are also appropriately reflected in the compensation of employees (annual salary adjustment and promotion based on performance appraisal).	V		<p>activities, as well as providing employees with afternoon tea and snacks and other employee benefits that are better than required by the Labor Standards Act.</p> <p>2. Employees’ remunerations The Company specifies in the Company’s Articles of Incorporation, that no less than a certain percentage will be allocated as employee remunerations based on the profit status of the current year, as to reflect the operating performance in employee remunerations. In addition, various incentive bonuses are also set up, including monthly bonuses, quarterly bonuses, year-end bonuses and annual performance bonuses, plus the group competition bonuses, to motivate all employees to work together for the Company’s profit goal, and the Company is also happy to share with employees of the profits.</p> <p>(III) The Company promotes labor safety and healthy working environment as follows:</p> <p>1. The Company has a dedicated unit and personnel responsible for occupational safety and health management and implementation, for creating a safe, healthy, comfortable and friendly working environment for all employees, and for regularly planning and implementing free health examination packages for employees. In addition, orientations are conducted as required, and safety education and training and health education courses are regularly implemented, to enhance employees’ awareness of hazards, reduce the occurrence of hazards, and protect the safety and health of employees.</p> <p>2. All of the Company’s plants have obtained ISO 9001, IECQ 17025 and ISO 27001 certifications, which are information security certification, quality management certification and laboratory certification, respectively. It has also prescribed the code for safety and health</p>	



Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
			work; through the implementation of the management system, the Company’s environmental maintenance and the safety management of employee operations are enhanced.	
<p>(IV) Does the company have established an effective career development training program planned for employees?</p> <p>(V) Does the Company comply with relevant laws and international standards, and formulate relevant right and interest protection policies and grievance procedures to deal with customers for products and services, such as customer health and safety, customer privacy, marketing and labelling, etc.?</p> <p>(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?</p>	V	V	<p>(IV) The Company is people-oriented and values the cultivation and incubation of talents. From the new recruits on board, there is a personal education and training manual. Depending on the Company’s strategic development and the needs of each department, seed instructors are set up to be responsible for the education and training of new recruits and on-the-job training. NDA is required to sign for each analysis technological method trained, to ensure that the Company’s confidential working methods are not leaked, and to achieve a complete and effective career development training program for employees. Combined with the external training courses from time to time, for both the development of generalists and specialists, enabling each employee to plan his/her personal career path according to their development preference.</p> <p>(V)</p> <ol style="list-style-type: none"> <li>1. The Company is one of the few professional analysis companies in Taiwan that have obtained ISO 9001, IECQ 17025 and ISO 27001 certifications at the same time. It is regularly reviewed by external auditing institutions, and regularly conducts customer satisfaction surveys, to make endeavors to protect customers’ information and interests, as to secure the quality of the commissioned projects, without concern of leaking the R&amp;D secrets.</li> <li>2. The Company has set up a dedicated section for stakeholders on the Company’s website, and set up complaint mailboxes and dedicated contact windows for employees,</li> </ol>	None

Promotion items	Status of implementation			Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No	Summary Description	
			<p>customers, suppliers, and investors, for effective and direct communications with stakeholders.</p> <p>(VI)The Company does not have raw material suppliers; for equipment suppliers, it has established the “Supplier Management Procedures,” requiring suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights. In addition, the Company also conducts supplier evaluations regularly, and timely replaces suppliers who fail to meet the above regulations.</p>	
V. Does the Company refer to the internationally accepted reporting standards or guidelines to prepare the sustainability reports for disclosing the Company’s non-financial information? Has the assurance or opinion from third-party certifying institutions been obtained for the aforementioned reports?	V		<ol style="list-style-type: none"> <li>1. The Company has complied with the Core option of the GRI Sustainability Reporting Standards (GRI Standards) of the Global Reporting Initiative (GRI) as the disclosure principle, and supplemented with the Sustainability Accounting Standards Board (SASB) Standard: professional and commercial services, to prepare the 2021 Sustainability Report for the first time.</li> <li>2. The Sustainability Report prepared by the Company for the first time is expected to take the assurance process from a third-party verification institution in Q3, 2022.</li> </ol>	None
VI. If the Company has the sustainable development best practice principles formulated in accordance with the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the differences between its operation and the principles: the Company has established the “Sustainable Development Best Practice Principles,” and will implement accordingly; there is no significant difference from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.”				
VII. Other important information that helps understand the promotion of sustainable development: (I) Social welfare Since 2013 up to now, the Company has donated materials needed by the St. Francis Children Center/Girl’s Home/nursery homes Since 2017 up to now, the Company has donated to Kaohsiung Dreamwork Academy to assist students from underprivileged families with materials and equipment for after-school tutoring. Since 2018 up to now, the Company has donated funds to Kaohsiung Community Development Association for elderly care and event sponsorship.				

Promotion items	Status of implementation		Summary Description	Deviation from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons:
	Yes	No		
<p>(II) Environmentally friendly In 2020, the Company and major domestic enterprises had jointly participated in the promotion of the “Do One Thing for Tamsui River” environmental protection event.</p> <p>(III) Industrial cooperation The Company’s executives have long served in the “Industry Mentor” system of the Department of Materials Science and Engineering, Tsing Hua University, to cultivate outstanding semiconductor talents by combining theoretical and practical experience. The Company has established the work-study internship system with schools, for the “employment upon graduation,” to reduce the unemployment problem.</p>				

(VI) The Practice of Ethical Corporate Management and Related Policies and Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies

Promotion items	Status of implementation			Deviation From the "Ethical Corporate
	Yes	No	Summary Description	
<p>I. Establishment of ethical corporate management policy and proposal</p> <p>(I) Has the Company formulated an ethical corporate management policy approved by the Board of Directors, and are the policy and practice of ethical corporate management stated in the Company's regulations and external documents, as well as the commitment of the Board of Directors and the senior management to actively implement the policy?</p> <p>(II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(III) Whether the Company has specified operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviews and amends it?</p>	V		<p>(I) The Company has established the "Ethical Corporate Management Best Practice Principles" to disclose the policy of ethical corporate management. Ethics and integrity are important core values in the operation of an enterprise, and upholding ethics is a responsibility to shareholders, customers, suppliers, business partners, and peers.</p> <p>(II) The Company specifies the guidelines for conflicts of interest, legal compliance, trade secrets and Company assets, political event participation and related conducts in the "Ethical Corporate Management Best Practice Principles." In addition, in the orientation, the importance of ethics and integrity is disclosed through the Company's regulations</p> <p>(III) The "Procedures for Ethical Management and Guidelines for Conduct" are established to concretely regulate the matters to be paid attention to when conducting business.</p>	None
<p>II. Implementation of Ethical Corporate Management</p>	V		<p>(I) The Company treats customers,</p>	None

Promotion items	Status of implementation			Deviation From the “Ethical Corporate
	Yes	No	Summary Description	
(I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?	V		suppliers, competitors and employees with fairness and impartiality, and does not allow the competitive advantage derived from dishonest conduct.	
(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and regularly report (at least once a year) to the Board of Directors on its ethical management policy and plan to prevent unethical conduct and monitor their implementation?	V		(II) Ethical conduct and improvement of conduct: the “President’s Office” takes charge of planning and promoting. System compliance: The internal audit unit formulates an annual audit plan based on the risk assessment results, submits the plans to the board of directors for approval, and regularly reports the implementation of audit operations to the board of directors.	
(III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it?	V		(III) Employees: The Company has established the policy of preventing conflicts of interest in the “Ethical Corporate Management Best Practice Principles.” All employees are obliged to avoid possible conflicts of interest between individuals and the Company, and when making decisions or engaging in any conduct, the starting point must be the Company’s best interests. Directors: The rules of procedure for the board of directors meetings specify the recusal system for directors to avoid conflict of interests: directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may represent and answer questions, but not participate in discussion or voting on that proposal.	
(IV) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?	V		(IV) The internal audit unit regularly reports	
(V) Does the Company				

Promotion items	Status of implementation			Deviation From the “Ethical Corporate
	Yes	No	Summary Description	
regularly organize internal and external education and training on ethical corporate management?			<p>the implementation of the audit work to the board of directors.</p> <p>(V) The Company promotes such at various meetings from time to time, to ensure its full implementation.</p>	
<p>III. The operation of the Company’s whistleblower reporting system</p> <p>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?</p> <p>(II) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?</p> <p>(III) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?</p>	V	V	<p>(I) The Company has set up an employee suggestion box and e-mail, for employees to report violations of ethics by phone or letter, and appropriate rewards and punishments are given.</p> <p>(II) The Company is responsible to keep the involved parties confidential for communication and response.</p> <p>(III) The Company takes measures to protect whistleblowers from being improperly handled due to reporting.</p>	None
<p>IV. Intensification of Disclosure</p> <p>Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market</p>	V		By setting up website, MOPS and disclosure in the shareholders’ meeting annual report, the Company discloses the actions of fulfilling ethical corporate management and the effects of promotion.	None

Promotion items	Status of implementation			Deviation From the “Ethical Corporate
	Yes	No	Summary Description	
Observation Post System?				
V. If the Company has the ethical corporate management best practice principles formulated in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the differences between its operation and the principles: No difference				
VI. Other key information helpful for understanding the operation of the Company’s ethical corporate management: To upstream and downstream suppliers and customers, the Company insists on the business philosophy of ethics; by strengthening internal and external legal promotion, and monitoring the development of relevant regulations of domestic and international ethical management, the review and improvements are made from time to time, to enhance the effectiveness of ethical management. The website has set up an “Investor Section,” including financial information and corporate governance, to improve the transparency of information.				

(VII) Corporate governance principles and related articles, it shall disclose the way of inquiry:

Currently, the Company has established the Regulations Governing Procedure for Board of Directors Meetings, the Rules of Procedure of Shareholders’ Meeting, the Ethical Corporate Management Best Practice Principles, and the internal control system and various management procedures consistent to the Company’s industrial characteristics pursuant to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” to implement the corporate governance and operation. The related charters and regulations may be inquired at MOPS and the investor section of the Company’s website.

(VIII) For the most recent year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company’s chairman, general manager, head of accounting, finance officer, internal audit officer, corporate governance officer, and R&D officer: No such situation.

(IX) Other key information helpful for understanding the operation of the corporate governance  
Pleaser refer to the Corporate Governance at MOPS (<https://mops.twse.com.tw>)

(X) (X) Implementation of the internal control system:

1. A Statement on Internal Control: Please refer to page 145.
2. The review report of the CPAs should be disclosed if the internal control system is reviewed by the CPAs: Please refer to page 146.

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

(XII) Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

Time	Nature	Description
July 1, 2022	Shareholders' Meeting	<p>Reports: 1. 2020 business report. 2. Supervisors' review report on the 2020 settlement statements and books. 3. Report on the distribution of remuneration for employees, directors, and supervisors for 2020.</p> <p>Ratifications: 1. 2020 business report and financial report (after consulting all attending shareholders by the chair, passed as proposed without dissent. ) 2. Proposal of 2020 earning distribution (after consulting all attending shareholders by the chair, passed as proposed without dissent. ) The distributed earnings were paid on September 16, 2021.</p> <p>Discussions I: 1. Amendment to the "Articles of Incorporation" (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: change registration was done immediately upon the approval of the shareholders' meeting. 2. Amendment to the "Operational Procedure for Acquisition and Disposal of Assets" (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: announced immediately upon the approval of the shareholders' meeting. 3. Amendment to the "Operational Procedures for Loaning of Funds" and "Operational Procedures for Making Endorsement/Guarantee." (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: announced immediately upon the approval of the shareholders' meeting. 4. Amendment to the "Rules of Procedure of Shareholders' Meeting" (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: announced immediately upon the approval of the shareholders' meeting. 5. Amendment to the "Election Procedures for Directors and Supervisor" (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: announced immediately upon the approval of the shareholders' meeting. 6. Proposal of application for share listed at TWSE or TPEX (after consulting all attending shareholders by the chair, passed as proposed without dissent. )Status of implementation: related operations were done immediately upon the approval of the shareholders' meeting. 7. Approach to underwrite and placement of the share listed at TWSE or TPEX (after consulting</p>



		<p>all attending shareholders by the chair, passed as proposed without dissent. )</p> <p>Election: full re-election of directors</p> <p>The list of the elected directors is as below:</p>																																									
		<table border="1"> <thead> <tr> <th>Title</th> <th>Account number or ID No.</th> <th>Name</th> <th>Number of voting rights received to be elected</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>8</td> <td>Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun</td> <td>43,220,946</td> </tr> <tr> <td>Director</td> <td>356</td> <td>Representative of Jia Cheng Investment Co., Ltd: Chen, Jung-Chin</td> <td>39,305,917</td> </tr> <tr> <td>Director</td> <td>357</td> <td>Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun</td> <td>38,663,879</td> </tr> <tr> <td>Director</td> <td>235</td> <td>Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta</td> <td>36,509,750</td> </tr> <tr> <td>Director</td> <td>164</td> <td>Representative of Mu Bo Investment Co., Ltd: Lin, Hsin-Tsai</td> <td>32,695,688</td> </tr> <tr> <td>Independent Director</td> <td>H120707***</td> <td>Tsui, Chang-Feng</td> <td>38,628,518</td> </tr> <tr> <td>Independent Director</td> <td>J120561***</td> <td>Yuan, Hung-Chang</td> <td>38,624,305</td> </tr> <tr> <td>Independent Director</td> <td>K120921***</td> <td>Chan, Ting-Hsun</td> <td>38,565,665</td> </tr> <tr> <td>Independent Director</td> <td>C120294***</td> <td>Wang, Chien-Min</td> <td>38,388,456</td> </tr> </tbody> </table>	Title	Account number or ID No.	Name	Number of voting rights received to be elected	Director	8	Representative of Shun Shun Investment Co., Ltd: Liu, Chi-Lun	43,220,946	Director	356	Representative of Jia Cheng Investment Co., Ltd: Chen, Jung-Chin	39,305,917	Director	357	Representative of Qiao Zan Investment Co., Ltd: Liao, Yung-Shun	38,663,879	Director	235	Representative of Zhong Hua Development Advantageous Venture Capital Limited Partnership: Wang, Yung-Ta	36,509,750	Director	164	Representative of Mu Bo Investment Co., Ltd: Lin, Hsin-Tsai	32,695,688	Independent Director	H120707***	Tsui, Chang-Feng	38,628,518	Independent Director	J120561***	Yuan, Hung-Chang	38,624,305	Independent Director	K120921***	Chan, Ting-Hsun	38,565,665	Independent Director	C120294***	Wang, Chien-Min	38,388,456	
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		shareholders by the chair, passed as proposed without dissent. )Status of implementation: announced immediately upon the approval of the shareholders' meeting.
June 1, 2021	Board of Directors	1. Determined the date and venue for the 2021 regular shareholders' meeting
July 1, 2021	Board of Directors	1. Proposal to elected the chairman
July 9, 2021	Board of Directors	1. Appointment of the members for the Remuneration Committee of the 1st term 2. Amending the "Table of Approval Authority," and the Salary and Work Cycle 3. Proposal to purchase plant-office for the Nanjing subsidiary 4. Increase investment in Nanjing subsidiary
August 6, 2021	Board of Directors	1. Consolidated financial statements for the first half of 2021 2. Internal control system and the enforcement details of the internal audit 3. Regulations Governing Directors and Managerial Officers' Remuneration Payment 4. Regulations Governing Employees' Remuneration Payment 5. Distribution of directors and supervisors' remunerations 6. Managerial officers' remunerations and 2021 salary adjustment 7. Establish the ex-dividend base date, payment date, and adjusting the dividend rate
December 22, 2021	Board of Directors	1. Operation Overview 2. Appointment of CPAs and the compensation 3. The Company furnished the plan of ability to prepare the financial reports in-house 4. Limit of borrowings from financial institutions 5. Amendment to written internal control system and other related management procedures 6. Assessment of managerial officers' remuneration and performance 7. The 2022 audit plan
March 31, 2022	Board of Directors	1. 2021 financial report 2. 2021 business report 3. 2021 Employees' remunerations and directors' and supervisors' remuneration 4. Proposal of 2021 earning distribution 5. To cope with the share listing, the financial forecasts for Q2 and Q3 2022 were prepared. 6. 2021 appraisal of the effectiveness of the internal control system, and the Statement of internal control system 7. Established the operational procedures for financial and business dealings with affiliates and related parties 8. Amended the "Articles of Incorporation." 9. Amended the Company's organizational structure 10. Amended "Operating Procedures for Acquisition or Disposal of Assets."

		<ul style="list-style-type: none"> <li>11. Amended “Rules of Procedure for Shareholders’ Meetings.”</li> <li>12. Amended the “Corporate Governance Best Practice Principles”</li> <li>13. Amended the “Corporate Social Responsibility Best Practice Principles”</li> <li>14. The Company’s “Corporate Governance Self-Evaluation Report.”</li> <li>15. Appoint and discharge the corporate governance officer</li> <li>16. Coordinated certain shareholders to cooperate with the Company’s over-allotment for public listing, and the centralized custody for a certain period when listing.</li> <li>17. Matters related to the convening of the 2022 regular shareholder meeting.</li> <li>18. Limit of borrowings from financial institutions</li> </ul>
May 11, 2022	Board of Directors	<ul style="list-style-type: none"> <li>1. 2022 Q1 financial report</li> <li>2. Amending the computerized information system circular and authority of approval</li> <li>3. Limit of borrowings from financial institutions</li> <li>4. Updating the 2022 audit plan</li> <li>5. Subsidiary, MSS (Shanghai) Electronic Technology Limited established the written internal control system and other related management procedures</li> </ul>
July 8, 2021	Audit Committee	<ul style="list-style-type: none"> <li>1. Amending the Table of Approval Authority, and the Salary and Work Cycle</li> <li>2. Proposal to purchase plant-office for the Nanjing subsidiary</li> <li>3. Proposal to increase investment in Nanjing subsidiary invested in China.</li> </ul>
August 6, 2021	Audit Committee	<ul style="list-style-type: none"> <li>1. Consolidated financial statements for the first half of 2021</li> <li>2. Amendment to the internal control system and the enforcement details of the internal audit</li> </ul>
December 22, 2021	Audit Committee	<ul style="list-style-type: none"> <li>1. Appointment of CPAs and the compensation</li> <li>2. The Company furnished the plan of ability to prepare the financial reports in-house</li> <li>3. Amendment to written internal control system and other related management procedures</li> </ul>
March 31, 2022	Audit Committee	<ul style="list-style-type: none"> <li>1. 2021 financial report</li> <li>2. 2021 business report</li> <li>3. Proposal of 2021 earning distribution</li> <li>4. To cope with the share listing, the financial forecasts for Q2 and Q3 2022 were prepared.</li> <li>5. 2021 appraisal of the effectiveness of the internal control system, and the Statement of internal control system</li> <li>6. Established the operational procedures for financial and business dealings with affiliates and related parties</li> <li>7. Amended the “Articles of Incorporation.”</li> <li>8. Amended the Company’s organizational structure</li> <li>9. Amended “Operating Procedures for Acquisition or Disposal of Assets.”</li> <li>10. Amended “Rules of Procedure for Shareholders’ Meetings.”</li> <li>11. Amended the “Corporate Governance Best Practice</li> </ul>

		Principles” 12. Amended the “Corporate Social Responsibility Best Practice Principles” 13. The Company’s “Corporate Governance Self-Evaluation Report.” 14. Appoint and discharge the corporate governance officer 15. Coordinated certain shareholders to cooperate with the Company’s over-allotment for public listing, and the centralized custody for a certain period when listing.
May 11, 2022	Audit Committee	1. 2022 Q1 financial report 2. Amending the computerized information system circular and authority of approval 3. Updating the 2022 audit plan 4. Subsidiary, MSS (Shanghai) Electronic Technology Limited established the written internal control system and other related management procedures
August 6, 2021	Remuneration Committee	1. Remuneration Committee’s work plan and operation pattern 2. Regulations Governing Directors and Managerial Officers’ Remuneration Payment 3. Regulations Governing Employees’ Remuneration Payment 4. Distribution of directors’ remunerations 5. Distribution of manager officers’ remunerations and 2021 salary adjustment
December 22, 2021	Remuneration Committee	1. Amendment to the Remuneration Committee Charter 2. Assessment of managerial officers’ remuneration and performance
March 31, 2022	Remuneration Committee	1. 2021 Employees’ remunerations and directors’ and supervisors’ remuneration

(XII) During the most recent year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: No such situation.

(XIII) For the most recent year up to the date of publication of the annual report, a summary of the resignation and dismissal of the Company’s chairman, president, head of accounting, finance officer, internal audit officer, corporate governance officer, and R&D officer: None.

#### V. Information on CPA professional fees

CPA firm	CPA name		Audit Period	Remarks
Deloitte Taiwan	Chang, Keng-Hsi	Hsueh, Chun-Min	01/01/2021 ~ 12/31/2021	

#### (I) Information of service fees

Amount range	Service fee item	Audit fee	Non-audit fee	Total
1	Less than NT\$2,000	√	√	√
2	NT\$2,000 (inclusive) ~ NT\$4,000	-	-	-
3	NT\$4,000 (inclusive) ~ NT\$6,000	-	-	-

4	NT\$6,000 (inclusive) ~ NT\$8,000	-	-	-
5	NT\$8,000 (inclusive) ~ NT\$10,000	-	-	-
6	More than NT\$10,000 (inclusive)	-	-	-

- (II) If the non-audit fees are paid to the attesting CPA, the CPA firm and its affiliates account for at least one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed: Not applicable.
- (III) If the accounting firm for audit service is changed and the audit fee paid in the year of change is lower than the audit fee of the year before the change, please disclose the audit fee paid before and after the change and the reasons: Not applicable.
- (IV) If the audit service fee is reduced by more than 10% from the year before, please disclose the amount, proportion, and reason for the reduction of the audit service: None.

VI. Information on the replacement of CPAs: None.

VII. The chairman, president, or officer in charge of financial or accounting matters of the Company, who has worked in the firm of the CPAs or its affiliated companies within the last year: None.

VIII. Changes in the transfer of shares by directors, supervisors, managerial officers, and shareholders with more than 10% shareholding, and changes in the shares pledged during the recent years up to the publication date of annual report

- (I) Changes in the transfer of shares by directors, supervisors, managerial officers, and shareholders with more than 10% shareholding, and changes in the shares pledged:

Unit: thousand shares

Title	Name	2019	2020		2021		2022 as of March 31	
		Shares held as of the end of period	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
Chairman	Shun Shun Investment Co., Ltd.	2,515	—	—	—	—	—	—
	Representative: Liu, Chi-Lun	1,306	5	—	—	—	—	—
Corporate director	Jia Cheng Investment Co., Ltd.	—	1,098	—	—	—	—	—
	Representative: Chen, Jung-Chin	803	(803)	—	—	—	—	—
Corporate director	Qiao Zan Investment Co., Ltd.	—	783	—	—	—	—	—
	Representative: Liao, Yung-Shun	813	(783)	—	—	—	—	—
Corporate shareholders more than 10% with 10% more stake	Zhong Hua Development Advantageous Venture Capital Limited Partnership	5,775	—	—	(500)	—	—	—
	Representative:	—	—	—	—	—	—	—

Title	Name	2019	2020		2021		2022 as of March 31	
		Shares held as of the end of period	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged	Increase/decrease in the number of shares held	Increase/decrease in the number of shares pledged
	Wang, Yung-Ta							
Corporate director	Mu-Bo Investment Co., Ltd.	1,580	—	—	—	—	—	—
	Representative: Lin, Hsin-Tsai	894	(56)	—	(54)	—	—	—
Supervisor (Note)	Chen, Chin-Fu	26	—	—	—	—	NA	
Supervisor (Note)	Tsai, Wei-Cheng	394	—	—	47	—		
Independent director (Note)	Tsui, Chang- Feng (Note 1)	—	—	—	—	—	—	—
Independent director (Note)	Yuan, Hung- Chang (Note 1)	—	—	—	—	—	—	—
Independent director (Note)	Chan, Ting-Hsun (Note 1)	—	—	—	—	—	—	—
Independent director (Note)	Wang, Chien- Min (Note 1)	—	—	—	—	—	—	—
Managerial Officer:	Liu, Chi-Lun	1,306	5	—	—	—	—	—
Managerial Officer:	Chen, Jung-Chin	803	(803)	—	—	—	—	—
Managerial Officer:	Liao, Yung-Shun	813	(783)	—	—	—	—	—
Managerial Officer:	Chou, Hsueh- Liang	410	—	—	—	—	—	—
Managerial Officer:	Chien, Wen- Hsiang	329	—	—	—	—	—	—
Managerial Officer:	Su, Ching-Chi	341	—	—	—	—	—	—
Managerial Officer:	Chan, Hui-Wen						Note 2	Note 2

Note 1: The Company fully re-elected the directors in the regular shareholders' meeting on July 1, 2021; four independent directors were elected to form the Audit Committee to replace the supervisors. The supervisors, Chen, Chin-Fu and Tsai, Wei-Cheng were discharged on July 1, 2021.

Note 2: The Company appointed Chan, Hui-Wen as the corporate governance officer on March 31, 2022.

(II) The counterparty to whom the shares are transferred is a related party:

Name	Reason of share equity transfer	Date of transaction	Counterparty	Relationship between the counterparties of the transactions with the directors, supervisors, managerial officers, and shareholders with more than 10% shareholding	Shares (share)	Transaction price (NT\$)
Chen, Jung-Chin	Wealth management planning	November 9, 2020	Jia Cheng Investment Co., Ltd	Personal investment company	803,398	38.84
Liao, Yung-Shun	Wealth management planning	November 13, 2020	Qiao Zan Investment Co., Ltd.	Personal investment company	783,485	38.84
Lin, Hsin-Tsai	Gift	May 4, 2020	Lin, Kung-Hsien; Lin, Kung-Huan	Father and son	56,000	—
Lin, Hsin-Tsai	Gift	February 8, 2021	Lin, Kung-Hsien; Lin, Kung-Huan	Father and son	54,000	—

(III) The counterparty to whom the shares are pledged is a related party: None.

IX. Information on the top ten shareholders who are related to each other or as spouses or relatives within the second-degree of kinship

Unit: shares; %

Name	Shareholdings of the Principal		Shareholding of spouse and minor children now		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second-degree of kinship.		Remarks
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Title (or name)	Relationship with the endorser/guarantor	
Zhong Hua Development Advantageous Venture Capital Limited	5,275,000	12.78	—	—	—	—	—	—	—
Shun Shun Investment Co., Ltd.	2,514,815	6.09	—	—	—	—	Liu, Chi-Lun	Chairman	—
Mu-Bo Investment Co., Ltd.	1,580,231	3.83	—	—	—	—	—	—	—
MMS Investment Co., Ltd.	1,365,089	3.31	—	—	—	—	Liu, Chi-Lun	Chairman	—
Taishin Securities Co., Ltd	1,354,883	3.28	—	—	—	—	—	—	—
Liu, Chi-Lun	1,310,837	3.18	681,000	1.65	2,787,833	6.09	Shun Shun Investment Co., Ltd.	Representative	—
							MSS Investment Co., Ltd.	Representative	—

Name	Shareholdings of the Principal		Shareholding of spouse and minor children now		Shares held in the name of others		The title or names and relationships of the top-ten shareholders who are related parties, spouse, and relatives within the second-degree of kinship.		Remarks
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership	Title (or name)	Relationship with the endorser/guarantor	
E.Sun Venture Capital Co., Ltd.	1,260,000	3.05	—	—	—	—	—	—	—
Jia Cheng Investment Co., Ltd.	1,097,544	2.66	—	—	—	—	—	—	—
Jie Dong Co., Ltd.	1,000,000	2.54	—	—	—	—	—	—	—
Ability Venture Management Co., Ltd.	1,050,000	2.42	—	—	—	—	—	—	—



X. The total number of shares and the consolidated equity stake percentage held in any single reinvested enterprise by the Company, its directors, supervisors, managerial officers, or any companies controlled either directly or indirectly by the Company

December 31, 2021; Unit: thousand shares

Invested company (Note)	The Company's investment		Investment of the directors, supervisors, managers and business under direct or indirect control		Total investments	
	Number of Shares	Ownership	Number of Shares	Ownership	Number of Shares	Ownership
TRISTATE INTERNATIONAL CO., LTD	15,415	100%	—	—	15,415	100%
GOOD ACTION INT'L CORP.	15,400	100%	—	—	15,400	100%
MSS (Shanghai) Electronic Technology Limited	—	100%	—	—	—	100%
Nanjing MSS Electronic Technology Limited	—	100%	—	—	—	100%

Note: investment to which the equity method is applied.

## Four. Capital raising

### I. Capital and shares

#### (I) Source of capital:

##### 1. Capital formation:

Unit: Thousand NT\$; shares

Year Month	Issuance price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (share)	Amount (NT\$)	Shares (share)	Amount (NT\$)	Source of capital	Using property other than cash as payment of shares	Others
May 2015	10	30,000,000	300,000,000	22,415,262	224,152,620	Employee subscription warrant NT\$3,997 thousand	No	Note 1
September 2015	10	30,000,000	300,000,000	22,846,662	228,466,620	Employee subscription warrant NT\$4,314 thousand	No	Note 2
September 2015	10	30,000,000	300,000,000	23,190,952	231,909,520	Employees' remunerations NT\$3,443 thousand	No	Note 3
May 2016	10	30,000,000	300,000,000	23,612,252	236,122,520	Employee subscription warrant NT\$4,213 thousand	No	Note 4
August 2016	10	30,000,000	300,000,000	23,742,252	237,422,520	Employee subscription warrant NT\$1,300 thousand	No	Note 5
September 2016	10	45,000,000	450,000,000	24,558,472	245,584,720	Employees' remunerations NT\$8,162 thousand	No	Note 6
August 2017	10	45,000,000	450,000,000	24,578,472	245,784,720	Employee subscription warrant NT\$200 thousand	No	Note 7

Year Month	Issuance price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (share)	Amount (NT\$)	Shares (share)	Amount (NT\$)	Source of capital	Using property other than cash as payment of shares	Others
August 2017	10	45,000,000	450,000,000	25,223,977	252,239,770	Employees' remunerations NT\$6,455 thousand	No	Note 8
December 2017	15	45,000,000	450,000,000	31,223,977	312,239,770	NT\$60,000 thousand of cash capital increase	No	Note 9
May 2018	10	45,000,000	450,000,000	12,489,591	124,895,910	Share payment refunded from capital decrease NT\$187,344 thousand	No	Note 10
August 2018	14.5	45,000,000	450,000,000	17,489,591	174,895,910	Employee subscription warrant NT\$50,000 thousand	No	Note 11
September 2018	23.4	45,000,000	450,000,000	17,906,833	179,068,330	Employees' remunerations NT\$4,172 thousand	No	Note 12
November 2018	20	45,000,000	450,000,000	23,906,833	239,068,330	NT\$60,000 thousand of cash capital increase	No	Note 13
March 2019	53	45,000,000	450,000,000	33,906,833	339,068,330	Cash capital increase for NT\$100,000 thousand	No	Note 14
April 2019	30	45,000,000	450,000,000	37,406,833	374,068,330	Employee subscription warrant NT\$35,000 thousand	No	Note 15
August 2019	10	45,000,000	450,000,000	39,277,175	392,771,750	Capital increase out of earnings for NT\$18,704	No	Note 16

Year Month	Issuance price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares (share)	Amount (NT\$)	Shares (share)	Amount (NT\$)	Source of capital	Using property other than cash as payment of shares	Others
						thousand		
May 2021	80	60,000,000	600,000,000	41,277,175	412,771,750	Cash capital increase for NT\$20,000	No	Note 17

Note 1: Approved with Jing-Shou-Zhong-Zi No. 10433334500 on May 6, 2015.

Note 2: Approved with Jing-Shou-Zhong-Zi No. 10433712400 on September 9, 2015.

Note 3: Approved with Jing-Shou-Zhong-Zi No. 10433770570 on September 25, 2015.

Note 4: Approved with Jing-Shou-Zhong-Zi No. 10533560450 on May 5, 2016.

Note 5: Approved with Jing-Shou-Zhong-Zi No. 10534277090 on August 23, 2016.

Note 6: Approved with Jing-Shou-Zhong-Zi No. 10534338430 on September 22, 2016.

Note 7: Approved with Jing-Shou-Zhong-Zi No. 10633455810 on August 2, 2017.

Note 8: Approved with Jing-Shou-Zhong-Zi No. 10633501830 on August 23, 2017.

Note 9: Approved with Jing-Shou-Zhong-Zi No. 10633718820 on December 8, 2017.

Note 10: Approved with Jing-Shou-Zhong-Zi No. 10733297780 on May 29, 2018.

Note 11: Approved with Jing-Shou-Zhong-Zi No. 10733489620 on August 22, 2018.

Note 12: Approved with Jing-Shou-Zhong-Zi No. 10733522470 on September 4, 2018.

Note 13: Approved with Jing-Shou-Zhong-Zi No. 10733652060 on November 6, 2018.

Note 14: Approved with Jing-Shou-Zhong-Zi No. 10833195600 on March 29, 2019.

Note 15: Approved with Jing-Shou-Zhong-Zi No. 10833248360 on April 25, 2019.

Note 16: Approved with Jing-Shou-Zhong-Zi No. 10833506290 on August 15, 2019.

Note 17: Approved with Jing-Shou-Zhong-Zi No. 11033294000 on May 19, 2021.

## 2. Type of share

April 29, 2022; Unit: Shares

Type of share	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	41,277,175	18,722,825	60,000,000	

## 3. Information related to shelf registration: None.

### (II) Shareholder structure:

April 29, 2022; Unit: person; shares; %

Shareholder structure Quantity	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
	Number of people	0	8	24	1,093	2
Number of Shares Held	0	2,022,004	18,382,847	20,862,166	10,158	41,277,175
Ownership	0.00%	4.90%	44.54%	50.54%	0.02%	100.00%

(III) Equity dispersion profile:

April 29, 2022; Unit: person; shares; %

Grade of shareholding	Number of shareholders	Number of Shares Held	Shareholding (%)
1 ~999	245	46,178	0.11%
1,000 ~5,000	510	993,909	2.41%
5,001 ~10,000	99	749,500	1.82%
10,001 ~15,000	53	651,187	1.57%
15,001 ~20,000	31	564,901	1.37%
20,001 ~30,000	37	926,740	2.25%
30,001 ~40,000	32	1,122,274	2.72%
40,001 ~50,000	20	888,371	2.15%
50,001 ~100,000	34	2,331,487	5.65%
100,001 ~200,000	26	3,816,975	9.25%
200,001 ~400,000	19	5,030,937	12.19%
400,001 ~600,000	6	2,797,921	6.78%
600,001 ~800,000	4	3,010,766	7.29%
800,001 ~1,000,000	3	2,738,129	6.63%
1,000,001 or more	8	15,607,900	37.81%
Total	1,127	41,277,175	100.00%

Note: The Company has not issued preferred shares.

(IV) List of the major shareholders, including name, amount, and percentage of shareholding of the top ten shareholders or shareholders holding 5% or more shares.

April 29, 2022; Unit: Shares; %

Names of major shareholders	Shares	Number of Shares Held	Ownership
Zhong Hua Development Advantageous Venture Capital Limited Partnership		5,275,000	12.78%
Shun Shun Investment Co., Ltd.		2,514,815	6.09%
Mu-Bo Investment Co., Ltd.		1,580,231	3.83%
MMS Investment Co., Ltd.		1,365,089	3.31%
Liu, Chi-Lun		1,310,837	3.18%
E.Sun Venture Capital Co., Ltd.		1,260,000	3.05%
Taishin Securities Co., Ltd		1,204,384	2.92%
Jia Cheng Investment Co., Ltd.		1,097,544	2.66%
Jie Dong Co., Ltd.		1,000,000	2.42%
IBF Venture Capital Co., Ltd.		931,129	2.26%

(V) Information on market price, net worth, earnings, dividend per share for the most recent two years

Item	Year		2020	2021
	Market Price Per Share (Note 2)	Highest		Not public listed in TWSE/TPEX
Lowest			Not public listed in TWSE/TPEX	Not public listed in TWSE/TPEX
Average			Not public listed in TWSE/TPEX	Not public listed in TWSE/TPEX
Net worth per share	Before distribution		40.05	(Note 1)
	After distribution		37.42	(Note 1)
Earnings per share	Weighted average shares (thousand shares)		39,277	40,641
	Earnings per share		4.05	6.21
Dividends Per Share	Cash dividends		2.5	4.5 (Note 1)
	Stock dividends	Stock dividends from earnings	—	—
		Stock dividends from capital surplus	—	—
	Cumulative undistributed dividends		—	—
Analysis of return on investment (Note 2)	Price to earnings ratio		Not public listed in TWSE/TPEX	Not public listed in TWSE/TPEX

	Price to dividends ratio	Not public listed in TWSE/TPEX	Not public listed in TWSE/TPEX
	Cash dividends yield	Not public listed in TWSE/TPEX	Not public listed in TWSE/TPEX

Source: 2021 financial information is the financial reports audited and certified by CPAs.

Note 1: The 2021 earning distribution proposal was approved by the board of directors on March 31, 2022, and to be resolved by the regular shareholders' meeting on June 27, 2022.

Note 2: The Company is not listed in TWSE or TPEX, so there is no market price or related return analysis for reference.

(VI) Company dividend policy and implementation:

1. Company dividend policy:

The principle of the Company's dividend policy is robust and balance, while taking account of profit, financial structure, and the future development of the Company. When distributing dividends, the major considerations are the current industry conditions and the operation planning and cash flows based on the future expansions. Every year, no less than 5% of the distributable earnings are provided to distribute the dividend bonus, in cash or in shares, and no less than 10% of dividends shall be paid in cash. Provided, when the accumulated earnings available for distribution is less than 5% of the paid-in capital, the distribution is not required. However, the board of directors may adjust such ratio within the extent prescribed above based on the overall operation and funds, and submit the proposal to the shareholders' meeting for resolution.

2. The distribution of shareholders' dividends intended/proposed:

The 2021 earning distribution proposal was approved by the board of directors on March 31, 2022, and to be resolved by the regular shareholders' meeting on June 27, 2022.

3. Expected significant changes in dividend policy: No such situation.

(VII) The effect of the proposed stock dividends of shares at the shareholders' meeting on the Company's operating results and earnings per share: this distribution is fully paid with cash dividends, so this is not applicable.

(VIII) Remuneration for employees, directors and supervisors:

1. The percentage and extent of remuneration for employees, directors and supervisors in the Articles of Incorporation:

In case of making an annual profit, the Company shall distribute no lower than 10% as remuneration to employees and no more than 5% as remuneration to directors and supervisors. However, the amount to offset the Company's accumulated losses shall be set aside in advance. The employees are entitled to receive the remunerations, in share or in cash, including the employees of parents or subsidiaries of the company meeting certain specific requirements.

2. Distribution of remuneration as approved by the Board of Directors:

(1) The amount of employees' remuneration and directors' and supervisors' remuneration distributed in cash or stock. If the amount differs from the amount estimated in the year

in which the expense is recognized, the difference, the reasons for the difference, and the circumstances under which the difference was handled should be disclosed:

The proposal of 2021 remunerations to directors, supervisors, and employees was approved by the board of directors on March 31, 2022; NT\$10,170 thousand would be distributed to directors and supervisors, and NT\$33,851 thousand to employees; there was no variance from the estimation in the book.

- (2) Proportions of the employees' remunerations distributed in shares to the net profit after tax and the total employees' remunerations:

In the proposal of 2022 remuneration to employees resolved by the board of directors on March 31, 2022, no remuneration distributed in shares was resolved, so no such situation.

3. Earnings used to distribute employees, directors, and supervisors' remunerations in the previous year:

The 2020 employees' remunerations and directors and supervisors' remunerations were reported in the regular shareholders' meeting on July 1, 2021; NT\$6,514 thousand was distributed as the directors and supervisors' remunerations (cash), and NT\$21,719 thousand as the employees' remunerations (cash), identical to the proposed distribution by the board of directors.

4. The 2020 employees' remunerations, and directors and supervisors' remunerations of the Company were reported in the regular shareholders' meeting on July 1, 2021; NT\$6,514 thousand was distributed as the directors and supervisors' remunerations (cash), and NT\$21,719 thousand as the employees' remunerations (cash), identical to amounts recognized in the 2020 financial statements.

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

II. Issuance of corporate bonds (overseas corporate bonds included): None.

III. Issuance of preferred shares: None.

IV. Issuance of global depository receipts: None.

V. Issuance of employee share subscription warrants: None.

VI. Issuance of new restricted employee shares: no new restricted employee share has been issued.

VII. Issuance of new shares in connection with merger and acquisition of shares of other companies: None.

VIII. Execution of fund utilization within the cash capital increase plan:

(I) As of the quarter up to the publication date of the annual report, previous issues or private placements of marketable securities that have not yet been completed or have been completed within the last three years and the benefits of the plans have not yet been realized: No such situation.

(II) As of the quarter up to the publication date of the annual report, previous issues or private placements of marketable securities that have not yet been completed or have been completed within the last three years and the benefits of the plans have not yet been realized: Not applicable.



## Five. Operation Overview

### I. Business activities

#### (I) Scope of business

##### 1. Description of the business:

The Company is mainly engaged in the semiconductor technology services, and focuses on providing customers with the highest quality professional analysis reports during the development of advanced processes for semiconductor customers, through the Company's high-end electron microscopes and other analysis equipment, with the special analysis technologies developed by the Company in-house, including material analysis and failure analysis of various electronic components in the semiconductor industry, optoelectronics industry and network communication industry. The Company is an essential key R&D partner of major semiconductor manufacturers around the world. The business scope include the following:

- A. CC01080 Electronic parts and components manufacturing
- B. F119010 Electronic materials wholesale
- C. F219010 Retail sale of electronic materials
- D. F401010 International trade
- E. I501010 Product designing
- F. I301020 Data Processing Services
- G. CB0101 Mechanical Equipment Manufacturing
- H. F113030 Wholesale of Precision Instruments
- I. F213040 Retail Sale of Precision Instruments
- J. IG02010 Research and Development Service
- K. IG03010 Energy Technical Services
- L. IF02010 Electricity Equipment Checking and Maintenance
- M. IF04010 Non-destructive Testing
- N. IZ09010 Management System Certification
- O. IZ99990 Other Industrial and Commercial Services
- P. ZZ99999 All businesses that are not prohibited or restricted by law, except those that are subject to special approval

##### 2. Weights of business:

Unit: NT\$ Thousand

Product \ Year	2020		2021	
	Net operating revenues	Weight (%)	Net operating revenues	Weight (%)
Income from analysis service	1,113,184	100.00%	1,469,881	100.00%
Total	1,113,184	100.00%	1,469,881	100.00%

##### 3. Current service items:

The Company's current services cover the up-, mid- and downstream semiconductor industries, optoelectronics industry and network communication industry. The services are mainly the process R&D of various industries and product ingredient analysis, structure analysis, process defect analysis, image comparison analysis, circuit irregularity positioning analysis, elemental analysis, coating thickness microstructure analysis, depth analysis, cross-sectional analysis and surface analysis. The highest quality professional analysis reports are provided to customers, through the Company's high-end electron microscopes and other analysis equipment, with the special analysis technologies developed by the Company in-house. The major equipment and tools used are as follows:

A. Material analysis (MA)

By using the material structure analytic instruments, such as transmission electron microscopy (TEM), focus ion beam (FIB), plasma focused ion beam (PFIB), scanning electron microscopy (SEM), secondary ion mass spectrometer (SIMS), the material analysis services are provided for the product or components of semiconductor wafer fab manufacturers, LED optoelectronic industry, IC design houses, and traditional industries.

B. Failure analysis (FA)

By using advanced equipment such as electrical failure analysis instruments and IC circuit repair instruments, including optical beam induced resistance change (OBIRCH), InGaAs, Thermal EMMI, and 3D X-ray, the FA services are provided to the IC-design related industries.

(4) New products (services) planned for development

The Company's R&D direction mainly focuses on the development of application analysis services and provides customers with various analysis solutions. To ensure that the Company is leading in terms of technology, since the incorporation, the Company has continuously developed special technical service methods to ensure that the analysis reports issued are very competitive. Therefore, the Company's future investment in R&D plans are as follows:

A. Analysis technologies for atomic-graded ingredients

B. Protection technologies for preparing intact test specimen

C. Solutions for integrated analysis of 5G antenna

(II) Industry Overview

1. Industry current status and development

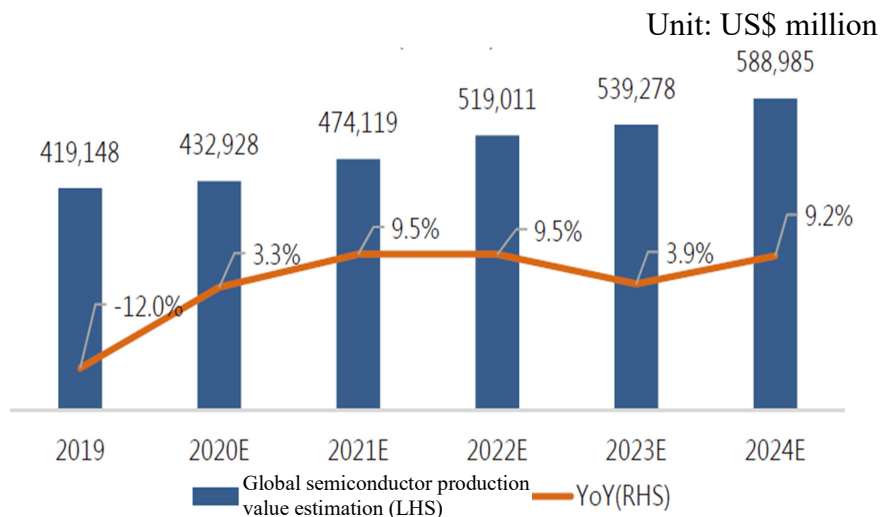
The semiconductor industry has become the key national defense industry in Taiwan and the key industry supported by the national government. The Company plays the role of "navigator" that is essential to the advanced processes in the semiconductor

industry, or the locomotive of the R&D of the advanced processes, accelerating the R&D paces of the advanced processes for the semiconductor manufacturers, assisting them to win the early chances in the global advanced process competition.

In addition, with the application in the electronic communication industry and major automotive semiconductor component manufacturers investing in the R&D of third-generation semiconductor materials, including gallium nitride (GaN) and silicon carbide (SiC). These are featured with high power, high frequency and high voltage resistance, which greatly improve the efficiency, reduce power consumption and become compact. The future third-generation compound semiconductor materials have become an essential key component of the future semiconductor industry. Currently, more than 95% of the global semiconductor component production value is made of silicon materials. However, the global semiconductor market in 2020 was about US\$433 billion, while the compound semiconductor market was only about NT\$11 billion, accounting for less than 3%. In the future, the growth of the compound semiconductor market will be much higher than the traditional silicon material market.

In nutshell, with the impact of the COVID-19 pandemic in 2020 driving the overall semiconductor industry market demand, the semiconductor industry grew in 2020. Looking to 2021, new application industries such as HPC, 5G, and AI were launched successively and became the main force for semiconductor growth. According to Gartner’s estimates, the global semiconductor production value in 2020 reached US\$432.93 billion, increased by 3.3% yoy. It is estimated that the global semiconductor production value will reach US\$519.01 billion in 2022, or increase by 9.5% yoy. The overall semiconductor industry development will demonstrate a steady growth trend.

Estimated semiconductor production value, 2018~2024

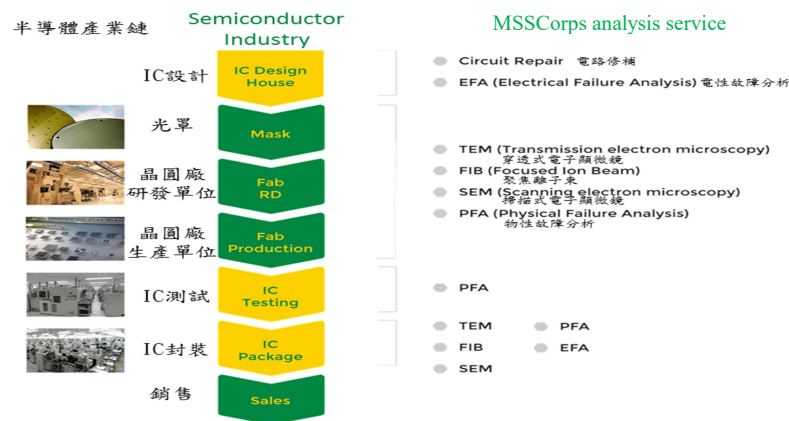


Source: Gartner (Oct. 2020)/Taishin Securities Investment Advisory

(2) Link between industry upstream, middle, and downstream

In the entire semiconductor industry chain, from the upstream IC design companies to the downstream packaging and testing industry, the Company plays the role of the best R&D analysis partner; in the upstream of the industry, providing IC design companies with the circuit repair services, greatly accelerating speed of circuit verification for the IC design industry, and save the expensive cost of mask expensed for wrong order releasing; IC design companies are provided with electrical failure analysis, to quickly finds error points and debug. In the R&D and production units of midstream wafer fabs, the Company assists customers to find product design defects and causes of failures via advanced electron microscopes, including TEM, FIB, and SEM, as well as the analysis methods developed in-house. The Company is an essential key R&D partner for major semiconductor manufacturers around the world. In addition, packaging at downstream of the semiconductor industry is advancing with Moore's Law, from 3nm, 2nm...and so on. Advanced packaging has also become a key technology to continue Moore's Law. In particular, the transistors are getting closer to the atomic physical constraints, and the electric and physical restrictions also make it increasingly difficult to continuously shrink and upgrade advanced processes, highlighting the growing importance of the future development for heterogeneous integration. Therefore, regardless of the up-, mid- and downstream manufacturers in the overall semiconductor industry, the demand for analysis services will increase day by day.

Position of MSSCorps Co., Ltd. in the semiconductor industrial chain



3. Various product development trends

Since its incorporation, the Company has been deeply cultivated in the field of semiconductor-related material analysis. In response to the development of advanced processes, the size has been scaled down to several nanometer grades. Except for the advanced logic silicon (Si) process striving to continue Moore's Law, the undeveloped

part in the evolution of Moore's Law (More than Moore), has developed the third type of semiconductors with the rise of the 5G concept and the application of automotive electronics, such as GaN and SiC; the low-power consumption requirement for Internet of Things (IOT), with the applications for various products grow considerably. Facing the continuous development of various application categories of semiconductors, the Company has prepared the relevant MA (material analysis) technologies, and provides customers with one-stop services from FA (failure analysis) to material surface analysis, to respond customers' needs, and become one of the leading providers of professional material analysis in the world as an essential link in the semiconductor industry chain.

#### 4. Product competition

The Company is a professional semiconductor material analysis and failure analysis technical service provider. There is no professional analysis company that is identical to the Company in the market. The analysis industry peers, both domestic and international, have different product mixes and are good at different areas of analysis. Since its incorporation, the Company has focused on material analysis with the highest technical level. Compared to its domestic peers, it is in a leading position in terms of material analysis quality, delivery time, and even market share. The Company has the following product competitiveness in the field of material analysis:

##### A. An excellent R&D team develops new working methods and applies for patent portfolio

The Company focuses on its core material analyses. Over the years, the R&D team has developed special analysis methods required for various advanced processes and applied for patents. Among which, the low temperature atomic layer deposition (LT-ALD) is one of the key technology that is conducive to maintaining the original appearance of the sample during the sample preparation process, to reduce the probability of misjudgment by the R&D personnel of the wafer fabs.

##### B. The production scheduling system developed in-house effectively shortens the report delivery time

The Company has developed the production scheduling system in-house to control customer commissioned projects, to optimize the overall production process, which is conducive to the promise to deliver reports on schedule when pitching. The Company has been trusted by customers for a long time and increased its own competitiveness.

##### C. Leading the industry to introduce the latest analysis equipment

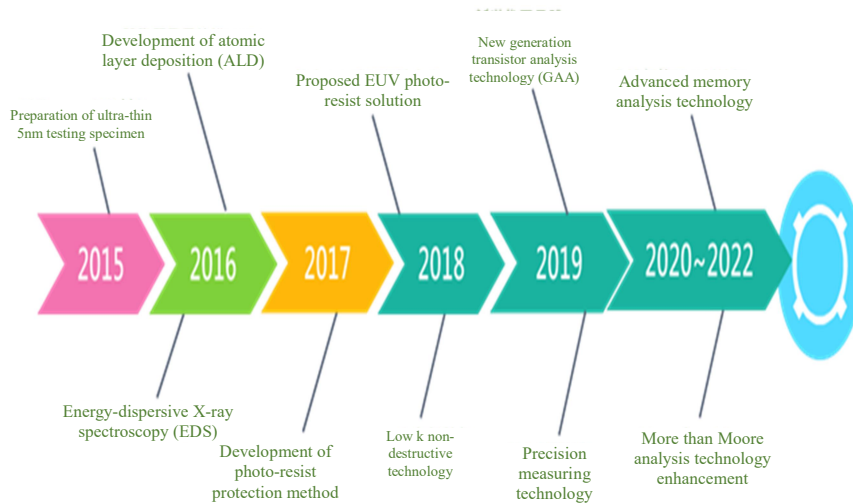
Other than developing analysis methods for new items to cope with customers' needs, the Company has also cooperated with equipment manufacturers for a long-term to introduce the latest models of precision analysis equipment, to meet the

different analysis patterns of customers, and for enhancing the competitiveness of the overall analysis energy.

(III) Technology and R&D overview

1. Technology level and R&D:

(1) The Company’s R&D technology development blueprint for the most recent five years is shown in the figure below:



(2) Technologies or products successfully developed in the recent five year

During the recent five years up to the publication date of the annual report, the major projects are summarized as below:

Year	Developed product
2017	Energy-dispersive X-ray spectroscopy
	Tool mark-free cross section polisher (CP) technologies
	Low temperature atomic layer deposition (LT-ALD) technology
	3D TEM analysis technology
2018	III-V compound material defects analysis technology
	Low destructive photoresist analysis
	SiGe stress analysis technology
	Soft material observation and measuring technology
	5 nm process semiconductor analysis technology
2019	Low destructive extreme ultraviolet photoresist (EUV PR) solution
	Low destructive low k analysis

Year	Developed product
	Vertical-Cavity Surface-Emitting Laser (VCSEL) diffusion layer analysis technology
	3D NAND analysis technology
	3 nm process semiconductor analysis technology
2020	New generation transistor analysis technology: Gate-all-around (GAA) analysis technology
	Precision measuring technology
	Second generation low destructive extreme ultraviolet photoresist (EUV PR) low destructive analysis technology
	Low destructive plasma focused ion beam (PFIB) analysis technology
2021	Second generation low destructive photoresist analysis
	Å generation of ultra-thin testing specimen preparation technology
	Non-destructive dielectric analysis technology

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

1. Short-term development plans

(1) Short-term development plans

- A. Continue to increase various analysis equipment to provide customers with a full range of integral services
- B. Continue to conduct employee education and training, so that the analysis technologies and methods are consistent with the report quality
- C. Insist on investing in R&D, and build analysis technology barriers, to widen the gap of technical level from competitors
- D. Become a R&D analysis partner of customers, and provide customers with complete analysis service solutions

(2) Long-term development plans

- A. Increase overseas analysis operation presences to serve customers nearby, and enhance overseas reputation
- B. Enter the capital market, leverage various financing tools, to effectively reduce the cost of capital
- C. Consolidate enterprises and strategic partnership alliances for resource integration, to expand the overall analysis market

## II. Market, production and sales overview

### (I) Market analysis

#### 1. Regions of major product sales

Unit: NT\$ Thousand

Item Regions		2020		2021	
		Amount	Share (%)	Amount	Share (%)
Domestic sales		1,024,933	92.07%	1,244,476	84.67%
Export sales	Asia	66,878	6.01%	196,741	13.38%
	Americas	17,089	1.54%	22,210	1.51%
	Others	4,284	0.38%	6,454	0.44%
Total		1,113,184	100.00%	1,469,881	100.00%

#### 2. Market share

The Company is a professional semiconductor material analysis and failure analysis technology service provider. Since domestic and international semiconductor manufacturers and academic institutions also have established laboratories of the same nature, currently there are no domestic and international professional research institutions to count and analyze industry market data, nor the market share information of individual professional laboratories. Provided, since its incorporation, the Company has deeply cultivated the semiconductor material analysis market and is one of the leading manufacturers in the domestic material analysis field. The high-quality analysis reports issued by the Company are deeply trusted by customers and have become long-term R&D partners of domestic and international semiconductor manufacturers, and established interdependent relationships with customers.

#### 3. Future supply and demand in the market, and growth

The recent trend of semiconductor market demand has gradually entered the R&D era below 3 nanometers. The difficulty of advanced processes for semiconductors has suddenly increased, and the importance of material analysis has become more and more important. As the continuous breakthrough of the process, the required analysis demands will continue to increase. Furthermore, other than material analysis, the Company has also begun to strengthen the positioning of failure analysis. With the continuous breakthrough of semiconductor advanced processes, the number of transistors in ICs has surged. Taking the advanced 7nm process as an example, the number of transistors has reached as high as nearly 10 billion, and the voltage of a single transistor is even lower, so the current challenge of FA technology is to find the possible failure point in the tens of billions of low-voltage transistors. On top of chip manufacturing, packaging and testing are another challenges. Advanced semiconductor



packaging uses heterogeneous integration of chips in different materials and applies new and various materials. These new technological developments require the assistance of failure analysis, so it is expected that these demands will continue to grow. Provided, the Company's investment in technology R&D has never stopped. After deciding to develop with full force in the past two years, the Company has applied the successful model of material analysis in the past, and started from the most difficult problems. With the technical energy accumulated over a long period, it has solved the prolonged analysis problems of customers recently, surprising to the market considerably. Other than the technologies, the Company invests considerable capital expenditure every year to purchase the latest analysis equipment, and gradually builds production lines. Once all the equipment is in place, in the next two to three years, the Company will have the most advanced analysis instruments in the industry. Coupled with the original rich technologies, the Company provides customers with overall failure analysis services. After the expansion of the FA is completed, the Company is able to combine such with the existing advantageous material analysis services and surface analysis services, to provide complete analysis services for the semiconductor industry. In semiconductor analysis, material analysis belongs to the early stage, to observe the structure and composition of materials, and then find out the variables that affect product performance. It is an important part of the R&D process of semiconductor manufacturers. The failure analysis belongs to the latter stage, responsible for finding out the failure cause of the IC operation, to improve the process yield. Through the building and investment of this analysis energy, the Company will have more complete services for the customers' demands of analysis of semiconductors.

In the long-term, in the semiconductor application market, the proportion of non-3C applications has gradually increased, such as communication, automotive, and industrial semiconductors. With the development trend of smart and automated products in recent years, it is expected that the proportion of automotive and industrial applications will continue to grow. The Company's analysis services span the up-, mid- and downstream of the semiconductor industry. The Company continues to invest in research and build new production capacity. It is expected that the operating results will grow steadily along with the development of technologies.

#### 4. Competitive advantages

##### (1) Excellent R&D team, dedicated to assisting customers in solving analysis needs

The R&D team will continue to develop analysis technologies and methods, write patents to bind the analysis technologies, and continue to submit articles to international journals to demonstrate R&D strength and widen the gap with competitors. Leverage the R&D advantages to dominate the status of advanced process analysis technology, and continue to expand the scope of advanced process analysis services.

- (2) The turnover rate of employees is low, and the analytical method may be inherited

Since the incorporation of the Company, the turnover rate of employees has been extremely low. The main reason is that employees are the Company's biggest asset. Under the leadership of the management team, it has created a harmonious working atmosphere, and a clear reward and punishment system, with a complete education and training system and reward/incentive system, so that employees are able to work comfortably, enabling the analysis method to be inherited and continued.

- (3) Customer information are kept confidential to ensure the security of customer analysis information

The Company is a professional technical service provider, and for the information entrusted by customers, we take the most rigorous attitude to ensure that customers have no concern about secret leakage. We have been recognized by customers for a long time. The foundation of mutual trust is the accumulation of Company reputation.

- (4) The production management system, "Smart e-System," developed in-house, effectively shortens the report delivery time

The Company has developed a set of "Smart e-System," to optimize and visualize the overall production system process, which is the first in the laboratory type industry. It is used in the management of customer commission scheduling, by exerting the advantages of artificial intelligence, the equipment operation efficiency is greatly improved, the delivery time is shortened, and enables MSSCorps to undertake numerous difficult cases. More commissioned projects with higher difficulties demonstrate the optimization with the matches of personnel with machine and production system, thereby enhancing the competitiveness of the Company, and effectively shortening the delivery time of customer reports.

- (5) Leading the industry to introduce the most advanced analysis equipment

With the evolution of Moore's Law, the advanced manufacturing process has entered below 3 nanometers or even to the Angstrom level. In order to meet the analysis needs of customers, the Company invests a large amount of capital expenditure every year to purchase the latest grade of equipment from equipment manufacturers, with analysis working methods developed in-house, to meet various material analysis needs of different semiconductor generations.

- (6) Possessing the low temperature atomic layer deposition (LT-ALD) technology and the patent is obtained.

The Company focuses on material analysis and failure analysis of advanced semiconductor manufacturing processes, and has invested a lot of R&D manpower to develop the latest analysis working methods. Of which, the low temperature atomic

layer deposition (LT-ALD) technology is the key link in analyzing samples. The technology is applied in the material analysis sample preparation for processes below 7 nanometers, to ensure that the sample will not be deformed and collapsed under the electron beam irradiation during the preparation process, resulting in misjudgment by customer R&D personnel. Taking ultra-low dielectric materials (Low K) and the introduction of EUV photoresist for processes below 5 nm as examples, the biggest challenge is how to keep the sample in its original shape under the electron beam irradiation, and prevent the sample from deforming and collapsing. This is a great challenge for the R&D of the new generation advanced process technology, as well as a very difficult barrier to be overcome for the analysis industry. The Company's R&D team has applied the low temperature atomic layer deposition (LT-ALD) technology in the field of material analysis for many years. As the advanced semiconductor process moves forward to 3nm and below 2nm, the more the process shrinks, the more the Company's leading position in the field of material analysis is highlighted.

#### 5. Favorable factors

##### (1) The industry has high barriers to entry, and it is not easy for competitors to enter

The Company is one of the few professional material analysis technology service providers in the world. Other than the expensive analysis equipment, talents are the Company's most important asset. The Company fulfills its corporate responsibility and takes care of its employees for a long time so that the turnover rate of personnel is extremely low, so that the technical working methods may be passed by. How to deliver a large number of analysis reports with consistent quality to customers in the shortest delivery period is the key to blocking the competitors from entering the analysis industry, so that the industry to which the Company belongs is still a quasi-oligopolistic market.

##### (2) The complete up-, mid- and downstream supply chain of the semiconductor industry

Taiwan currently occupies a pivotal position in the global semiconductor industry supply chain. With the world's second largest total production value of upstream IC design, more than 50% market share of the midstream foundry market as the first place in the world, and the world's largest market share by the downstream IC professional packaging and testing industry, the overall semiconductor industry supply chain is complete. From the front-end wafer manufacturing R&D material analysis service to the back-end wafer failure analysis service, the Company plays the role of the pilot for the advanced semiconductor R&D process and becomes the most reliable R&D partner of semiconductor manufacturers.

(3) A strong R&D team specializes in solving customers' difficult problems

The Company is a professional technical service provider. In order to meet customer needs and provide customers with various solutions in material analysis, we have recruited more than ten talents with master's and doctoral degrees from large academic R&D institutions locally and internationally at all costs, focusing on providing the analysis working method developed in-house during the R&D of advanced processes with the customers, and transfers the working method developed in-house to the engineering team, for them to massively produce and provide analysis reports with the shortest delivery time and the best quality. In addition, the Company is an R&D partner of well-known foreign semiconductor research institutions, jointly developing the most advanced semiconductor process technologies and material analyses. The Company's R&D team only focuses on R&D of analysis methods rather than mass production, a pioneering approach in the industry.

6. Unfavorable factors and countermeasures

(1) Price competition

The Company is mainly engaged in material analysis services for advanced processes with more difficult operations in the analysis and testing industry, to provide customers with the best quality analysis reports and accurate report delivery times. The product mixes are different from the competing peers, and thus less vulnerable to the price competition.

Countermeasure:

The Company is one of the few companies in the industry that has established an R&D team dedicated to providing customers with various analysis solutions; the R&D team has timely launched new offerings of analysis services leading the industry, and constantly introduced new analysis technologies to meet the needs of customers in various analysis and testing. In addition, the Company has established long-term interdependent relationships with customers, deeply cultivated key customers, and established long-term R&D collaborative development experience in response to the needs of key customers. Once the Company is listed as an important R&D partner to these customers, the orders are not shifted away easily, and the Company becomes an integral link or department in the customers' in-house laboratories; therefore, the competitive disadvantage of the industry due to price competition is overcome.

(2) Subject to limited resources, there is still room for equipment investment

Countermeasure:

At the beginning of its incorporation, the Company opted for the material analysis and failure analysis market with higher level of technology. Over the years,

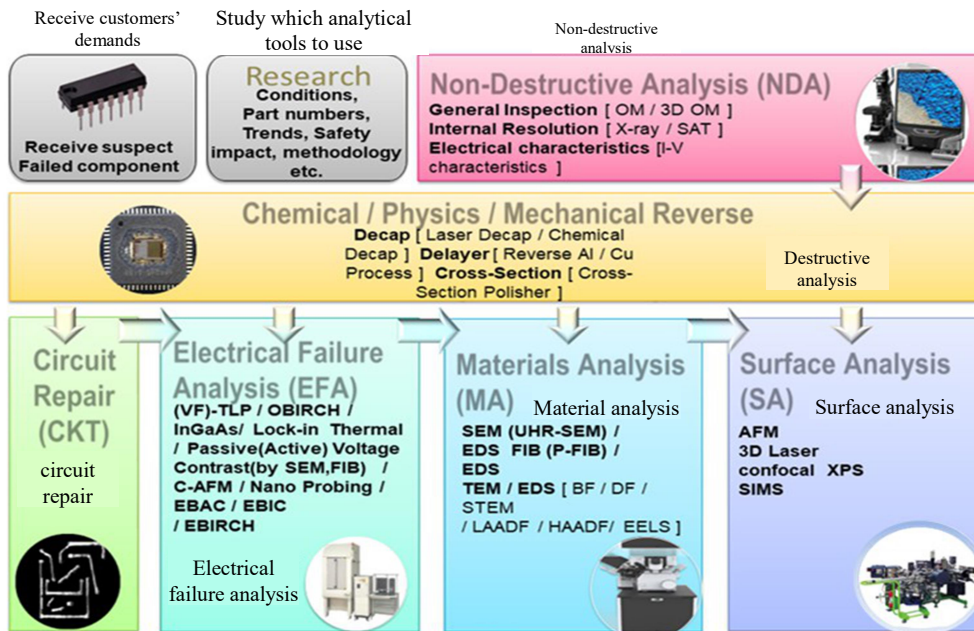
it has invested in the intensively competitive analysis industry with its own funds and financing from financial institutions. The Company's operating scale has grown steadily with the evolution of advanced processes; provided, the Company is subjected to limited funds and site resources; furthermore, the high-end electron microscope analysis equipment is expensive. The Company only relies on its own profits to reinvest in capital expenditures on equipment. Now, it has achieved good results. In addition, the Company has begun to raise funds in recent years, and looked for suitable sites for expansion gradually to serve customers nearby, the benefits have gradually emerged. After securing external funds and suitable sites successively recently, the Company will be more active than before in terms of equipment investment and recruitment of outstanding talents.

(II) Usage and manufacturing processes for the main products

1. Usage of main products: analysis service.

Analysis item	Usage and function
Material analysis	<ol style="list-style-type: none"> <li>1. Preparation of testing specimen</li> <li>2. Scanning electron microscopy analysis</li> <li>3. Transmission electron microscopy analysis</li> <li>4. Focused ion beam analysis</li> <li>5. High-resolution energy dispersive spectroscopy ingredient analysis</li> <li>6. Micro-area energy, energy loss, energy spectrum bonding analysis</li> <li>7. Low destructive photoresist analysis</li> <li>8. Low destructive low k material analysis</li> <li>9. Material structure analysis</li> <li>10. Secondary ion mass spectrometry</li> <li>11. Photoelectron energy spectrum analysis</li> <li>12. AFM analysis</li> <li>13. Surface roughness analysis</li> </ol>
Failure Analysis	<ol style="list-style-type: none"> <li>1. Strip IC packaging</li> <li>2. Fully flat IC single-layer de-layering</li> <li>3. 2D X-ray detector</li> <li>4. 3D X-ray detector</li> <li>5. Ultrasonic detector</li> <li>6. EMMI analysis</li> <li>7. OBIRCH analysis</li> <li>8. Analysis of current and voltage characteristics</li> <li>9. Circuit cutting/bonding</li> <li>10. Low impedance material connections</li> <li>11. IC signal lead out</li> </ol>

2. Production process:



(III) Supply of major raw materials: the Company engages analysis services, so it is not applicable.

(IV) List the name and the share of consolidated sales/purchase amount of any customer who accounted for 10% or more of the total consolidated sales/purchase amount in any year of the recent two years, and the reason of changes:

- Suppliers accounted for 10% or more of the total net purchase amount in the recent two years: The Company is a professional technology service provider and thus no such situation.
- Customers accounted for 10% or more of the total net sales amount in the recent two years:

Unit: NT\$/ Thousand; %

Item	2020				2021			
	Name	Amount	As a percentage of net sales for the period (%)	Relationship with the Issuer	Name	Amount	As a percentage of net sales for the period (%)	Relationship with the Issuer
1	A	349,492	31.40	None	A	448,263	30.50	None
2	B	166,547	14.96	None	B	162,890	11.08	None
	Others	597,145	53.64	-	Others	858,728	58.42	-
	Total	1,113,184	100.00		Total	1,469,881	100.00	

Description of changes of increase/decrease: the sales amount to customer A mainly increases with the growth of operations.

(V) Production volume and value in the recent two years:

Unit: case volume/ NT\$

Year	2020			2021		
	Production capacity	Production quantity	Production amount	Production capacity	Production quantity	Production amount
Production quantity and amount Major products (or by department)						
Costs from analysis service	Note	Note	702,176	Note	Note	914,775
Total	Note	Note	702,176	Note	Note	914,775

Note: The Company is a professional technical service provider, and its production capacity is affected by the number of analysis equipment and customer commissioned projects. Because the service is not all priced by quantity, it is impossible to reasonably calculate its production capacity and quantity.

Reason for change: The Company purchases the latest analysis equipment in the industry timely depending on customer analysis needs and market conditions every year, to provide customers with the highest quality analysis reports and various analysis solutions. Therefore, the production volume and value show a robust growth trend with the expansion of the Company's operating scale.

(VI) Sales volumes and values for the most recent two years

Unit: NT\$ Thousand

Year	2020				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Sales quantity and amount Major products (or by department)								
Income from analysis service	Note	1,024,933	Note	88,251	Note	1,244,476	Note	225,405
Total	Note	1,024,933	Note	88,251	Note	1,244,476	Note	225,405

Note: The Company is a professional technical service provider, and the billing approaches are not by quantity only, so it is impossible to calculate the quantity reasonably.

Reason for change: The Company purchases the latest analysis equipment in the industry timely depending on customer analysis needs and market conditions every year, to provide customers with the highest quality analysis reports and various analysis solutions, while bundling with various analysis working methods developed in-house, to meet customers' analysis demands. Therefore, the sales volume and value show a robust growth trend with the expansion of the Company's operating scale.

III. Information of employees

Year		2020	2021	As of March 31, 2022
Number of employees (person)	Managerial Officer:	6	6	7
	General clerks	321	361	366



Year		2020	2021	As of March 31, 2022
Total		327	367	373
Average age (age)		34.8	35.4	35.6
Average service years (year)		4.6	4.8	4.9
Education distribution percentage (%)	PhD	1.84%	1.63%	1.61%
	Master's	18.65%	17.44%	16.35%
	University or college	72.48%	73.57%	74.53%
	Senior high school	7.03%	7.36%	7.51%
	Under Senior high school	0.00%	0.00%	0.00%

#### IV. Information on environmental protection expenditure

- (I) Pursuant to laws and regulations, the companies that are required to apply for the permits for pollution facility installation or pollution emission, pay the pollution control fees, or establish the dedicated environment unit or personnel, the application, payment and establishment shall be specified: No such situation.
- (II) Investment in major equipment for the prevention and control of environmental pollution, the usage, and the possible benefits: No such situation.
- (III) In the recent two years and up to the date of publication of the annual report, if there is a pollution dispute occurred during the Company's process of improving environmental pollution, its handling process shall be explained: No such situation.
- (IV) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in the environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation.
- (V) Current pollution situation, and the effect on the company's earnings, competitive position, and capital expenditures, as well as the expected key environmental capex in the next two years: No such situation.

#### V. Labor relations

- (I) The Company's employee welfare programs, continuing education, training, retirement systems and their implementation, as well as labor-management agreements and various employee rights protection measures

##### 1. Employee benefits and implementation

The Company's various welfare measures are handled pursuant to the Labor Standards Act, the Labor Insurance Act, the National Health Insurance Act and other

relevant laws and regulations; the Company also particularly insures the employees with group insurance, including term life insurance, critical illness insurance, casualty insurance, casualty medical insurance, hospitalization medical insurance and cancer medical insurance. In addition, in order to improve employees' benefits, the Company has established the Employee Welfare Committee to coordinate and handle various employee benefit matters, including birthday gift money, festival gift vouchers, trips and club subsidies, while organizing various activities from time to time to take care of employees' lives.

## 2. Continuing education and trainings for employees

The Company has always valued the cultivation of professional knowledge and skills of employees, enabling them to perform their functions, increase work efficiency, and ensure work quality, to achieve the goal of sustainable operation and development of the Company. The Company provides diversified training courses and various professional on-the-job education and training, including orientations, on-the-job training courses, labor safety and health education and training, professional courses and various job-related external training courses, to enhance the professional abilities of employees and the core competitiveness, while strengthening employees' complete training and continuing education channels.

## 3. Retirement system and implementation status.

For the employees applicable to the "Labor Pension Act," the Company contributes 6% of their monthly salaries to their personal pension account every month.

## 4. Agreements between labors and management

All regulations of the Company comply with the Labor Standards Act. The Company values the opinions of employees, and communicates with employees in a two-way and open manner, with smooth internal communication channels, seeking to maintain a good and harmonious interactive relationship between labor and management.

## 5. Employee rights protection measures.

The Company has established complete regulations to protect the interests of employees, and regularly reviews and enhances various benefit measures, to ensure the highest protection of employees' interests.

- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:

In the recent two years up to the date of publication of the annual report, the labor and management have been able to get along with each other, and jointly contribute to the development of the business without disputes or losses occurring. In the future, we will continue to strengthen the communication between labor and management to promote labor-management relations and jointly create a good business performance.

## VI. Information security management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:
1. The Company has set up the Operation Security Division, responsible for customer information security and maintenance of information confidentiality.
  2. The Company's cyber security policy, specific management plan, and resources invested in the information security management are described below:
    - (1) Obtained ISO 27001 (Information Security Certification), and is regularly reviewed by external auditing and certification agencies.
    - (2) Regularly and irregularly accept customers' onsite inspections, to check if the case process and content of commissioned projects have any concern about information leakage, to obtain the recognition of important customers for commissioning projects to the Company comfortably.
    - (3) Key customers are given independent servers and independent network wires, to avoid information confusion or wrong information sent by personnel.
    - (4) The 24-hour CCTV surveillance in the plant area, with extremely high coverage.
    - (5) The mobile phones with cameras in the plants are subject to PIP control; the lenses need to be covered with sealing tape. Other devices with cameras are prohibited from being brought in.
    - (6) In the Plant, the USB, CD-ROM, and card reader services are prohibited from using through physical or software means.
    - (7) Computers involving confidential customer information cannot access the Internet.
    - (8) Notebooks cannot access internal NAS shared folders.
    - (9) The Company's dedicated vehicles are used for delivery, with the internal and external driving recorders and GPS to monitor the whole process.
    - (10) The printers are under the information security control; once used, the record is retained.
    - (11) Conduct the information control operations through a variety of information equipment, firewalls, domain control stations, mail hosts, and information security software.
    - (12) Respond to the pandemic, the AI face recognition access control system has been introduced. Unauthorized personnel, those whose body temperature exceeds the limit, and those who do not wear masks will not be granted access.
- (II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation.

## VII. Important contracts

Contract nature	Parties involved	Contract starting and ending date	Main content	Restricted clauses
Leasing contract	Southern Taiwan Science Park Bureau, MOST	January 1, 2022 to December 31, 2022	Plant-office leasing (Tainan)	No
Leasing contract	Tai Yuen Textile Co., Ltd.	February 1, 2021 to January 31, 2026	Plant-office leasing (Zhubei)	No
Leasing contract	Tai Yuen Textile Co., Ltd.	February 1, 2021 to January 31, 2026	Plant-office leasing (Zhubei)	No
Leasing contract	Tai Yuen Textile Co., Ltd.	August 1, 2021 to January 31, 2026	Plant-office leasing (Zhubei)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	May 1, 2018 to April 30, 2028	Plant-office leasing (Headquarter)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	June 1, 2019 to May 31, 2024	Plant-office leasing (Headquarter)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	February 1, 2018 to April 30, 2028	Plant-office leasing (Hsinchu Science Park)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	April 1, 2019 to March 31, 2024	Plant-office leasing (Hsinchu Science Park)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	September 1, 2019 to August 31, 2024	Plant-office leasing (Hsinchu Science Park)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	October 1, 2019 to September 30, 2024	Plant-office leasing (Hsinchu Science Park)	No
Leasing contract	Nan Shan Life Insurance Co., Ltd.	October 1, 2019 to September 30, 2024	Plant-office leasing (Hsinchu Science Park)	No
Leasing contract	Shanghai Tse-Hsian Commercial Management Ltd.	May 1, 2020 to April 30, 2022 (Note 2)	Office leasing (Shanghai)	No
Financing contract	Hua Nan Commercial Bank	June 7, 2018 to June 7, 2023	Mid- and long-term loans	No
Financing contract	Hua Nan Commercial Bank	December 26, 2018 to January 2, 2024	Mid- and long-term loans	No
Financing contract	Hua Nan Commercial Bank	May 29, 2020 to May 15, 2027	Mid- and long-term loans (Note 1)	The principles of "Rooted in Taiwan" Project shall be complied with; not to be used in purposes other than purchasing machinery equipment
Financing contract	Chang Hwa Bank	January 19, 2019 to January 19, 2024	Mid- and long-term loans	None
Financing contract	Chang Hwa Bank	September 29, 2020 to September 15, 2027	Mid- and long-term loans (Note 1)	The principles of "Rooted in Taiwan" Project shall be complied with; not to be used in purposes other than

Contract nature	Parties involved	Contract starting and ending date	Main content	Restricted clauses
				purchasing machinery equipment
Financing contract	Mega International Commercial Bank	March 21, 2018 to March 21, 2023	Mid- and long-term loans	No
Financing contract	Mega International Commercial Bank	December 6, 2018 to December 6, 2023	Mid- and long-term loans	No
Financing contract	Mega International Commercial Bank	November 20, 2020 to November 20, 2027	Mid- and long-term loans (Note 1)	The principles of “Rooted in Taiwan” Project shall be complied with; not to be used in purposes other than purchasing machinery equipment
Financing contract	Cathay United Bank	May 9, 2019 to May 9, 2022	Mid- and long-term loans	The financial ratios must meet the contractual standards
Financing contract	E. Sun Bank	October 21, 2020 to October 15, 2025	Mid- and long-term loans (Note 1)	The principles of “Rooted in Taiwan” Project shall be complied with; not to be used in purposes other than purchasing machinery equipment
Industrial-academic collaboration	National Chung Hsing University	June 1, 2021 to May 31, 2023	Industrial-academic collaboration for development and application of advanced scanning capacitance microscopy	No
Industrial-academic collaboration and technology licensing	Taiwan Instrument Research Institute	November 1, 2017 to October 31, 2024	Technological collaboration for developing ALD coating equipment to be used in academic research upon completion	No

Note 1: The Company’s investment project under the MOEA’s “Accelerated Enterprise Investment Program for Rooting in Taiwan”

Note 2: The contract was renewed for May 1, 2022 to April 30, 2024

## Six. Financial Status

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

#### (I) Condensed balance sheet

##### 1. IFRS (consolidated)

Unit: NT\$ Thousand

Item		Year	Financial information of the last five years			
			2017	2018	2019	2020
Current assets		Not applicable	390,956	650,966	708,161	1,020,435
Property, plant and equipment		Not applicable	622,937	1,023,849	1,246,543	1,601,082
Intangible assets		Not applicable	643	1,775	2,126	7,270
Other assets		Not applicable	319,502	407,862	374,378	268,061
Total Assets		Not applicable	1,334,038	2,084,452	2,331,208	2,896,848
Current liabilities	Before distribution	Not applicable	281,810	280,268	329,815	415,631
	After distribution	Not applicable	337,920	358,822	433,008	415,631
Non-current liabilities		Not applicable	231,438	317,270	428,408	601,491
Total liabilities	Before distribution	Not applicable	513,248	597,538	758,223	1,017,122
	After distribution	Not applicable	569,358	676,092	861,416	1,017,122
Equity attributable to owners of parent		Not applicable	820,790	1,486,914	1,572,985	1,879,726
Capital stock		Not applicable	239,068	392,772	392,772	412,772
Capital surplus		Not applicable	197,899	714,066	714,066	854,066

Retained earnings	Before distribution	Not applicable	387,033	393,983	474,535	623,835
	After distribution	Not applicable	330,923	315,429	371,342	623,835
Other equity interests		Not applicable	(3,210)	(13,907)	(8,388)	(10,947)
Treasury shares		Not applicable	—	—	—	—
Non-controlling interest		Not applicable	—	—	—	—
Total equity	Before distribution	Not applicable	820,790	1,486,914	1,572,985	1,879,726
	After distribution	Not applicable	764,680	1,408,360	1,469,792	1,879,726

Note 1: Financial reports of each year, audited and certified by CPAs.

Note 2: The Company initially applied the IFRS since 2018.

## 2. Condensed balance sheet (parent-only) - IFRS applied

Unit: NT\$ Thousand

Item		Year	Financial information of the last five years			
			2017	2018	2019	2020
Current assets		Not applicable	350,976	595,369	598,757	840,401
Property, plant and equipment		Not applicable	620,313	987,655	988,262	1,273,875
Intangible assets		Not applicable	643	1,501	1,716	7,040
Other assets		Not applicable	353,702	489,042	729,812	742,931
Total Assets		Not applicable	1,325,634	2,073,567	2,318,547	2,864,247
Current liabilities	Before distribution	Not applicable	279,490	273,448	321,501	388,888
	After distribution	Not applicable	335,600	352,002	424,694	388,888
Non-current liabilities		Not applicable	225,354	313,205	424,061	595,633
Total liabilities	Before distribution	Not applicable	504,844	586,653	745,562	984,521
	After distribution	Not applicable	560,954	665,207	848,755	984,521
Equity attributable to owners of parent		Not applicable	820,790	1,486,914	1,572,985	1,879,726
Capital stock		Not applicable	239,068	392,772	392,772	412,772
Capital surplus		Not applicable	197,899	714,066	714,066	854,066
Retained earnings	Before distribution	Not applicable	387,033	393,983	474,535	623,835
	After distribution	Not applicable	330,923	315,429	371,342	623,835



Other equity interests		Not applicable	(3,210)	(13,907)	(8,388)	(10,947)
Treasury shares		Not applicable	—	—	—	—
Non-controlling interest		Not applicable	—	—	—	—
Total equity	Before distribution	Not applicable	820,790	1,486,914	1,572,985	1,879,726
	After distribution	Not applicable	764,680	1,408,360	1,469,792	1,879,726

Source: Financial reports audited and certified by CPAs.

### 3. Enterprise Accounting Standard of Taiwan (parent-only)

Unit: NT\$ Thousand

Item		Year	Financial information for the most recent five years				
		2017	2018	2019	2020	2021	
Current assets		325,049	Not applicable	Not applicable	Not applicable	Not applicable	
Property, plant and equipment		575,226	Not applicable	Not applicable	Not applicable	Not applicable	
Intangible assets		556	Not applicable	Not applicable	Not applicable	Not applicable	
Other assets		109,521	Not applicable	Not applicable	Not applicable	Not applicable	
Total Assets		1,010,352	Not applicable	Not applicable	Not applicable	Not applicable	
Current liabilities	Before distribution	165,191	Not applicable	Not applicable	Not applicable	Not applicable	
	After distribution	185,487	Not applicable	Not applicable	Not applicable	Not applicable	
Non-current liabilities		113,925	Not applicable	Not applicable	Not applicable	Not applicable	
Total liabilities	Before distribution	279,116	Not applicable	Not applicable	Not applicable	Not applicable	
	After distribution	299,412	Not applicable	Not applicable	Not applicable	Not applicable	
Equity attributable to owners of parent		731,236	Not applicable	Not applicable	Not applicable	Not applicable	
Capital stock		312,240	Not applicable	Not applicable	Not applicable	Not applicable	
Capital surplus		79,950	Not applicable	Not applicable	Not applicable	Not applicable	
Retained earnings	Before distribution	336,699	Not applicable	Not applicable	Not applicable	Not applicable	
	After distribution	316,403	Not applicable	Not applicable	Not applicable	Not applicable	

Other equity interests		2,347	Not applicable	Not applicable	Not applicable	Not applicable
Treasury shares		—	Not applicable	Not applicable	Not applicable	Not applicable
Non-controlling interest		—	Not applicable	Not applicable	Not applicable	Not applicable
Total equity	Before distribution	731,236	Not applicable	Not applicable	Not applicable	Not applicable
	After distribution	710,940	Not applicable	Not applicable	Not applicable	Not applicable

Source: Financial reports audited and certified by CPAs.

(II) Condensed statement of income

1. IFRS (consolidated)

Unit: NT\$ thousand, earnings per share: NT\$

Item	Year	Financial information of the last five years				
		2017	2018	2019	2020	2021
Operating revenue	Not applicable	690,630	856,306	1,113,184	1,469,881	
Gross profit before unrealized gross profit on sales to subsidiaries	Not applicable	257,449	288,437	410,323	555,106	
Operating profits or losses	Not applicable	92,532	112,508	193,854	295,777	
Non-operating income and expenses	Not applicable	(3,260)	(11,002)	(5,813)	(1,035)	
Profit before income tax	Not applicable	89,272	101,506	188,041	294,742	
Net profits for the period from continuing operations	Not applicable	66,538	81,764	159,106	252,493	
Losses from discontinued operations	Not applicable	—	—	—	—	
Profit for the year	Not applicable	66,538	81,764	159,106	252,493	
Other comprehensive income for the period (net after tax)	Not applicable	(1,465)	(10,697)	5,519	(2,559)	
Total comprehensive income for the year	Not applicable	65,073	71,067	164,625	249,934	
Net profits attributable to shareholders of owners of the parent	Not applicable	66,538	81,764	159,106	252,493	
Net profits attributable to non-controlling interests	Not applicable	—	—	—	—	
Total comprehensive income attributable to shareholders of owners of the parent	Not applicable	65,073	71,067	164,625	249,934	
Total comprehensive income attributable to non-controlling interests	Not applicable	—	—	—	—	
Earnings per share	Not applicable	2.76	2.27	4.05	6.21	

Note 1: Financial reports of each year, audited and certified by CPAs.

Note 2: The Company initially applied the IFRS since 2018

## 2. Condensed statement of income - IFRS (parent-only)

Unit: NT\$ thousand, earnings per share: NT\$

Item	Year	Financial information of the last five years				
		2017	2018	2019	2020	2021
Operating revenue	Not applicable	688,928	843,711	1,088,079	1,336,466	
Gross profit before unrealized gross profit on sales to subsidiaries	Not applicable	256,357	287,209	404,379	452,593	
Operating profits or losses	Not applicable	96,282	118,656	208,269	215,100	
Non-operating income and expenses	Not applicable	(7,010)	(17,150)	(20,228)	63,584	
Profit before income tax	Not applicable	89,272	101,506	188,041	278,684	
Net profits for the period from continuing operations	Not applicable	66,538	81,764	159,106	252,493	
Losses from discontinued operations	Not applicable	—	—	—	—	
Profit for the year	Not applicable	66,538	81,764	159,106	252,493	
Other comprehensive income for the period (net after tax)	Not applicable	(1,465)	(10,697)	5,519	(2,559)	
Total comprehensive income for the year	Not applicable	65,073	71,067	164,625	249,934	
Net profits attributable to shareholders of owners of the parent	Not applicable	66,538	81,764	159,106	252,493	
Net profits attributable to non-controlling interests	Not applicable	—	—	—	—	
Total comprehensive income attributable to shareholders of owners of the parent	Not applicable	65,073	71,067	164,625	249,934	
Total comprehensive income attributable to non-controlling interests	Not applicable	—	—	—	—	
Earnings per share	Not applicable	2.76	2.27	4.05	6.21	

Source: Financial reports audited and certified by CPAs.

### 3. Enterprise Accounting Standard of Taiwan

Unit: NT\$ thousand, earnings per share: NT\$

Item \ Year	Financial information of the last five years				
	2017	2018	2019	2020	2021
Operating revenue	614,603	Not applicable	Not applicable	Not applicable	Not applicable
Gross profit before unrealized gross profit on sales to subsidiaries	236,891	Not applicable	Not applicable	Not applicable	Not applicable
Operating profits or losses	94,470	Not applicable	Not applicable	Not applicable	Not applicable
Non-operating income and expenses	(9,459)	Not applicable	Not applicable	Not applicable	Not applicable
Profit before income tax	85,011	Not applicable	Not applicable	Not applicable	Not applicable
Net profits for the period from continuing operations	64,072	Not applicable	Not applicable	Not applicable	Not applicable
Losses from discontinued operations	—	Not applicable	Not applicable	Not applicable	Not applicable
Profit for the year	64,072	Not applicable	Not applicable	Not applicable	Not applicable
Other comprehensive income for the period (net after tax)	899	Not applicable	Not applicable	Not applicable	Not applicable
Total comprehensive income for the year	64,971	Not applicable	Not applicable	Not applicable	Not applicable
Net profits attributable to shareholders of owners of the parent	64,072	Not applicable	Not applicable	Not applicable	Not applicable
Net profits attributable to non-controlling interests	—	Not applicable	Not applicable	Not applicable	Not applicable

Item \ Year	Financial information of the last five years				
	2017	2018	2019	2020	2021
Total comprehensive income attributable to shareholders of owners of the parent	64,971	Not applicable	Not applicable	Not applicable	Not applicable
Total comprehensive income attributable to non-controlling interests	—	Not applicable	Not applicable	Not applicable	Not applicable
Earnings per share	2.50	Not applicable	Not applicable	Not applicable	Not applicable

Source: Financial reports audited and certified by CPAs.

(III) The name of CPA for the most recent 5 years and the audit opinions:

Year	CPA firm	CPA name	Opinion
2017	Deloitte Taiwan	Chang, Keng-Hsi	Unqualified opinion
2018	Deloitte Taiwan	Chang, Keng-Hsi/Hsueh, Chun-Min	Unqualified opinion
2019	Deloitte Taiwan	Chang, Keng-Hsi/Hsueh, Chun-Min	Unqualified opinion
2020	Deloitte Taiwan	Chang, Keng-Hsi/Hsueh, Chun-Min	Unqualified opinion
2021	Deloitte Taiwan	Chang, Keng-Hsi/Hsueh, Chun-Min	Unqualified opinion

## II. Financial analysis for the most recent 5 years

### (I) Comprehensive analysis of the financial information in the recent five years - IFRS (consolidated)

Year		Financial analysis of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Analysis item (Note 2)						
Financial structure %	Debt to assets ratio	Not applicable	38.47	28.67	32.52	35.11
	Long-term capital to property, plant and equipment ratio	Not applicable	168.91	176.22	160.56	154.97
Solvency %	Current ratio	Not applicable	138.73	232.27	214.71	245.51
	Quick ratio	Not applicable	129.40	206.11	186.47	226.88
	Interest coverage multiplier	Not applicable	24.92	14.54	27.57	34.69
	Accounts receivable turnover rate (times)	Not applicable	2.72	3.00	3.62	3.72
	Average collection days	Not applicable	134	122	101	99
	Inventory turnover rate (times)	Not applicable	—	—	—	—
	Accounts payable turnover rate (times)	Not applicable	3.38	3.73	3.93	5.11
	Average sales days	Not applicable	—	—	—	—
Operating performance	Property, plant and equipment turnover rate (times)	Not applicable	1.14	1.04	0.98	1.03
	Total assets turnover rate (times)	Not applicable	0.56	0.50	0.50	0.56
Profitability	Return on assets (%)	Not applicable	5.64	5.13	7.46	9.93
	Return on equity (%)	Not applicable	8.57	7.09	10.40	14.63
	Net profits before tax to paid-in capital (%)	Not applicable	37.34	25.84	47.88	71.41



Year		Financial analysis of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Analysis item (Note 2)	Net profit margin (%)	Not applicable	8.57	9.55	14.29	17.18
	Earnings per share (NT\$)	Not applicable	2.76	2.27	4.05	6.21
Cash flow	Cash flow ratio (%)	Not applicable	62.56	108.10	144.42	149.17
	Cash flow adequacy ratio (%)	Not applicable	Note 4	Note 4	Note 4	Note 4
	Cash reinvestment ratio (%)	Not applicable	11.46	9.85	14.73	15.76
Leverage	Operating leverage	Not applicable	2.86	3.19	2.69	2.39
	Financial leverage	Not applicable	1.04	1.07	1.04	1.03

The reasons for the changes in the financial ratios for the last two years. (Analysis can be exempted if the change is less than 20%):

1. Increase in quick ratio is because the revenue grew, and the cash capital increase was conducted in 2021. 2. Interest coverage multiplier increased because the profit grew. 3. The payable turnover rate increased because the revenue grew and the corresponding sales costs also increased. 4. Return on assets increased because the profit grew. 5. Return on shareholders' equity increased because the profit grew. 6. Net income before tax increased because the profit grew. 7. Net margin increased because the profit grew.

2. Comprehensive analysis of the financial information in the recent five years - IFRS (parent-only)

Analysis item (Note 2)		Financial analysis of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure %	Debt to assets ratio	Not applicable	38.08	28.29	32.16	34.37
	Long-term capital to property, plant and equipment ratio	Not applicable	168.65	182.26	202.08	194.32
Solvency %	Current ratio	Not applicable	125.58	217.73	186.24	216.10
	Quick ratio	Not applicable	116.43	202.80	163.21	198.12
	Interest coverage multiplier	Not applicable	25.92	15.20	28.64	33.42
Operating performance	Accounts receivable turnover rate (times)	Not applicable	2.72	3.01	3.75	3.88
	Average collection days	Not applicable	134	121	97	94
	Inventory turnover rate (times)	Not applicable	–	–	–	–
	Accounts payable turnover rate (times)	Not applicable	3.40	3.50	3.85	4.94
	Average sales days	Not applicable	–	–	–	–
	Property, plant and equipment turnover rate (times)	Not applicable	1.15	1.05	1.10	1.18
	Total assets turnover rate (times)	Not applicable	0.56	0.50	0.50	0.52
Profitability	Return on assets (%)	Not applicable	5.65	5.15	7.49	10.01
	Return on equity (%)	Not applicable	8.57	7.09	10.40	14.63
	Net profits before tax to paid-in capital (%)	Not applicable	37.34	25.84	47.88	67.52
	Net profit margin (%)	Not applicable	9.66	9.69	14.62	18.89
	Earnings per share (NT\$)	Not applicable	2.76	2.27	4.05	6.21
Cash flow	Cash flow ratio (%)	Not applicable	63.46	128.20	144.10	138.01
	Cash flow adequacy ratio (%)	Not applicable	Note 4	Note 4	Note 4	Note 4
	Cash reinvestment ratio (%)	Not applicable	11.53	11.74	14.34	13.42
Leverage	Operating leverage	Not applicable	2.75	3.05	2.48	2.77
	Financial leverage	Not applicable	1.04	1.06	1.03	1.04

The reasons for the changes in the financial ratios for the last two years. (Analysis can be exempted if the change is less than 20%):

1. Increase in quick ratio is because the revenue grew, and the cash capital increase was conducted in 2021. 2. The payable turnover rate increased because the revenue grew and the corresponding sales costs also increased. 3. Return on assets increased because the profit grew. 4. Return on shareholders' equity increased because the profit grew. 5. Net income before tax increased because the profit grew. 6. Net margin increased because the profit grew.

3. Comprehensive analysis of the financial information in the recent five years - Financial Accounting Standards of Taiwan

Year		Financial analysis of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Analysis item (Note 2)						
Financial structure %	Debt to assets ratio	27.63	Not applicable	Not applicable	Not applicable	Not applicable
	Long-term capital to property, plant and equipment ratio	146.93	Not applicable	Not applicable	Not applicable	Not applicable
Solvency %	Current ratio	196.77	Not applicable	Not applicable	Not applicable	Not applicable
	Quick ratio	188.68	Not applicable	Not applicable	Not applicable	Not applicable
	Interest coverage multiplier	38.52	Not applicable	Not applicable	Not applicable	Not applicable
Operating performance	Accounts receivable turnover rate (times)	3.19	Not applicable	Not applicable	Not applicable	Not applicable
	Average collection days	114	Not applicable	Not applicable	Not applicable	Not applicable
	Inventory turnover rate (times)	—	Not applicable	Not applicable	Not applicable	Not applicable
	Accounts payable turnover rate (times)	2.90	Not applicable	Not applicable	Not applicable	Not applicable
	Average sales days	—	Not applicable	Not applicable	Not applicable	Not applicable
	Property, plant and equipment turnover rate (times)	1.18	Not applicable	Not applicable	Not applicable	Not applicable
	Total assets turnover rate (times)	0.65	Not applicable	Not applicable	Not applicable	Not applicable
Profitability	Return on assets (%)	7.01	Not applicable	Not applicable	Not applicable	Not applicable
	Return on equity (%)	9.79	Not applicable	Not applicable	Not applicable	Not applicable
	Net profits before tax to paid-in capital (%)	27.23	Not applicable	Not applicable	Not applicable	Not applicable

Year		Financial analysis of the last five years (Note 1)				
		2017	2018	2019	2020	2021
Analysis item (Note 2)	Net profit margin (%)	10.42	Not applicable	Not applicable	Not applicable	Not applicable
	Earnings per share (NT\$)	2.50	Not applicable	Not applicable	Not applicable	Not applicable
Cash flow	Cash flow ratio (%)	138.39	Not applicable	Not applicable	Not applicable	Not applicable
	Cash flow adequacy ratio (%)	128.06	Not applicable	Not applicable	Not applicable	Not applicable
	Cash reinvestment ratio (%)	15.11	Not applicable	Not applicable	Not applicable	Not applicable
Leverage	Operating leverage	2.33	Not applicable	Not applicable	Not applicable	Not applicable
	Financial leverage	1.00	Not applicable	Not applicable	Not applicable	Not applicable
The reasons for the changes in the financial ratios for the last two years. (Analysis can be exempted if the change is less than 20%): Not applicable						

Note 1: Financial reports of each year are audited and certified by CPAs.

Note 2: If the cash flow from the operating activities is a net outflow, or a net outflow cumulatively, the ratios related to cash flow are not calculated.

Note 3: The formula of the aforesaid financial ratios are as below:

### 1. Financial structure

- (1) Debt to assets ratio = total liabilities/total assets
- (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment

### 2. Solvency

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
- (3) Interests coverage multiplier = net profits before tax and interest expense/interest expense for the period

### 3. Operating performance

- (1) Receivable (including accounts receivable and notes receivable from business operations) turnover rate = net sales / balance of average accounts receivable for various periods (including accounts receivable and notes receivable from business operations).
- (2) Average collection days = 365/accounts receivable turnover rate
- (3) Inventory turnover rate = costs of goods sold/average inventory
- (4) Payable (including accounts payable and notes payable from business operations) turnover rate = costs of goods sold / balance of average accounts payable for various periods (including accounts payable and notes payable from business operations).
- (5) Average sales days = 365/inventory turnover rate
- (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment.
- (7) Total assets turnover rate = net sales/average total assets

### 4. Profitability

- (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
- (2) Return on equity = net profits after tax/average total equity
- (3) Net profit margin = net profits after tax/net sales
- (4) Earnings per share = (net profits attributable to shareholders of owners of the parent - preferred stock dividend)/ weighted average number of shares outstanding

### 5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
- (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years / sum of capital expenditures, inventory additions, and cash dividend for the most recent 5 years
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capitals).

### 6. Leverage

- (1) Operating leverage = (net operating revenues - variable operating costs and expenses) / operating profits.
- (2) Financial leverage = operating profits / (operating profits - interest expense).

Note 4: As the IFRS has not been adopted for five years, the ratio cannot be calculated.

## (II) Explanation of material changes in accounting items

Comparing the accounting items in the balance sheet and comprehensive income statements of the recent two years; for any changes of amount more than 10%, and the amount reaching 1% of the total assets of the year, list the reasons of changes below (based on IFRS):

### 1. IFRS (consolidated)

Unit: Thousand NTD; %

Accounting Item \ Year	2020		2021		Changes of increase/decrease		Description
	Amount	%	Amount	%	Amount	%	
Cash and cash equivalents	297,562	12.76	477,961	16.50	180,399	60.63	Because the cash capital increase was conducted in 2021, resulting the ending cash balance increased from the previous year
Accounts receivable, net	315,938	13.55	451,500	15.59	135,562	42.91	Because the revenue grew continuously, resulting the increase in the ending accounts receivable
Property, plant and equipment	1,246,543	53.47	1,601,082	55.27	354,539	28.44	Because machinery equipment was purchased to increase capacity
Other non-current assets	226,459	9.71	128,385	4.43	(98,074)	(43.31)	Because the successive acceptance of machines resulted in less advanced equipment payment
Other payables	147,335	6.32	198,522	6.85	51,187	34.74	More employees resulted in increase in the remunerations payable to employees, directors and supervisors
Long-term loans	308,941	13.25	486,321	16.79	177,380	57.42	Because machinery equipment was purchased to increase capacity, resulting in increased bank loans
Retained earnings	474,535	20.36	623,835	21.53	149,300	31.46	Because the profit grew continuously
Operating revenue	1,113,184	100.00	1,469,881	100.00	356,697	32.04	Because the Company had a stable operation with good results, the revenue increased year on year
Operating costs	702,861	63.14	914,775	62.23	211,914	30.15	Because the revenue grew year on year, resulting in increased service costs.
General and administrative expenses	133,400	11.98	173,356	11.79	39,956	29.95	Because the revenue grew year on year, resulting in increased management costs.

## 2. IFRS (parent-only)

Unit: Thousand NTD; %

Accounting Item \ Year	2020		2021		Changes of increase/decrease		Description
	Amount	%	Amount	%	Amount	%	
Cash and cash equivalents	225,116	9.71	386,476	13.49	161,360	71.68	Because the cash capital increase was conducted in 2021, resulting the ending cash balance increased from the previous year
Accounts receivable, net	295,338	12.74	383,538	13.39	88,200	29.86	Because the revenue grew continuously, resulting the increase in the ending accounts receivable
Investments accounted for using equity method	363,556	15.68	481,133	16.80	117,577	32.34	Investments accounted for using equity method are due to increase investment in Nanjing MSS
Property, plant and equipment	988,262	42.62	1,273,875	44.48	285,613	28.90	Because machinery equipment was purchased to increase capacity
Other non-current assets	225,910	9.74	127,964	4.47	(97,946)	(43.36)	Because the successive acceptance of machines resulted in less advanced equipment payment
Other payables	142,778	6.16	190,270	6.64	47,492	33.26	More employees resulted in increase in the remunerations payable to employees, directors and supervisors
Long-term loans	308,941	13.32	486,321	16.98	177,380	57.42	Because machinery equipment was purchased to increase capacity, resulting in increased bank loans
Retained earnings	474,535	20.47	623,835	21.78	149,300	31.46	Because the profit grew continuously
Operating revenue	1,088,079	100.00	1,336,466	100.00	248,387	22.83	Because the Company had a stable operation with good results, the revenue increased year on year
Operating costs	683,700	62.84	883,873	66.14	200,173	29.28	Because the revenue grew year on year, resulting in increased service costs.
General and administrative expenses	124,593	11.45	158,277	11.84	33,684	27.04	Because the revenue grew year on year, resulting in increased management costs.



III. Review report on the financial reports of the most recent year by the Audit Committee: Please refer to page 134.

IV. The financial statement for the most recent fiscal year, and CPA's audit report: Please refer to page 135.

V. The parent company only financial statement for the most recent fiscal year, certified by a CPA: Please refer to page 201.

VI. The Company or its affiliates' financial turnover:

If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: No such situation.

## Seven. Review and analysis of the financial status and financial performance and risks management

### I. Financial status

#### (I) Financial status:

Unit: Thousand NTD; %

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	708,161	1,020,435	312,274	44.10
Property, plant and equipment	1,246,543	1,601,082	354,539	28.44
Intangible assets	2,126	7,270	5,144	241.96
Other assets	374,378	268,061	(106,317)	(28.40)
Total Assets	2,331,208	2,896,848	565,640	24.26
Current liabilities	329,815	415,631	85,816	26.02
Non-current liabilities	428,408	601,491	173,083	40.40
Total liabilities	758,223	1,017,122	258,899	34.15
Share capital	392,772	412,772	20,000	5.09
Capital surplus	714,066	854,066	140,000	19.61
Retained earnings	474,535	623,835	149,300	31.46
Other equity interests	(8,388)	(10,947)	(2,559)	30.51
Non-controlling interest	—	—	—	—
Total equity	1,572,985	1,879,726	306,741	19.50

Explanation for significant changes in the percentage of increase or decrease (For changes of 20% or more in the preceding and following periods, and changes amounting to \$10 million):

1. Current assets: Mainly because the Company's grown revenue resulted in the increase in the accounts receivable, and the cash capital increased conducted in 2021 added more cash.
2. Property, plant and equipment: To increase capacity, the machinery equipment was added
3. Other assets: Because the successive acceptance of machines resulted in less advanced equipment payment
4. Total assets: Mainly because the Company's grown revenue resulted in the increase in the accounts receivable, and the cash capital increased conducted in 2021 added more cash, as well as to increase capacity, the machinery equipment was added
5. Current liabilities: The growing revenue resulted in increased other expenses payable at the end of the period
6. Non-current liabilities: Because the Company's scale expanded and added more long-term loans to replenish the working capital
7. Total liabilities: Because the Company's scale expanded and added more long-term loans to replenish the working capital
8. Retained earnings: Because the revenue continuously grew and profit continuously increased

## (II) Financial performance

### 1. Analysis of the operating results for the recent two years:

Unit: Thousand NTD; %

Item	Year		Amount of increase or decrease	Change (%)
	2020	2021		
Net operating revenues	1,113,184	1,469,881	356,697	32.04
Gross profit before unrealized gross profit on sales to subsidiaries	410,323	555,106	144,783	35.29
Net operating profits	193,854	295,777	101,923	52.58
Non-operating income and expenses	(5,813)	(1,035)	4,778	(82.20)
Net profits before tax from continuing operations	188,041	294,742	106,701	56.74
Income tax	(28,935)	(42,249)	(13,314)	46.01
Profit for the year	159,106	252,493	93,387	58.69
Other comprehensive income for the period (net after tax)	5,519	(2,559)	(8,078)	(146.37)
Total comprehensive income for the year	164,625	249,934	85,309	51.82
Net profits attributable to shareholders of owners of the parent	159,106	252,493	93,387	58.69
Net profits attributable to non- controlling interests	—	—	—	—
Total comprehensive income attributable to shareholders of owners of the parent	164,625	249,934	85,309	51.82
Total comprehensive income attributable to non-controlling interests	—	—	—	—
<p>Explanation for significant changes in the percentage of increase or decrease (For changes of 20% or more in the preceding and following periods, and changes amounting to \$10 million):</p> <ol style="list-style-type: none"> <li>1. Net operating revenue: Because the Company had a stable operation with good results, the revenue increased year on year</li> <li>2. Gross profit: Because the revenue continuously grew, the gross profit increased year on year</li> <li>3. Net operating profit: Because the revenue continuously grew, the net operating profit increased year on year</li> </ol>				

4. Net profits before tax from continuing operations: Because the revenue continuously grew, the net profits before tax from continuing operations increased year on year
5. Income tax: The net profit before tax continuously grew, and the estimated income tax of the period increased year on year
6. Net profit for the period: Because the revenue continuously grew, the net profit for the period increased year on year
7. Total comprehensive income for the period: Because the revenue continuously grew, the total comprehensive income for the period increased year on year

2. Estimated sales quantity in the coming year and its basis, possible impact on the Company's future financial and business matters and countermeasures:

- (1) Estimated sales quantity and its basis: The Company's estimated basis is the industrial conditions, external supply and demands in the market, while considering the business development, current operating status, and it is estimated the operating revenue of 2022 will grow steadily.
- (2) Possible impact on the Company's future financial and business matters and countermeasures: The Company will be committed to the effective utilization of capacity and financial funds, to cope with the needs for business growth.

### (III) Cash flow

#### 1. Analysis of changes in cash flows for the most recent year (2021)

Unit: NT\$ Thousand

Item \ Year	2020	2021	Increased (decreased) amount
Inflow (outflow) from operating activities	476,319	619,981	143,662
Inflow (outflow) from investing activities	(444,290)	(646,963)	(202,673)
Inflow (outflow) from financing activities	(25,038)	210,895	235,933
The effect of changes in exchange rates.	(1,212)	(3,514)	(2,302)
Net cash inflow (outflow)	5,779	180,399	174,620
Analysis of changes in cash flow:			
1. Increased net cash inflow from operating activities: Because the revenue continuously grew, and the continuous inflow was generated to the core business			
2. Increased net cash outflow from investing activities: To increase capacity, the machinery equipment was added			
3. Increased net cash inflow from financing activities: Because there was a cash capital increase in 2021			
In nutshell, the overall net cash inflow in 2021 still increased from 2020; the cash inflow from operating activities accounted for most, and the Company issued new shares in 2021 to replenish the working capital.			

2. Improvement plan for illiquidity: The Company did not have insufficient cash so no concern of illiquidity.

3. Cash liquidity analysis for the coming year (2022):

Unit: NT\$ Thousand

Cash balance at the beginning of the period (1)	Net cash inflow from operating activities for the whole year (2)	Net cash outflow (inflow) from investing and financing activities for the whole year (3)	Estimated cash balance (shortfall) (1)+(2)-(3)	Remedies for cash shortfall	
				Investment plan	Financing plan
477,961	763,773	(21,170)	1,262,904	—	—
Analysis:					
1. Analysis of changes in cash flow for the coming year:					
(1) Operating activities: collected accounts remitted for NT\$1,739,125 thousand and operating expenditure of NT\$975,352 thousand					
(2) Investing activities: the capex increased NT\$398,633 thousand					
(3) Investing activities: cash capital increase for NT\$605,550 thousand and 2021 cash dividends distributed for NT\$185,747 thousand.					
2. Remedies for expected insufficient cash and analysis of liquidity: The Company has no illiquidity.					

#### IV. Significant capital expenditures in the most recent year and the impact on finance and business matters

Applications of material capital expenditure and fund flows: purchasing the machinery equipment and the advanced equipment payments resulted in net cash outflow from investing activities for about NT\$440 million; the sources of funds are mainly the Company's own funds, without material impact on the finance and business.

#### V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan and investment plan for the coming year

Name of investee	Ownership ratio	Recognized investment profit and loss in 2021	Main reasons for profit or loss	Improvement plan
TRISTATE INTERNATIONAL CO., LTD.	100%	64,826	Recognized the profits of the investee	Not applicable
GOODACTION INT'L CORP.	100%	64,826	Recognized the profits of the investee	Not applicable
MSS (Shanghai) Electronic Technology Limited	100%	(78)	Losses were generated as not reaching the scale of economy	The company stopped taking orders from 2022 and transform as the presence of strategic positioning; for now, a material analysis lab will be established at a proper timing depending on how the semiconductor industry develops in Shanghai.
Nanjing MSS Electronic Technology Limited	100%	64,904	Profit has been made as the operation has been stabilized	Not applicable

#### VI. Analysis and assessment of risks

(I) The effect upon the company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. The effect upon the company's profits (losses) of changes in interest rates, and response measures to be taken in the future

The net interest income (expense) of the Company in 2020 and 2021 was NT\$(6,879) thousand and NT\$(8,276) thousand respectively; these are mainly the interest income from bank deposits and the finance cost of borrowings. Since the amounts were insignificant, the impact on the overall operation of the Company was also minimal. Therefore, the impact of

changes in interest rates on the profit and loss of the Company is limited. In the future, the Company will still monitor changes in the domestic and international economic environment, and take necessary measures timely, to reduce the risk of interest rate changes on the profit and loss of the Company.

2. The effect upon the company's profits (losses) of changes in exchange rates, and response measures to be taken in the future

The net exchange benefits of the Company in 2020 and 2021 were NT\$583 thousand and NT\$ 4,104 thousand, respectively. Overall, these only accounted for insignificant proportions in the Company's operating revenue and operating profit. Therefore, fluctuations in exchange rates had no significant impact on the Company. For the payables denominated in foreign currency held by the Company, the forward foreign exchange is bought to reduce the impact of foreign exchange gains and losses caused by exchange rate fluctuations on operations. The Company will maintain close contact with various financial institutions depending on the situation, and requests financial institutions to provide professional consulting services, to grasp the international exchange rate trend in real time, for minimizing the impact of exchange rate changes on the Company's profit and loss.

3. The effect upon the company's profits (losses) of inflation, and response measures to be taken in the future

The Company is not significantly affected by inflations, and the Company monitors market price fluctuations all the time, while maintaining good interactive relationships with suppliers and customers, to avoid the adverse impact of inflation on the Company's profit and loss.

(II) Policies on high-risk, high-leverage investments, lending funds to others, endorsement and guarantee, and derivatives transactions, main reasons for gain or loss, and future countermeasures:

- (1) Based on the principle of being robust and the business philosophy of being pragmatic, the Company focuses on the core business and does not engage in high-risk and high-leverage investments.
- (2) Based on the principle of prudence and pragmatic business philosophy, the Company focuses on core business. Moreover, the Company has established the "Operational Procedures for Loaning of Funds" and "Operational Procedures for Making Endorsement/Guarantee." The related operations shall comply with the related regulations.
- (3) The derivative trading engaged by the Company are non-trading exchange rates for hedging purposes, mainly for the procurement of imported equipment, by engaging forward foreign currency transactions with financial institutions, to avoid the risk of exchange rate market fluctuations. The derivative trading is engaged pursuant to the "Operational Procedures for Acquisitions and Disposal of Assets," to achieve effective risk control.

(III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:

- (1) Analysis technologies for atomic-graded ingredients

(2) Protection technologies for preparing intact test specimen

(3) Solutions for integrated analysis of 5G antenna

The Company is an R&D partner of major semiconductor manufacturers around the world. With the high-end electron microscope equipment and in-house developed analytical techniques, the Company provides customers with solutions for various material analyses and failure analyses. It is one of the most advanced professional material analysis companies in the world, and in recent years, the annual investment in R&D expenses accounted for more than 3% of the turnover. It is estimated that the R&D expenses invested in 2022 will be more than NT\$50,000 thousand.

(IV) Effect on the company's finance and business of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The Company's daily operations are handled pursuant to the relevant domestic and international laws and regulations, while monitoring the domestic and international policy development trends and changes in regulations, to fully grasp the changes in the market environment, and take the initiative to propose countermeasures timely. For the recent year up to the publication date of the annual report, the Company's finance and business have not been affected due to the changes in important domestic and international policies and laws.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response:

The Company values information security management very much. In order to control information security risks and prevent information security incidents from causing harm to service quality and corporate reputation, the Company has established information security policies and related standard operating procedures, with implementation of information security risk handling, information security training for all employees; other than confirming the implementation of overall information security and the controllability of risks, it also reviews and responds timely to various emerging information security risks. In addition, the Company has also established various information security defense and control solutions, including network firewalls, web application firewalls, anti-virus systems, endpoint intrusion and response systems, to ensure that the Company keeps information security risks in check within acceptable levels, while maintaining the high quality and stability of the professional services provided by the Company, to guarantee the service level and customer interests.

The Company monitors the development and evolution of the industrial environment all the time, and grasps the market vibes and industry information, to develop and launch new offerings timely to meet customer analysis needs and maintain the Company's competitiveness. For the recent year up to the publication date of the annual report, there has been no material effect on the finance and business of the Company from any important technological changes and industrial changes.

(VI) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:



The Company focuses on operating the core business, complies with the relevant laws and regulations, takes care of employees and actively reinforces the internal management performance, to maintain a good corporate image continuously, and increase customers' trust in the Company. For the recent year up to the publication date of the annual report, the Company's operation was not endangered due to changes of the corporate image. However, the occurrence of corporate crisis may cause considerable damage to the Company, so the Company will continue to implement various corporate governance requirements to reduce the occurrence of corporate risks and the impact of such on the Company.

(VII) Expected benefits and possible risks associated with any merger and acquisitions:

For the recent year up to the publication date of the annual report, the Company had no plan of M&A. Provided, for any possible M&A plan in the future, the Company will comply with the "Operational Process for Acquisition and Disposal of Assets" and related laws and regulations, with the attitude of prudential assessing, to thoroughly protect the Company's and shareholders' interests.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: For the recent year up to the publication date of the annual report, the Company had no plan to expand the number of plants.

(IX) Risks associated with any consolidation of sales or purchasing operations

1. Purchasing:

The Company mainly engages in analysis technology services. Through various high-end analysis equipment and the analysis method developed by the Company in-house, customers are provided with various high-quality analysis reports. The Company has no need to purchase raw materials, and the sources of various analysis equipment cover European, the U.S. and Japanese equipment manufacturers for selection. For the recent year up to the publication date of the annual report, there was no issue of consolidation of purchase.

2. Sales:

The Company has been cultivating in the field of semiconductor-related material analysis and failure analysis for many years, and is an R&D partner of renowned domestic and international semiconductor manufacturers. The clientele covers famous semiconductor equipment manufacturers, wafer OEM manufacturers, optoelectronics manufacturers, and various IC design companies, with more than hundreds of long-term and stable customers, and thousands of cases proceeding every month. The Company has become the pioneer in the high-end process for the semiconductor and other businesses. For the recent year up to the publication date of the annual report, there was no issue of consolidated sales.

(X) Risk to and effects on the Company of any transfer of equity interests and/or pledge of or change in equity interests in large quantity by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent: there was no transfer of equity interests and/or pledge of or change in equity interests by a director, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the

annual report; the Company fully re-elected the directors in the regular shareholders' meeting on July 1, 2021; as of the publication date of the annual report, no replacement of any director, or shareholders with a stake of more than 10 percent.

(XI) Risk to and effects on the Company due to change of control: None

(XII) For the litigious and non-litigious matters, list major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report shall be disclosed:

1. For the litigious and non-litigious matters have been concluded by means of a final and unappealable judgment, or are still under litigation that may materially affect shareholders' equity or the prices of the company's securities, the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute in the most recent two years up to the publication date of the annual report:

The litigation between the Company and Materials Analysis Technology Inc. (hereafter "MA-tek"), is that MA-tek brought the criminal litigation for infringement of trade secrets against the Company, the person in charge, and three employees in November 2019. Provided, the case was ruled not prosecuted by Taiwan Hsinchu District Prosecutors Office with written rulings 2020 Zhen-Zi No. 830 and No. 7035 on October 14, 2020. The Company learned that MA-tek filed a reconsideration, and the Taiwan High Prosecutors Office return the case for further investigation on January 5, 2021; the Company received the written ruling of no prosecution 2021 Zhen-Xu-Zi No. 10 from Taiwan Hsinchu District Prosecutors Office on June 10, 2021. It was learned that MA-tek filed a reconsideration on July 1, 2021, and brought the petition to Taiwan Hsinchu District Court for setting for trial on August 5, 2021. Provided, on December 21, 2021, Taiwan Hsinchu District Court ruled to reject the petition of MA-tek with ruling 2021 Sheng-Pan-Zi No. 32. For the civil claim, on January 8, 2021, MA-tek filed a civil suit against the Company and its person in charge for infringement of trade secrets and claimed damage of NT\$20,000 thousand. The Intellectual Property and Commercial Court ruled to reject the claim of MA-tek on February 15, 2022 with the ruling 2021 Min-Ying-Su No. 1. MA-tek contested and appealed in March 2022. The final result of the case depends on future litigation procedures; it is not expected to materially affect the Company's operation.

2. For the most recent two years and the current year up to the date of publication of the annual report, if the Company's directors, supervisors, presidents, persons in charge of the Company, substantial shareholders holding more than 10 percent of the shares, and affiliated companies have been convicted by final and binding judgments or is still bound by litigation, non-litigation

or administrative disputes, the results of which may have a significant impact on shareholder interests or securities prices:

(1) The Company's subsidiary, Nanjing MSS Electronic Technology Limited and Innoscience (Zhuhai) have settled the litigation regarding the dispute arising from the compensation for the received and sent samples of technology service; the Company has retrieved the payment pursuant to the settlement agreement, and both parties withdrew the litigation, with the settlement ruling issued by the Nanjing Intermediate People's Court. The case has no material impact on the Company's finance and business.

(2) For the litigation between the Company's person in charge and Materials Analysis Technology Inc., please refer to the description of 1. of (II) Litigation and non-litigation.

(XIII) Other key risks: None.

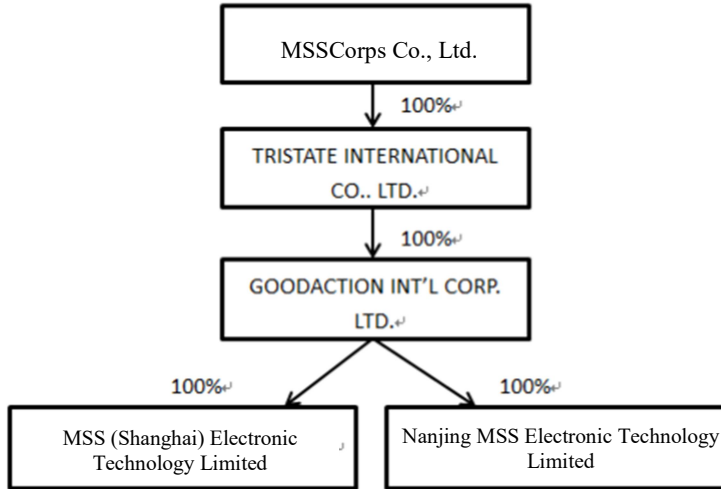
VII. Other important matters: None.

## Eight. Special matters

### I. Information on affiliates

#### (I) The Consolidated Business Report of the Affiliates in the Recent Year:

##### 1. Affiliated enterprise organizational chart



##### 2. Relationship among each affiliates

December 31, 2021; Unit: US\$/ thousand

Name of affiliate	Relationship with the Company	The shareholding of the affiliate in the Company			The shareholding of the Company in the affiliate		
		Number of shares (thousand)	Shareholding (%)	Actual invested amount	Number of shares (thousand)	Shareholding (%)	Actual invested amount
TRISTATE INTERNATIONAL CO., LTD.	Subsidiary	—	—	—	15,415	100	15,415
GOOD ACTION INT'L CORP.	Sub-subsubsidiary	—	—	—	15,400	100	15,400
MSS (Shanghai) Electronic Technology Limited	Sub-subsubsidiary	—	—	—	—	100	1,050
Nanjing MSS Electronic Technology Limited	Sub-subsubsidiary	—	—	—	—	100	14,350

3. Information of shareholders for the companies assumed controlling or being controlled: None.

4. The industries covered by all affiliates:

The Company and its affiliates operate the business of R&D of the inspection, measuring, and analysis, with provision of related technical consultancy and services.

## 5. Information on directors, supervisors and managerial officers of affiliates:

Enterprise name	Title	Name or representative	Number of Shares Held	
			Number of Shares	Ownership
TRISTATE INTERNATIONAL CO., LTD	Director	Representative of MSSCorps Co., Ltd.: Liu, Chi-Lun	-	100%
GOOD ACTION INT'L CORP.	Director	Representative of TRISTATE INTERNATIONAL CO., LTD.: Liu, Chi-Lun	-	100%
MSS (Shanghai) Electronic Technology Limited	Executive Director	Representative of GOOD ACTION INT'L CORP.: Liu, Chi-Lun	-	100%
	Supervisor	Representative of GOOD ACTION INT'L CORP.: Liao, Yung-Shun	-	100%
Nanjing MSS Electronic Technology Limited	Chairman	Representative of GOOD ACTION INT'L CORP.: Liu, Chi-Lun	-	100%
	Director	Representative of GOOD ACTION INT'L CORP.: Chen, Jung-Chin	-	100%
	Director	Representative of GOOD ACTION INT'L CORP.: Liao, Yung-Shun	-	100%
	Supervisor	Representative of GOOD ACTION INT'L CORP.: Lin, Hsin-Tsai	-	100%

## 6. Operating profile of affiliates

December 31, 2021; Unit: NT\$ thousand (except for the earnings/ losses per share is NT\$)

Company name	Capital	Total Assets	Total liabilities	Net worth	Operating revenue	Operating profit (loss)	Net profits (losses) for the period	Earnings (losses) per share
TRISTATE INTERNATIONAL CO., LTD	471,331	485,099	-	485,099	-	-	64,826	-
GOOD ACTION INT'L CORP.	470,846	484,677	-	484,677	-	-	64,826	-
MSS (Shanghai) Electronic Technology Limited	34,039	17,625	422	17,203	1,198	(96)	(78)	-
Nanjing MSS Electronic Technology Limited	436,807	499,793	32,330	467,463	175,801	80,074	64,904	-

(II) The consolidated financial statement of affiliates in the recent year: Please refer to page 135.

(III) Relationship report: Please refer to page 136.

### II. Implementation of private placement of securities:

For the implementation of private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, disclose the date on which the placement was approved by the board of directors or by a shareholders meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, the reasons why the private placement method was necessary, the targets of the private placement: No such situation.

### III. Holding or disposal of shares in the company by the company's subsidiaries:

Holding or disposal of the Company's shares by its subsidiaries in the most recent year and the current year up to the publication date of this annual report: No such situation.

### IV. Other matters that require additional explanation: None.

V. Matters set forth in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act:

Any of the situations listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, which has occurred during the most recent year or the current year up to the date of publication of the annual report: none.

## Statement of Internal Control System of Public Listing Company

MSSCORPS CO., LTD.

Statement of internal control system

Date: March 31, 2022

The Company bases on the result of the self-assessment performed on the 2021 internal control system to make declaration as follows:

- I. I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.
- II. II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria of the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of the internal control system adopted in the "Regulations" are based on the process of managerial control and divide the internal control system into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each component consists of a number of items. Please refer to the "Regulations" for these items.
- IV. The Company has adopted the aforementioned criteria of the internal control system to examine the effectiveness of the design and implementation of its internal control system.
- V. V. The Company bases on the examination results in the preceding paragraph to conclude that the internal control system on December 31, 2021 (including the supervision and management of subsidiaries), including understanding the operational effect and the extent of efficiency realization, the reporting is reliable, timely, transparent, and complying with the relevant norms and relevant laws and regulations, the compliance with governing laws and regulations, and other design and implementation, is effective, which can reasonably ensure the achievement of the aforementioned objectives.
- VI. As required for the public offering of the shares, the Company complies with Article 37 of the "Regulations," to retain CPAs to conduct special audits the internal control system related to the reliability of the external financial reports, and safeguard the asset security (so that the assets would not be acquired, used, or disposed of without authorization) during the aforesaid period. As said in the preceding paragraph, its design and execution are effective, and no material deficiency affecting the record, process, aggregation, and report liability of the financial information is found, nor the deficiency affecting the safeguard the asset security that would cause assets to be acquired, used, or disposed of without authorization.
- VII. This statement will become the main content of the Company's annual report and prospectus and will be made public. If the above-mentioned disclosures have

falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VIII. The Statement was approved by the board of directors on March 31, 2022, and nine attending directors agreed with the content of the Statement, and declared such as well.

MSSCORPS CO., LTD.



Signature/stamp of Chairman: Liu, Chi-Lun

Signature/stamp of President: Liu, Chi-Lun





**Deloitte  
Taiwan**Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 110016, TaiwanTel: +886 (2) 2725-9988  
Fax: +886 (2) 4051-6888  
www.deloitte.com.tw

## Review Report on Internal Control System

Attached Statement of Internal Control of MSSCorps Co., Ltd. (“the company”), dated March 31, 2022, representing that after evaluation, it is believed that regarding the internal control system related to the reliability of the external financial reports, and safeguard the asset security, as of December 31, 2021, its design and execution are effective, has been audited by us. Maintaining an effective internal control system and evaluating its effectiveness is the responsibility of the company’s management. Our responsibility is to express our opinions regarding the effectiveness of the company’s internal control, and the Company’s said Statement of Internal Control based on the review result.

We plan and conduct review in accordance with the “Regulations Governing Establishment of Internal Control Systems by Public Companies” and generally accepted audit standards, to reasonably assure if the company’s said internal control system is effective in all material aspects. The review includes understanding the company’s internal control system, evaluating the process with which the management evaluates the effectiveness of the overall internal control system by the management, testing and evaluating the effectiveness of the design and implementation of the internal control system, and other necessary review procedures deemed by us. We believe such review may provide a reasonable basis to the expressed opinions.

Any internal control system has its inherent limitations. Therefore, it is possible that the said internal control system of the company is unable to prevent or detect any occurred error or fraud. In addition, the possible changes in the future environment may reduce the compliance with the internal control system; therefore, the internal control system deemed effective in this period, is not necessarily effective in the future.

In our opinion, pursuant to the items to determine the effectiveness of internal control set forth in the “Regulations Governing Establishment of Internal Control Systems by Public Companies,” regarding the internal control system related to the reliability of the external financial reports of the company, and safeguard the asset security, its design and execution are effective in all material aspects as of December 31, 2021; the Statement of Internal Control issued by the company, representing that after evaluation, it is believed that regarding the internal control system related to the reliability of the external financial reports, and safeguard the asset security, its design and execution are effective, is fair in all material aspects.

Deloitte Taiwan  
Chang, Keng-Hsi, CPA

Hsueh, Chun-Min, CPA



April 8, 2022

## The Audit Committee's Review Report, MSSCORPS CO., LTD.

The 2021 Business Report, Financial Statements, and proposals of earning distribution have been prepared by the board of directors. Of which, the 2021 Financial Statements were audited by Chang, Keng-Hsi, CPA and Hsueh, Chun-Min, CPA of Deloitte Taiwan commissioned by the board of directors, with the auditor's report presented. The Audit Committee has reviewed such and determined to be correct and accurate. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report for review

To

To 2022 General Shareholders' Meeting, MSSCORPS CO., LTD.

MSSCORPS CO., LTD.  
Yuan, Hung-Chang

Convener of the Audit Committee:



March 31, 2022



## **MSSCORPS CO., LTD. and Subsidiaries**

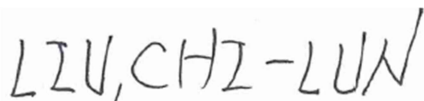
**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies that are required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as those included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Thus, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,  
MSSCORPS CO., LTD.

By:



---

LIU, CHI-LUN  
Chairman

April 8, 2022

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

MSSCORPS CO., LTD.

### Opinion

We have audited the accompanying consolidated financial statements of MSSCORPS CO., LTD. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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

### Key Audit Matters

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

Key audit matter of the Group's consolidated financial statements for the year ended December 31, 2021 is stated as follows:

#### The Authenticity of the Specific Customers' Operating Revenue

The Group's consolidated operating revenue was \$1,469,881 thousand in 2021, and the overall consolidated operating revenue growth rate was about 32% this year. However, the operating revenue from major customers accounted for approximately 77% of the Group's overall operating revenue, resulting in a significant impact on the financial statements of the Group. Therefore, we assessed that the main risk of occurrence of operating revenue from major customers who with higher revenue growth rates than average as a key audit matter. The accounting policies related to revenue recognition, refer to Note 4 to the consolidated financial statements.

The audit procedures that we performed in respect of the operating revenue from the aforementioned customers are as follows:

1. We understood the design of the internal controls related to the recognition of sales revenue, checked that the relevant controls were implemented and designed, evaluated the appropriate audit procedures on internal controls related to the occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the design and implementation of the Group's internal controls.
2. We obtained the list of the aforementioned customers in 2021, and checked whether their relevant backgrounds, transaction amounts, credit amounts and company size are reasonable.
3. We selected samples from the revenue ledger of the aforementioned customers, and obtained the customer master file, service order, customer acceptance confirmation letter, sales invoice, payment receipt and other materials to confirm the authenticity of the operating revenue.

#### **Other Matter**

We have also audited the parent company only financial statements of MSSCORPS CO., LTD. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

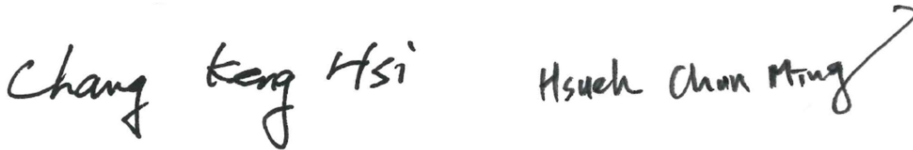
As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partners on the audits resulting in this independent auditors' report are Keng-Hsi Chang and Chun-Ming Hsueh.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 8, 2022

Notice to Readers

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

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



**MSSCORPS CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

	2021		2020	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 477,961	16	\$ 297,562	13
Financial assets at amortized cost - current (Notes 4, 9 and 10)	13,029	-	-	-
Notes receivable (Notes 4, 11 and 22)	283	-	1,378	-
Trade receivables (Notes 4, 5, 11 and 22)	451,500	16	315,938	13
Other receivables (Notes 4, 11 and 27)	231	-	119	-
Inventories (Notes 4 and 12)	-	-	-	-
Prepayments (Note 17)	77,431	3	93,164	4
Total current assets	<u>1,020,435</u>	<u>35</u>	<u>708,161</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	-	-
Property, plant and equipment (Notes 4, 14 and 31)	1,601,082	55	1,246,543	54
Right-of-use assets (Notes 4 and 15)	128,092	5	139,146	6
Other intangible assets (Notes 4 and 16)	7,270	-	2,126	-
Deferred tax assets (Notes 4 and 24)	11,584	-	8,773	-
Other non-current assets (Notes 4 and 17)	128,385	5	226,459	10
Total non-current assets	<u>1,876,413</u>	<u>65</u>	<u>1,623,047</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 2,896,848</u>	<u>100</u>	<u>\$ 2,331,208</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 3,486	-
Contract liabilities - current (Notes 4 and 22)	20,059	-	11,142	1
Trade payables	26,076	1	13,125	1
Other payables (Notes 19 and 27)	198,522	7	147,335	6
Current tax liabilities (Note 4)	29,875	1	27,212	1
Lease liabilities - current (Notes 4 and 15)	28,815	1	27,533	1
Deferred revenue - current (Notes 4, 19 and 26)	1,773	-	373	-
Current portion of long-term borrowings (Notes 4, 18, 26 and 31)	79,393	3	78,240	3
Refund liability - current (Notes 4, 19 and 22)	23,630	1	15,008	1
Other current liabilities (Note 19)	7,488	-	6,361	-
Total current liabilities	<u>415,631</u>	<u>14</u>	<u>329,815</u>	<u>14</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 18, 26 and 31)	486,321	17	308,941	14
Lease liabilities - non-current (Notes 4 and 15)	99,337	4	114,106	5
Deferred tax liabilities (Notes 4 and 24)	10,188	-	1,940	-
Deferred revenue - non-current (Notes 4, 19 and 26)	5,645	-	3,421	-
Total non-current liabilities	<u>601,491</u>	<u>21</u>	<u>428,408</u>	<u>19</u>
Total liabilities	<u>1,017,122</u>	<u>35</u>	<u>758,223</u>	<u>33</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 21)</b>				
Share capital				
Ordinary shares	<u>412,772</u>	<u>14</u>	<u>392,772</u>	<u>17</u>
Capital surplus	<u>854,066</u>	<u>29</u>	<u>714,066</u>	<u>30</u>
Retained earnings				
Legal reserve	85,211	3	70,020	3
Special reserve	8,388	-	-	-
Unappropriated earnings	<u>530,236</u>	<u>19</u>	<u>404,515</u>	<u>17</u>
Total retained earnings	<u>623,835</u>	<u>22</u>	<u>474,535</u>	<u>20</u>
Other equity	(10,947)	-	(8,388)	-
Total equity	<u>1,879,726</u>	<u>65</u>	<u>1,572,985</u>	<u>67</u>
<b>TOTAL</b>	<u>\$ 2,896,848</u>	<u>100</u>	<u>\$ 2,331,208</u>	<u>100</u>

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

**MSSCORPS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Service revenue (Notes 4 and 22)	\$ 1,469,881	100	\$ 1,113,184	100
OPERATING COSTS				
Service costs (Note 23)	(914,775)	(62)	(702,176)	(63)
Other operating costs (Note 12)	-	-	(685)	-
Total operating costs	(914,775)	(62)	(702,861)	(63)
GROSS PROFIT	555,106	38	410,323	37
OPERATING EXPENSES (Notes 11 and 23)				
Selling and marketing expenses	(34,258)	(2)	(26,567)	(3)
General and administrative expenses	(173,356)	(12)	(133,400)	(12)
Research and development expenses	(51,715)	(4)	(47,998)	(4)
Expected credit loss	-	-	(8,504)	(1)
Total operating expenses	(259,329)	(18)	(216,469)	(20)
PROFIT FROM OPERATIONS	295,777	20	193,854	17
NON-OPERATING INCOME AND EXPENSES (Notes 4, 23 and 26)				
Interest income	473	-	199	-
Other income	2,997	-	2,987	-
Other gains and losses	4,244	-	(1,921)	-
Finance costs	(8,749)	-	(7,078)	-
Total non-operating income and expenses	(1,035)	-	(5,813)	-
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	294,742	20	188,041	17
INCOME TAX EXPENSE (Notes 4 and 24)	(42,249)	(3)	(28,935)	(3)
NET PROFIT FOR THE YEAR	252,493	17	159,106	14

(Continued)

## MSSCORPS CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 4, 21 and 24)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (3,199)	-	\$ 6,899	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>640</u>	-	<u>(1,380)</u>	-
Other comprehensive (loss) income for the year, net of income tax	<u>(2,559)</u>	-	<u>5,519</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 249,934</u>	<u>17</u>	<u>\$ 164,625</u>	<u>15</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
Basic	<u>\$ 6.21</u>		<u>\$ 4.05</u>	
Diluted	<u>\$ 6.17</u>		<u>\$ 3.98</u>	

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

**MSSCORPS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Total Equity
	Retained Earnings					Other Equity		
	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
	Ordinary Shares	Capital Surplus						
BALANCE AT JANUARY 1, 2020	\$ 392,772	\$ 714,066	\$ 60,841	\$ -	\$ 333,142	\$ (9,657)	\$ (4,250)	\$ 1,486,914
Appropriation of 2019 earnings (Note 21)								
Legal reserve	-	-	9,179	-	(9,179)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(78,554)	-	-	(78,554)
Net profit for the year ended December 31, 2020	-	-	-	-	159,106	-	-	159,106
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	5,519	-	5,519
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	159,106	5,519	-	164,625
BALANCE AT DECEMBER 31, 2020	392,772	714,066	70,020	-	404,515	(4,138)	(4,250)	1,572,985
Appropriation of 2020 earnings (Note 21)								
Legal reserve	-	-	15,191	-	(15,191)	-	-	-
Special reserve	-	-	-	8,388	(8,388)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(103,193)	-	-	(103,193)
Issuance of ordinary shares for cash (Note 21)	20,000	140,000	-	-	-	-	-	160,000
Net profit for the year ended December 31, 2021	-	-	-	-	252,493	-	-	252,493
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,559)	-	(2,559)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	252,493	(2,559)	-	249,934
BALANCE AT DECEMBER 31, 2021	\$ 412,772	\$ 854,066	\$ 85,211	\$ 8,388	\$ 530,236	\$ (6,697)	\$ (4,250)	\$ 1,879,726

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

**MSSCORPS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 294,742	\$ 188,041
Adjustments for:		
Depreciation expenses	407,638	327,518
Amortization expenses	2,495	797
Expected credit loss recognized on trade receivables	-	8,504
Net loss on fair value changes of financial liabilities at fair value through profit or loss	600	2,591
Finance costs	8,749	7,078
Interest income	(473)	(199)
Gain on disposal of property, plant and equipment	-	(233)
Write-downs of inventories	-	685
Net loss on foreign currency exchange	2,414	3,401
Government grants	(1,234)	(136)
Gain on lease modification	(740)	-
Changes in operating assets and liabilities		
Notes receivable	1,095	(88)
Trade receivables	(135,488)	(41,410)
Other receivables	(5)	1,532
Prepayments	566	(29,947)
Financial liabilities held for trading	(4,086)	895
Contract liabilities	8,915	1,329
Notes payable	-	(310)
Trade payables	12,970	(2,171)
Other payables	52,182	26,729
Refund liabilities	8,622	3,803
Other current liabilities	1,127	1,620
Cash generated from operations	<u>660,089</u>	<u>500,029</u>
Interest received	256	199
Interest paid	(6,848)	(6,829)
Income tax paid	<u>(33,516)</u>	<u>(17,080)</u>
Net cash generated from operating activities	<u>619,981</u>	<u>476,319</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(13,058)	-
Payments for property, plant and equipment	(563,362)	(266,060)
Proceeds from disposal of property, plant and equipment	112	349
Increase in refundable deposits	(981)	(1,969)
Decrease in refundable deposits	125	-
Payments for intangible assets	(2,984)	(997)
Payments for right-of-use assets	(3,763)	-
Increase in prepayments for equipment	<u>(63,052)</u>	<u>(175,613)</u>
Net cash used in investing activities	<u>(646,963)</u>	<u>(444,290)</u>

(Continued)

**MSSCORPS CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	<b>2021</b>	<b>2020</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 263,000	\$ 216,581
Repayments of long-term borrowings	(81,382)	(142,640)
Repayment of the principal portion of lease liabilities	(27,530)	(20,425)
Dividends paid to owners of the Company	(103,193)	(78,554)
Issuance of ordinary shares for cash	<u>160,000</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>210,895</u>	<u>(25,038)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(3,514)</u>	<u>(1,212)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	180,399	5,779
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>297,562</u>	<u>291,783</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 477,961</u>	<u>\$ 297,562</u>

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

## MSSCORPS CO., LTD. AND SUBSIDIARIES

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

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#### 1. GENERAL INFORMATION

MSSCORPS CO., LTD. (the “Company”) was incorporated in the Republic of China (ROC) on July 27, 2005. The Company mainly engages in the test and analysis of electronic materials, electronics components manufacturing, wholesale of electronic materials, retail sale of electronic materials, international trade and product designing.

The Company’s shares have been listed on the emerging stock board of the Taipei Exchange (TPEX) since July 26, 2021.

The shares are widely distributed among a large pool of investors; therefore, there is no ultimate parent company or ownership interest.

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 31, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the company and its subsidiaries (the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2022

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

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

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

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

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

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

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

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

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

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

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

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



## 1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s consolidated financial position and consolidated financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

See Note 13 and Tables 3 and 4 for detailed information on subsidiaries (including details, percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period.

f. Inventories

Inventories consist of merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

#### h. Intangible assets

##### 1) Intangible assets acquired separately

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

##### 2) Derecognition of intangible assets

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

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

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

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

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

#### k. Financial instruments

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

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

##### 1) Financial assets

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

a) Measurement categories

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

i. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables and refundable deposits).

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

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

For internal credit risk management purposes, the Group considers the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading as at FVTPL. Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 29.

### b) Derecognition of financial liabilities

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

## 3) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

### k. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

#### Revenue from the rendering of services

Revenue from the rendering of services comes from test and analysis of electronic material.

The Group recognizes revenue and trade receivables when the promised goods or services are transferred to customers and the performance obligations are satisfied. Estimated trade discounts are generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities. The receipts in advance received before meeting the aforementioned income recognition conditions are recognized as contract liabilities.

### l. Leasing

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

## The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

### m. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

### n. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

### o. Employee benefits

#### 1) Short-term employee benefits

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

#### 2) Retirement benefits

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



## p. Taxation

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

### 1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain earnings.

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

### 2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

### 3) Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 pandemic and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the past default records of the customers, current financial situation and industrial economic situation as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2021	2020
Cash on hand	\$ 579	\$ 981
Demand deposits	<u>477,382</u>	<u>296,581</u>
	<u>\$ 477,961</u>	<u>\$ 297,562</u>

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

	<u>December 31</u>	
	2021	2020
Bank balance	0.001%-0.3%	0.001%-0.3%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 3,486</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	<u>Currency</u>	<u>Maturity Date</u>	<u>Notional Amount (In Thousands)</u>
<u>December 31, 2020</u>			
Buy	JPY/NTD	2021.01.08	JPY32,160/NTD8,812
	USD/NTD	2021.01.22	USD1,160/NTD33,512
	USD/NTD	2021.02.04	USD1,040/NTD30,142
	USD/NTD	2021.03.05	USD1,280/NTD37,119
	USD/NTD	2021.03.05	USD1,160/NTD33,493

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

#### 8.FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
<u>Domestic investments</u>		
<u>Unlisted shares</u>		
Ordinary shares - HITEKCORPS CO., LTD.	\$-	\$-

This investment in equity instruments is held for medium- to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes.

The Group used the market approach to evaluate the fair value of HITEKCORPS CO., LTD. for the years ended December 31, 2021 and 2020, and considered the financial statements and operating conditions of similar companies.

#### **9. FINANCIAL ASSETS AT AMORTIZED COST**

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 13,029	\$ _____
a. The interest rate of time deposits with original maturities of more than 3 months were approximately 1.75% per annum as of December 31, 2021.		
b. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.		

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments classified as at amortized cost were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Gross carrying amount	\$ 13,029	\$ -
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 13,029</u>	<u>\$ -</u>

The Group invests only in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

In order to minimize credit risk, the Group's management collected relevant information to categorize exposures according to degree of risk of default. The Group uses other publicly available financial information to rate the debtors.

The Group considers the historical default records of the debtor, current market conditions, and forward-looking information to measure 12-month or lifetime expected credit losses. As of December 31, 2021, the Group assessed that there is no need to recognize expected credit losses on debt instruments.

## 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	\$ 283	\$ 1,378
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 283</u>	<u>\$ 1,378</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 461,025	\$ 326,912
Less: Allowance for impairment loss	<u>(9,525)</u>	<u>(10,974)</u>
	<u>\$ 451,500</u>	<u>\$ 315,938</u>
<u>Other receivables</u>		
Interest receivables	\$ 217	\$ -
Receivables from disposal of equipment (Note 27)	-	110
Others	<u>14</u>	<u>9</u>
	<u>\$ 231</u>	<u>\$ 119</u>

a. Notes receivable

When determining the recoverability of notes receivable, the Group measures any change in credit quality from the original credit date to the balance sheet date. The Group continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position and evaluates the notes receivable to assess whether the credit risk of the notes receivable has increased significantly since initial recognition and to measure the expected credit loss. As of December 31, 2021 and 2020, the Group assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of notes receivable was as follows:

	December 31	
	2021	2020
Not past due	<u>\$283</u>	<u>\$1,378</u>

The above aging schedule was based on the number of past due days from end of credit term.

b. Trade receivables

The average credit period of sales of services was advance payment to 180 days after the month-end closing. No interest was charged on trade receivables that were past due. In determining the recoverability of trade receivables, the Group measured any change in credit quality from the original credit date to the balance sheet date. Historical experience showed that most accounts were recoverable.

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the customer, the customer's current financial position and economic condition of the industry. Before November 2020, As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. However, in November 2020, because one of the customers Innoscience (Zhuhia) Technology Co., Ltd. has shown signs of breach of contract, the Group uses different provision matrix for this customer, and set the customer's expected credit loss rate as 100%. After mediation by the People's Court of Pukou District, Nanjing City, Jiangsu Province of the People's Republic of China, in May 2021, \$3,773 thousand (RMB860 thousand) of the trade receivables of about \$5,160 thousand (RMB1,179 thousand) with signs of default was recovered, and the trade receivables and loss allowance of \$1,387 thousand (RMB319 thousand) was written off. In addition, since December 2021, because one of the customers Jiangsu Times Core Semiconductor Co., Ltd. has shown signs of breach of contract, the Group uses different provision matrix for this customer, and set the customer's expected credit loss rate as 100%; after mediation by the People's Court of Huaiyin District, Huaiyin City, Jiangsu Province of the People's Republic of China, an agreement was reached between the parties that the trade receivables of \$3,762 thousand (RMB 866 thousand) with signs of breach of contract will be repaid in instalments before May 31, 2022. However, as of April 8, 2022, Jiangsu Times Core Semiconductor Co., Ltd. has not made any payment in accordance with the agreement. The Group applied to the People's Court of Huaiyin District, Huaiyin City, Huai'an City, Jiangsu Province of the People's Republic of China for compulsory enforcement on March 3, 2022.

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

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

### December 31, 2021

	No sign of Default by the Counterparty							The Counterparty Has Signs of Default	Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 181 Days Past Due		
Expected credit loss rate	0.34%-1.34%	0.83%-5.02%	2.22%-6.90%	10.32%-14.51%	16.76%-29.34%	31.83%-71.17%	100%	100%	
Gross carrying amount	\$ 399,233	\$ 45,416	\$ 9,893	\$ 202	\$ 267	\$ 1,105	\$ 1,147	\$ 3,762	\$ 461,025
Loss allowance (Lifetime ECLs)	<u>(2,237)</u>	<u>(1,197)</u>	<u>(339)</u>	<u>(34)</u>	<u>(55)</u>	<u>(754)</u>	<u>(1,147)</u>	<u>(3,762)</u>	<u>(9,525)</u>
Amortized cost	<u>\$ 396,996</u>	<u>\$ 44,219</u>	<u>\$ 9,554</u>	<u>\$ 168</u>	<u>\$ 212</u>	<u>\$ 351</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,500</u>

### December 31, 2020

	No sign of Default by the Counterparty							The Counterparty Has Signs of Default	Total
	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 181 Days Past Due		
Expected credit loss rate	0.39%-2.74%	1.07%-12.94%	2.91%-16.33%	11.83%-24.90%	26.63%-33.12%	36.48%-72.61%	100%	100%	
Gross carrying amount	\$ 292,189	\$ 16,554	\$ 3,840	\$ 5,167	\$ 462	\$ 1,881	\$ 1,659	\$ 5,160	\$ 326,912
Loss allowance (Lifetime ECLs)	<u>(1,589)</u>	<u>(295)</u>	<u>(200)</u>	<u>(681)</u>	<u>(136)</u>	<u>(1,254)</u>	<u>(1,659)</u>	<u>(5,160)</u>	<u>(10,974)</u>
Amortized cost	<u>\$ 290,600</u>	<u>\$ 16,259</u>	<u>\$ 3,640</u>	<u>\$ 4,486</u>	<u>\$ 326</u>	<u>\$ 627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,938</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$10,974	\$2,287
Add: Net remeasurement of loss allowance	-	8,504
Less: Amounts written off	(1,387)	-
Foreign exchange gains and losses	<u>(62)</u>	<u>183</u>
Balance at December 31	<u>\$9,525</u>	<u>\$10,974</u>

#### c. Other receivables

Other receivables consist of interest receivables and receivables from the disposal of equipment. The Group adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2021 and 2020, the Group assessed that there is no need to recognize expected credit loss on other receivables.

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Merchandise</b>	<u><u>\$-</u></u>	<u><u>\$-</u></u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was both \$0 thousand. The other operating costs included inventory write-downs of \$685 thousand for the year ended December 31, 2020.

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	<u>portion of</u> <b>Ownership (%)</b>		Remark
			<b>December 31</b>	<b>2020</b>	
The Company	TRISTATE INTERNATIONAL CO., LTD.	Investment holding	100	100	Notes 1 and 3
TRISTATE INTERNATIONAL CO., LTD.	GOOD ACTION INT'L CORP.	Investment holding	100	100	Notes 1 and 3
GOOD ACTION INT'L CORP.	MSSCORPS CO., LTD. (Shanghai)	Test and analysis of electronic material	100	100	Note 2
	MSSCORPS CO., LTD. (Nanjing)	Test and analysis of electronic material	100	100	Notes 2 and 3

Note 1: Main operating risk is exchange rate risk.

Note 2: The main operating risks are government policies, political issues between China and Taiwan, and foreign exchange rate risk.

Note 3: In March and August 2020, the Company participated in the cash capital increase of MSSCORPS CO., LTD. (Nanjing) through TRISTATE INTERNATIONAL CO., LTD. and GOOD ACTION INT'L CORP. of \$45,420 thousand (US\$1,500 thousand) and \$44,094 thousand (US\$1,500 thousand), respectively. In addition, the Company participated in a cash capital increase of \$55,730 thousand (US\$2,000 thousand) in MSSCORPS CO., LTD. (Nanjing) through TRISTATE INTERNATIONAL CO., LTD. and GOOD ACTION INT'L CORP. in November 2021.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Assets Used by the Group

	Building	Machinery and Equipment	Office Equipment	Lease Improvement	Transportation Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ -	\$ 1,984,008	\$ 24,130	\$ 68,314	\$ -	\$ 18,280	\$ 2,094,732
Additions	68,214	460,781	2,497	23,308	-	7,609	562,409
Reclassifications (Note)	-	167,848	-	4,171	-	316	172,335
Disposals	-	(271,528)	(2,529)	(4,995)	-	(3,285)	(282,337)
Effects of foreign currency exchange differences	25	(2,057)	(30)	(123)	-	-	(2,185)
Balance at December 31, 2021	<u>\$ 68,239</u>	<u>\$ 2,339,052</u>	<u>\$ 24,068</u>	<u>\$ 90,675</u>	<u>\$ -</u>	<u>\$ 22,920</u>	<u>\$ 2,544,954</u>

(Continued)

	Building	Machinery and Equipment	Office Equipment	Lease Improvement	Transportation Equipment	Other Equipment	Total
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 803,806	\$ 8,884	\$ 25,273	\$ -	\$ 10,226	\$ 848,189
Depreciation expenses	-	348,625	6,977	17,323	-	5,244	378,169
Disposals	-	(271,528)	(2,527)	(4,995)	-	(3,285)	(282,335)
Effects of foreign currency exchange differences	-	(126)	(9)	(16)	-	-	(151)
Balance at December 31, 2021	\$ -	\$ 880,777	\$ 13,325	\$ 37,585	\$ -	\$ 12,185	\$ 943,872
Carrying amounts at December 31, 2021	\$ 68,239	\$ 1,458,275	\$ 10,743	\$ 53,090	\$ -	\$ 10,735	\$ 1,601,082
<u>Cost</u>							
Balance at January 1, 2020	\$ -	\$ 1,722,329	\$ 24,204	\$ 74,379	\$ 1,632	\$ 35,406	\$ 1,857,950
Additions	-	268,353	8,748	6,576	-	1,750	285,427
Reclassifications (Note)	-	221,625	2,056	13,991	-	114	237,786
Disposals	-	(233,859)	(10,952)	(26,976)	(1,632)	(18,990)	(292,409)
Effects of foreign currency exchange differences	-	5,560	74	344	-	-	5,978
Balance at December 31, 2020	\$ -	\$ 1,984,008	\$ 24,130	\$ 68,314	\$ -	\$ 18,280	\$ 2,094,732
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 754,543	\$ 14,243	\$ 39,236	\$ 1,632	\$ 24,447	\$ 834,101
Depreciation expenses	-	282,637	5,571	12,968	-	4,756	305,932
Disposals	-	(233,748)	(10,952)	(26,976)	(1,632)	(18,977)	(292,285)
Effects of foreign currency exchange differences	-	374	22	45	-	-	441
Balance at December 31, 2020	\$ -	\$ 803,806	\$ 8,884	\$ 25,273	\$ -	\$ 10,226	\$ 848,189
Carrying amounts at December 31, 2020	\$ -	\$ 1,180,202	\$ 15,246	\$ 43,041	\$ -	\$ 8,054	\$ 1,246,543

(Concluded)

Note: Transferred from other non-current assets - prepayments for equipment.

For the years ended December 31, 2021 and 2020, no impairment assessment was performed as there were no indications of impairment.

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

Buildings	20 years
Machinery and equipment	3-10 years
Office equipment	2-5 years
Lease improvement	3-10 years
Transportation equipment	3-5 years
Other equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 31.

## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2021	2020
Carrying amounts		
Land (Note)	\$ 3,764	\$ -
Buildings	120,652	136,388
Office equipment	816	1,252
Transportation equipment	<u>2,860</u>	<u>1,506</u>
	<u>\$ 128,092</u>	<u>\$ 139,146</u>



For the Year Ended December 31

	2021	2020
Additions to right-of-use assets	<u>\$21,947</u>	<u>\$38,747</u>
Depreciation charge for right-of-use assets		
Buildings	\$27,802	\$20,128
Office equipment	436	406
Transportation equipment	<u>1,231</u>	<u>1,052</u>
	<u>\$29,469</u>	<u>\$21,586</u>

Note: Right-of-use assets - land comprises land use rights in mainland China. The Group has obtained the land use right certificates.

Except for the above listed additions and recognized depreciation expense, the Group did not recognize or reverse an impairment loss for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts		
Current	\$28,815	\$27,533
Non-current	<u>99,337</u>	<u>114,106</u>
	<u>\$128,152</u>	<u>\$141,639</u>

Range of discount rate for lease liabilities were as follows:

	December 31	
	2021	2020
Buildings	1.21%-4.75%	1.66%-4.75%
Office equipment	1.66%-1.72%	1.66%-1.72%
Transportation equipment	1.21%-1.72%	1.66%-1.72%

c. Material leasing activities and terms

The Group leases buildings for the use of plants and offices with lease term of 1-10 years, certain office equipment for the use of offices with lease terms of 5 years and transportation equipment for the use of transportation of goods with lease terms of 3 years. The Group does not have bargain purchase options to acquire the buildings, office equipment and transportation equipment at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 4,366</u>	<u>\$ 3,723</u>
Expenses relating to low-value asset leases	<u>\$ 732</u>	<u>\$ 430</u>
Total cash outflow for leases	<u>\$(34,755)</u>	<u>\$(26,668)</u>

The Group leases buildings and transportation equipment which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 3,193
Additions	2,984
Reclassifications (Note)	4,658
Disposals	(318)
Effects of foreign currency exchange differences	<u>(5)</u>
Balance at December 31, 2021	<u>\$ 10,512</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 1,067
Amortization expenses	2,495
Disposals	(318)
Effects of foreign currency exchange differences	<u>(2)</u>
Balance at December 31, 2021	<u>\$ 3,242</u>
Carrying amount at December 31, 2021	<u>\$ 7,270</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,767
Additions	997
Reclassifications (Note)	144
Disposals	(726)
Effects of foreign currency exchange differences	<u>(11)</u>
Balance at December 31, 2020	<u>\$ 3,193</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 992
Amortization expenses	797
Disposals	(726)
Effects of foreign currency exchange differences	<u>4</u>
Balance at December 31, 2020	<u>\$ 1,067</u>
Carrying amount at December 31, 2020	<u>\$ 2,126</u>
Note: Transferred from other non-current assets - prepayments for equipment.	

Computer software is amortized on a straight-line basis over its estimated useful life of 3-5 years.

## 17. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Prepayments for salary	\$ 48,263	\$ 40,738
Tax credit	3,589	16,375
Prepaid expenses	<u>25,579</u>	<u>36,051</u>
	<u>\$ 77,431</u>	<u>\$ 93,164</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 64,472	\$ 178,413
Prepayments for salary	55,324	40,310
Refundable deposits (Note)	<u>8,589</u>	<u>7,736</u>
	<u>\$ 128,385</u>	<u>\$ 226,459</u>

Note: The Group considers the historical experience, the current market conditions of the debtor and forward-looking information to measure 12-month or lifetime expected credit losses. As of December 31, 2021 and 2020, the Group assessed that there is no need to recognize expected credit losses on refundable deposits.

## 18. BORROWINGS

### Long-term Borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings (Note 31)</u>		
Bank borrowings	\$ 572,480	\$ 390,862
Less: Unamortized discounts on government grants (Note 26)	(6,766)	(3,681)
Less: Current portion	<u>(79,393)</u>	<u>(78,240)</u>
Long-term borrowings	<u>\$ 486,321</u>	<u>\$ 308,941</u>

The Group's borrowings were as follows:

Financing Institution	Mortgage or Secured	Financing Period and Repayment Method	December 31			
			2021		2020	
			Amount	Rate %	Amount	Rate %
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2016.10.21-2021.10.21, monthly amortization of principal, monthly interest payment	\$ -	-	\$ 4,560	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.06.07-2023.06.07, monthly amortization of principal, monthly interest payment	6,936	1.37	11,560	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.12.26-2023.12.26, monthly amortization of principal, monthly interest payment	10,738	1.37	16,107	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2019.01.02-2024.01.02, monthly amortization of principal, monthly interest payment	8,174	1.37	12,097	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.05.29-2027.05.15, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	222,102	1.18	88,102	1.18
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2016.04.29-2021.04.29, monthly amortization of principal, monthly interest payment	-	-	1,583	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2017.04.28-2022.04.28, monthly amortization of principal, monthly interest payment (early Settlement in January 2021)	-	-	15,200	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.01.19-2024.01.19, monthly amortization of principal, monthly interest payment	20,833	1.45	30,833	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.02.12-2024.01.19, monthly amortization of principal, monthly interest payment	16,667	1.45	24,667	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch (Note 1)	Machinery and equipment (Note 2)	2020.09.29-2027.09.15, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	134,500	1.10	70,500	1.10
Cathay United Bank Hsinchu Branch	Machinery and equipment	2019.08.05-2022.05.09, monthly amortization of principal, monthly interest payment	28,958	1.32	40,673	1.32
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.12.06-2023.12.06, monthly amortization of principal, monthly interest payment	21,551	1.50	32,327	1.50
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.03.21-2023.03.21, monthly amortization of principal, monthly interest payment	7,041	1.50	12,673	1.50
Mega International Commercial Bank Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.11.20-2027.11.20, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	57,000	1.18	24,000	1.18
E.Sun Commercial Bank, Ltd. (Note 1)	Machinery and equipment (Note 2)	2020.10.21-2025.10.15, 2 years grace period, monthly amortization of average principal after maturity, monthly interest payment	37,980	1.15	5,980	1.15
			572,480		390,862	
Less: Unamortized discounts on government grants			(6,766)		(3,681)	
Less: Current portion			(79,393)		(78,240)	
			<u>\$486,321</u>		<u>\$ 308,941</u>	

Note 1: The Group has obtained a government preferential interest rate loan from the National Development Fund (NDF), "Action Plan for Accelerated Investment by Domestic Corporations", please refer to Note 26 for the details.

Note 2: As of December 31, 2021, it is still in the process of setting up a mortgage guarantee.

The Group used machinery and equipment as collateral to acquire a loan from the bank are set out in Note 31.

## 19. OTHER PAYABLES

	December 31	
	2021	2020
Current		
Other payable		
Payables for salaries or bonuses	\$88,668	\$66,509
Payables for compensation of employees	33,851	21,719
Payables for purchases of equipment (Note 27)	30,455	31,408
Payables for business tax	13,589	6,179
Payables for remuneration of directors and supervisors	10,170	6,514
Payables for insurance	8,192	5,684
Payables for pension	6,076	3,496
Others	<u>7,521</u>	<u>5,826</u>
	<u>\$198,522</u>	<u>\$147,335</u>

(Continued)

	December 31	
	2021	2020
Deferred revenue		
Government grants (Note 26)	\$ <u>1,773</u>	\$ <u>373</u>
Other current liabilities		
Refund liabilities (Note 22)	\$ <u>23,630</u>	\$ <u>15,008</u>
Others		
Receipts under custody	7,394	6,266
Temporary receivables	<u>94</u>	<u>95</u>
	<u>7,488</u>	<u>6,361</u>
	\$ <u>31,118</u>	\$ <u>21,369</u>
<u>Non-current</u>		
Deferred revenue		
Government grants (Note 26)	\$ <u>5,645</u>	\$ <u>3,421</u>
		(Concluded)

## 20. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the governments of China. The subsidiaries are required to contribute specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	December 31	
	2021	2020
Shares authorized (in thousands of shares)	<u>60,000</u>	<u>60,000</u>
Shares authorized	\$ <u>600,00</u>	\$ <u>600,000</u>
Shares issued and fully paid (in thousands of shares)	<u>41,277</u>	<u>39,277</u>
Shares issued and fully paid	\$ <u>412,772</u>	\$ <u>392,772</u>

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

The shareholders of the Company held their regular meeting on June 24, 2020 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According to the Company's revised articles, the number of shares authorized is 60,000 thousand shares, and 5,000 thousand shares are reserved within the number of ordinary shares authorized as employee share options. The change was approved by the Ministry of Economic Affairs, R.O.C. in accordance with letter No. 10933397210 on July 17, 2020.

On February 18, 2021, the Company's board of directors resolved to issue 2,000 thousand ordinary shares with a par value of \$10, for a consideration of \$80 per share which increased the share capital issued and fully paid to \$412,772 thousand. The subscription base date was determined by the board of directors to be April 27, 2021.

b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 781,104	\$ 641,104
<u>May only be used to offset a deficit (2)</u>		
Employee share options	72,927	72,927
Expired employee share options	<u>35</u>	<u>35</u>
	<u>\$ 854,066</u>	<u>\$ 714,066</u>

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

2) Such capital surplus has no cash inflows, so it may be used to offset a deficit only.

The movements of various types of capital surplus in 2021 and 2020 were as follows:

	<b>Issuance of Ordinary Shares</b>	<b>Employee Share Options</b>	<b>Other - Expired Employee Share Options</b>	<b>Total</b>
Balance at January 1, 2020	<u>\$ 641,104</u>	<u>\$ 72,927</u>	<u>\$ 35</u>	<u>\$ 714,066</u>
Balance at December 31, 2020	641,104	72,927	35	714,066
Issuance of ordinary shares for cash capital increase	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
Balance at December 31, 2021	<u>\$ 781,104</u>	<u>\$ 72,927</u>	<u>\$ 35</u>	<u>\$ 854,066</u>

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on July 1, 2021 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). Under the dividends policy as set forth in the Articles after the amendments, where the Company made a profit after considering tax expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The Company's dividend policy adopts the principle of prudence and balance, in determining the Company's dividend distribution policy; the Company's board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of the paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders' meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit after considering taxes expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the Company's paid-in capital), and then any remaining profit together with beginning undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The Company's dividend policy adopts the principle of prudence and balance, in determining the Company's dividend distribution policy; the Company's board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders' meeting. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors, before and after the amendments please refer to compensation of employees and remuneration of directors and supervisors in Note 23(g).

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 1, 2021 and June 24, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 15,191	\$ 9,179
Special reserve	\$ 8,388	\$ -
Cash dividends	\$ 103,193	\$ 78,554
Cash dividends per share (NT\$)	\$ 2.50	\$ 2.00

(Note)

Note: The cash dividends per share is calculated based on the number of outstanding shares on the ex-dividend date of the Company's 2021 annual general meeting of shareholders. On August 6, 2021, the board of directors decided that August 30, 2021 will be the base date of ex-dividend because the Company issued 2,000 thousand new shares before the base day of ex-dividend, which will affect the number of outstanding shares. After adjusting the dividend rate, the cash dividend per share will be adjusted from 2.627 to 2.50.

The 2019 earnings distribution plan is based on the 2019 annual financial report prepared by the company in accordance with the Business Entity Accounting Act, the Business Accounting Guidelines and the Enterprise Accounting Standard and its interpretations.

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on March 31, 2022, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 25,249
Special reserve	\$ 2,559
Cash dividends	\$ 185,747
Cash dividends per share (NT\$)	\$ 4.50

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 27, 2022.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ -	\$ -
Appropriations in respect of Debits to other equity items	<u>8,388</u>	<u>-</u>
Balance at December 31	\$ 8,388	\$ -



e. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (4,138)	\$ (9,657)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(3,199)	6,899
Related income tax	<u>640</u>	<u>(1,380)</u>
Other comprehensive income recognized for the year	<u>(2,559)</u>	<u>5,519</u>
Balance at December 31	\$ <u>(6,697)</u>	\$ <u>(4,138)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ (4,250)	\$ (4,250)
Balance at December 31	\$ <u>(4,250)</u>	\$ <u>(4,250)</u>

**22. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Test and analysis service	\$ <u>1,469,881</u>	\$ <u>1,113,184</u>

a. Contract information

The customer contracts entered into by the Group are mainly for the provision of customized test and analysis services of electronic materials in the semiconductor industry, where the Group's performance obligation to issue the test and analysis reports to customers. Customers pay the consideration for the contract in accordance with the agreed credit terms and conditions upon completion of each inspection and after verification of the results of the inspection. As the time lag between the transfer of the test and analysis report and the customer's payment is less than one year, no adjustment is made to the substantial financial component of the contract. Taking into account the discount terms of different customer contracts and past experience gained in dealing with customers, the Group estimates the discount amount based on the most probable amount and adjusts the amount of revenue and recognizes the refund liability accordingly.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable (Note 11)	\$ 283	\$ 1,378	\$ 1,290
Trade receivables (Note 11)	<u>451,500</u>	<u>315,938</u>	<u>282,931</u>
	<u>\$ 451,783</u>	<u>\$ 317,316</u>	<u>\$ 284,221</u>
Contract liabilities			
Test and analysis service	<u>\$ 20,059</u>	<u>\$ 11,142</u>	<u>\$ 9,813</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

c. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2021	2020
Primary geographical areas markets		
Asia	\$ 1,441,217	\$ 1,091,811
America	22,210	17,089
Others	<u>6,454</u>	<u>4,284</u>
	<u>\$ 1,469,881</u>	<u>\$ 1,113,184</u>

## 23. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	2021	2020
Bank deposits	\$ 421	\$ 150
Others	<u>52</u>	<u>49</u>
	<u>\$ 473</u>	<u>\$ 199</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2021	2020
Government grant income (Note 26)	\$ 1,234	\$ 136
Others	<u>1,763</u>	<u>2,851</u>
	<u>\$ 2,997</u>	<u>\$ 2,987</u>

c. Other gains and losses

**For the Year Ended December 31**

	<b>2021</b>	<b>2020</b>
Net foreign exchange gain	\$ 4,104	\$ 583
Gain on lease modifications	740	-
Gain on disposal of property, plant and equipment	-	233
Loss on financial liabilities held for trading	(600)	(2,591)
Others	<u>-</u>	<u>(146)</u>
	<u>\$ 4,244</u>	<u>\$ (1,921)</u>

d. Finance costs

**For the Year Ended December 31**

	<b>2021</b>	<b>2020</b>
Interest on bank loans (Note 26)	\$ 6,494	\$ 4,988
Interest on lease liabilities	<u>2,255</u>	<u>2,090</u>
	<u>\$ 8,749</u>	<u>\$ 7,078</u>

e. Depreciation and amortization

**For the Year Ended December 31**

	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 393,252	\$ 316,758
Operating expenses	<u>14,386</u>	<u>10,760</u>
	<u>\$ 407,638</u>	<u>\$ 327,518</u>
An analysis of amortization by function		
Operating costs	\$ 1,295	\$ 77
Operating expenses		
Selling and marketing expenses	-	5
General and administrative expenses	1,002	663
Research and development expenses	<u>198</u>	<u>52</u>
	<u>\$ 2,495</u>	<u>\$ 797</u>

f. Employee benefits expense

**For the Year Ended December 31**

	<b>2021</b>	<b>2020</b>
Defined contribution plan	\$ 16,592	\$ 12,802
Other employee benefits	<u>543,011</u>	<u>432,410</u>
Total employee benefits expense	<u>\$ 559,603</u>	<u>\$ 445,212</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 364,852	\$ 289,703
Operating expenses	<u>194,751</u>	<u>155,509</u>
	<u>\$ 559,603</u>	<u>\$ 445,212</u>
		(Concluded)

g. Compensation of employees and remuneration of directors and supervisors

The shareholders of the Company held their regular meeting on June 24, 2020 and in that meeting, resolved the amendments to the Company’s Articles of Incorporation (the “Articles”). According to the Company’s Articles after the amendments, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors.

According to the Articles of Incorporation of the Company before the amendments, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of 3%-15% and 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company’s board of directors on March 31, 2022 and February 18, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Compensation of employees	10.49%	10%
Remuneration of directors and supervisors (Note)	3.15%	3%

Amount

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	<u>\$ 33,851</u>	<u>\$ 21,719</u>
Remuneration of directors and supervisors (Note)	<u>\$ 10,170</u>	<u>\$ 6,514</u>

Note: In the shareholders’ meeting on July 1, 2021, the Company’s shareholders approved the substitution of the audit committee for supervisors.

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

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

The 2019 compensation of employees and remuneration of directors and supervisors is based on the 2019 annual financial report prepared by the Company in accordance with the Business Entity Accounting Act, the Business Accounting Guidelines and the Enterprise Accounting Standard and its interpretations.

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

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 7,825	\$ 6,528
Foreign exchange losses	<u>(3,721)</u>	<u>(5,945)</u>
Net foreign exchange gains	<u>\$ 4,104</u>	<u>\$ 583</u>

**24. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 39,948	\$ 34,707
Adjustments for prior years	<u>(3,774)</u>	<u>(5,298)</u>
	36,174	29,409
Deferred tax		
In respect of the current year	<u>6,075</u>	<u>(474)</u>
Income tax expense recognized in profit or loss	<u>\$ 42,249</u>	<u>\$ 28,935</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 294,742</u>	<u>\$ 188,041</u>
Income tax expense calculated at the statutory rate	\$ 75,958	\$ 33,923
Nondeductible expenses in determining taxable income	2,550	36
Investment credits	(16,673)	(5,961)
Unrecognized deductible temporary differences	(10,995)	6,235
Loss carryforwards used in the current year	(4,817)	-
Adjustments for prior years' tax	<u>(3,774)</u>	<u>(5,298)</u>
Income tax expense recognized in profit or loss	<u>\$ 42,249</u>	<u>\$ 28,935</u>

The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (640)	\$ 1,380

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehen- sive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on write-down of inventories	\$ 240	\$ (240)	\$ -	\$ -	\$ -
Refund liabilities	3,002	1,724	-	-	4,726
Amortization of expenses	1,091	325	-	-	1,416
Financial liabilities at FVTPL	697	(697)	-	-	-
Financial assets at FVTOCI	750	-	-	-	750
Exchange differences on translating the financial statements of foreign operations	1,035	-	640	-	1,675
Unrealized foreign exchange loss	18	477	-	-	495
Allowance for impairment of trade receivables	-	1,729	-	-	1,729
Unrealized gain on transactions with subsidiaries	-	793	-	-	793
	<u>6,833</u>	<u>4,111</u>	<u>640</u>	<u>-</u>	<u>11,584</u>
Loss carryforwards	<u>1,940</u>	<u>(1,924)</u>	<u>-</u>	<u>(16)</u>	<u>-</u>
	<u>\$ 8,773</u>	<u>\$ 2,187</u>	<u>\$ 640</u>	<u>\$ (16)</u>	<u>\$ 11,584</u>

Deferred tax liabilities

Temporary differences					
Unrealized service revenue	\$ 1,940	\$ 3,932	\$ -	\$ (14)	\$ 5,858
Share of profit of subsidiaries accounted for using the equity method	-	4,330	-	-	4,330
	<u>\$ 1,940</u>	<u>\$ 8,262</u>	<u>\$ -</u>	<u>\$ (14)</u>	<u>\$ 10,188</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on write-down of inventories	\$ 103	\$ 137	\$ -	\$ -	\$ 240
Refund liabilities	2,241	761	-	-	3,002
Amortization of expenses	28	1,063	-	-	1,091
Financial liabilities at FVTPL	-	697	-	-	697
Financial assets at FVTOCI	750	-	-	-	750
Exchange differences on translating the financial statements of foreign operations	2,415	-	(1,380)	-	1,035
Unrealized service costs	2,211	(2,211)	-	-	-
Unrealized foreign exchange loss	-	18	-	-	18
	7,748	465	(1,380)	-	6,833
Loss carryforwards	-	1,897	-	43	1,940
	<u>\$ 7,748</u>	<u>\$ 2,362</u>	<u>\$ (1,380)</u>	<u>\$ 43</u>	<u>\$ 8,773</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized foreign exchange gain	\$ 9	\$ (9)	\$ -	\$ -	\$ -
Unrealized service revenue	-	1,897	-	43	1,940
	<u>\$ 9</u>	<u>\$ 1,888</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 1,940</u>

- d. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Loss carryforwards		
Expiry in 2021	\$ -	\$ 2,647
Expiry in 2023	-	582
Expiry in 2024	-	10,698
Expiry in 2025	941	2,114
Expiry in 2026	<u>661</u>	<u>-</u>
	<u>\$ 1,602</u>	<u>\$ 16,041</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 61,929</u>

- e. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities, and there is no litigation or claim regarding the income tax assessments against the Group.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share		
From continuing operations	<u>\$ 6.21</u>	<u>\$ 4.05</u>
Diluted earnings per share		
From continuing operations	<u>\$ 6.17</u>	<u>\$ 3.98</u>

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

### Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Company	\$ 252,493	\$ 159,106
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>          -</u>	<u>          -</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 252,493</u>	<u>\$ 159,106</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	40,641	39,277
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>      276</u>	<u>      667</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>40,917</u>	<u>39,944</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.



## 26. GOVERNMENT GRANTS

As of December 31, 2021, the Group has obtained a government preferential interest rate loan of \$451,852 thousand from the National Development Fund (NDF), “Action Plan for Accelerated Investment by Domestic Corporations” for the purchase of machinery and equipment. The loan will be amortized by instalments within 5-7 years from the date of first use (including a grace period of 2-3 years). Based on the current market interest rate of 1.10%-1.18%, the fair value of the borrowing is estimated to be \$442,794 thousand. The difference between the loan amount and the fair value of the borrowing of \$8,788 thousand is due to the preferential interest rate of the government grant, and is recognized as deferred income. The deferred income will be transferred to other income in accordance with its service life when the inspection and acceptance of the machinery and equipment are completed. In 2021 and 2020, the amount transferred to other income was \$1,234 thousand and \$136 thousand, respectively, and the interest expense recognized on these loan was \$1,773 thousand and \$249 thousand, respectively.

If the Group fails to meet the key points of the project loan identification during the loan period, and the NDF suspends or stops the loan interest grant, the Group will change to the original agreed interest rate.

## 27. CASH FLOW INFORMATION

### a. Non-cash transactions

In addition to those disclosed in other notes, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2021 and 2020:

- 1) The Group acquired property, plant and equipment that had not yet been paid in the amounts of \$30,455 thousand and \$31,408 thousand, which were recorded as other payables on December 31, 2021 and 2020, respectively.
- 2) The Group disposed of property, plant and equipment that had not yet been received in the amount of \$110 thousand, which were recorded as other receivables on December 31, 2020.

### b. Changes in Liabilities Arising from Financing Activities

#### For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes					Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments	Lease Modification	Exchange Differences		
Long-term borrowings	\$ 387,181	\$ 181,618	\$ -	\$ 1,773	\$ (4,858)	\$ -	\$ -	\$ -	\$ 565,714
Lease liabilities	141,639	(27,530)	18,184	2,255	-	(4,227)	(42)	(2,127)	128,152
	<u>\$ 528,820</u>	<u>\$ 154,088</u>	<u>\$ 18,184</u>	<u>\$ 4,028</u>	<u>\$ (4,858)</u>	<u>\$ (4,227)</u>	<u>\$ (42)</u>	<u>\$ (2,127)</u>	<u>\$ 693,866</u>

#### For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes				Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments	Exchange Differences		
Long-term borrowings	\$ 316,921	\$ 73,941	\$ -	\$ 249	\$ (3,930)	\$ -	\$ -	\$ 387,181
Lease liabilities	123,238	(20,425)	38,747	2,090	-	79	(2,090)	141,639
	<u>\$ 440,159</u>	<u>\$ 53,516</u>	<u>\$ 38,747</u>	<u>\$ 2,339</u>	<u>\$ (3,930)</u>	<u>\$ 79</u>	<u>\$ (2,090)</u>	<u>\$ 528,820</u>

## 28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management of the Group considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

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

#### 1) Fair value hierarchy

#### December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

#### December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Financial liabilities at FVTPL				
Derivatives - foreign exchange forward contracts	\$ _____ -	\$ 3,486	\$ _____ -	\$ 3,486

There were no transfers between Levels 1 and 2 in 2021 and 2020.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of domestic unlisted shares is estimated using the market approach, with reference to the financial statements and operating conditions of the Company and other similar companies.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 951,593	\$ 622,733
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	3,486
Amortized cost (2)	629,766	437,540

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, other receivables and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise accounts payable, other payables (excluding payables for salaries and bonuses, payables for compensation of employees, payables for business tax, payables for remuneration of directors and supervisors, payables for insurance and payables for pension) and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized cost - current, investment in equity instruments, receivables, derivatives-foreign exchange forward contracts, long-term borrowings, payables and lease liabilities. The financial risks relating to the operations of the Group's financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

## 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

### a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 33.

#### Sensitivity analysis

The Group is mainly exposed to the exchange movements in the USD and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 731	\$ (604)

	<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 36	\$ 50

The result was mainly attributable to the exposure on outstanding cash and cash equivalents, receivables, payables and derivatives - foreign exchange forward contracts in USD and JPY at the end of the year.

The Group's sensitivity to the USD increased during the current year mainly due to an increase in USD denominated net assets; the Group's sensitivity to the JPY decreased during the current year mainly due to a decrease in JPY denominated net assets.

### b) Interest rate risk

The Group was exposed to interest rate risk because its deposits, bank loans and lease liabilities are at both fixed and floating interest rates.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 13,029	\$ -
Financial liabilities	\$ 128,152	\$ 141,639
Cash flow interest rate risk		
Financial assets	\$ 477,382	\$ 296,581
Financial liabilities	\$ 565,714	\$ 387,181

### Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$883 thousand and \$906 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loans.

There has been no major change in the sensitivity to the interest rates during the current year.

#### c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Group does not actively trade these investments.

### Sensitivity analysis

As of December 31, 2021 and 2020, the fair value of equity financial instruments were both \$0. The Group assesses that the reasonably possible changes in its relevant risk variables on that date will not affect pre-tax other comprehensive income for the years ended December 31, 2021 and 2020.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

According to the Group's policy, the Group only dealing with creditworthy counterparties, and would secure sufficient guarantee to mitigate the risk of financial loss caused by delinquent payment, if necessary. The Group rates its mainly customers based on the customers' credit data files created by it pursuant to the regulations governing customers' credit management, and other financial information accessible to the public and both parties' past trading records. The Group continues to monitor the exposure to credit risk and counterparties' credit ratings, and controls the exposure to credit risk through credit limits granted to the counterparties that have been reviewed and approved by management.

To minimize credit risk, the Group's management appoints a dedicated team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Meanwhile, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Given this, Group's management believes that the Group's credit risk should have been significantly reduced.

The Group's concentration of credit risk of 26% and 27% in total trade receivables as of December 31, 2021 and 2020, respectively, was related to the Group's mainly customers A company and B company (annual service revenue amounts of other customers do not exceed 10% of the Group's total revenue).

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Group had available unutilized bank loan facilities set out in (c) below.

#### a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise this right. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

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

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 54,187	\$ 9,865	\$ -	\$ -	\$ -
Lease liabilities	2,551	5,290	22,799	87,715	15,015
Variable interest rate liabilities	<u>5,404</u>	<u>10,768</u>	<u>67,327</u>	<u>440,284</u>	<u>61,677</u>
	<u>\$ 62,142</u>	<u>\$ 25,923</u>	<u>\$ 90,126</u>	<u>\$ 527,999</u>	<u>\$ 76,692</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 30,486	\$ 19,873	\$ -	\$ -	\$ -
Lease liabilities	1,846	4,638	23,260	92,427	26,622
Variable interest rate liabilities	<u>21,528</u>	<u>12,317</u>	<u>51,780</u>	<u>244,566</u>	<u>70,450</u>
	<u>\$ 53,860</u>	<u>\$ 36,828</u>	<u>\$ 75,040</u>	<u>\$ 336,993</u>	<u>\$ 97,072</u>

b) Liquidity table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 41,358	\$ 98,234	\$ -	\$ -	\$ -
Outflows	<u>(42,324)</u>	<u>(100,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (966)</u>	<u>\$ (2,520)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Secured bank loan facilities:		
Amount used	\$ 572,480	\$ 390,862
Amount unused	<u>548,418</u>	<u>830,745</u>
	<u>\$ 1,120,898</u>	<u>\$ 1,221,607</u>
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>280,000</u>	<u>220,000</u>
	<u>\$ 280,000</u>	<u>\$ 220,000</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

#### Remuneration of Key Management Personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 36,700	\$ 34,490
Other long-term employee benefits	5,156	4,222
Post-employment benefits	<u>540</u>	<u>539</u>
	<u>\$ 42,396</u>	<u>\$ 39,251</u>

The remuneration of directors and key executives was determined by the remuneration committee, is based on the performance of individuals and market trends for the year ended December 31, 2021; the remuneration of directors and key executives was determined by the Company, is based on the performance of individuals and market trends for the year ended December 31, 2020.

Note: In the board of directors meeting on July 9, 2021, the Company's board of directors approved determined to establish the remuneration committee.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Machinery and equipment, net	<u>\$ 831,764</u>	<u>\$ 396,153</u>

### 32. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group at December 31, 2021 and 2020 were as follows:

#### a. Significant unrecognized commitments

- 1) Unused letters of credit were as follows:

**(In Thousands of Foreign Currency)**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment		
USD	<u>\$ 407</u>	<u>\$ 1,249</u>
JPY	<u>\$ -</u>	<u>\$ 151,000</u>



2) Unrecognized commitments were as follows:

(In Thousands of Foreign Currency)

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment		
EUR	\$ -	\$ 28
USD	\$ 10,543	\$ 1,086
JPY	\$ 48,445	\$ -
NTD	\$ 4,885	\$ 12,324

b. Contingencies

Significant litigations

The Company and the person responsible for the Company, Liu Chi Lun, were brought in criminal proceedings against the Company in November 2019 by Materials Analysis Technology Inc. in violation of its business secrets. The case was not prosecuted by October 14, 2020 through the Hsinchu District Prosecutor Office at No. 830 and No. 7035 of the 2020 annual detailmarks. The Company was informed by January 5, 2021 that Materials Analysis Technology Inc. applied for reconsideration of the ruling and was sent back by the Taiwan High Prosecutor Office for further investigation. The case was not prosecuted by June 10, 2021 through the Hsinchu District Prosecutor Office at No. 10. On July 1, 2021, it was informed that Materials Analysis Technology Inc. had applied for reconsideration of the ruling and was dismissed by July 22, 2021 by the Taiwan High Prosecutor Office with resolution No. 300 of the 2021 proposal. The following is a case in which Materials Analysis Technology Inc. Settled for Trial with the Hsinchu District Court on August 5, 2021 for adjudication and was rejected by the Hsinchu District Court on December 21, 2021. The above case was also filed on January 8, 2021 by Materials Analysis Technology Inc. in civil proceedings against Liu Chi Lun, the Company and the Company's responsible person, for damages due to violation of its business secrets and for damages of \$20,000 thousand. The case was dismissed by February 15, 2022 by the Intellectual Property and Commercial Court in the 2021 private Court of Appeal No. 1, but was appealed by the Materials Analysis Technology Inc. on March 11, 2022, Inc., in respect of the case. The final outcome of this case will not have a material impact on the Group's operations, depending on the outcome of future litigation.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,121	27.680 (USD:NTD)	\$ <u>86,387</u>
JPY	16,523	0.241 (JPY:NTD)	\$ <u>3,974</u>
<u>Financial liabilities</u>			
Monetary items			
USD	481	27.680 (USD:NTD)	\$ <u>13,318</u>
JPY	1,361	0.241 (JPY:NTD)	\$ <u>327</u>

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,751	28.480 (USD:NTD)	\$ <u>78,354</u>
JPY	49,891	0.276 (JPY:NTD)	\$ <u>13,785</u>
<u>Financial liabilities</u>			
Monetary items			
USD	158	28.480 (USD:NTD)	\$ <u>4,511</u>
Non-monetary items			
USD	4,640	Note	\$ <u>3,438</u>
JPY	32,160	Note	\$ <u>48</u>

Note: The fair value of foreign exchange forward contracts is calculated by the discounted cash flow method.

For the years ended December 31, 2021 and 2020, net foreign exchange gains were \$4,104 thousand and \$583 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the Group.

### 34. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (Notes 7 and 29)
- 10) Intercompany relationships and significant intercompany transactions. (Table 2)

b. Information on investees. (Table 3)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 4)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 5):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 6)
- e. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items of affiliates are as follows:
- 1) The names of the subordinate companies and their relationships to the controlling company, the nature of their businesses, and the controlling company's shareholding or capital contribution ratio in each. (Note 13, Tables 3 and 4)
  - 2) Changes in the subordinate companies included in the current consolidated financial statements of the affiliates. (Note 13)
  - 3) The names and shareholding or capital contribution ratios of subordinate companies not listed in the current consolidated financial statements for affiliates and the reasons they are not included in the consolidated statements. (None)
  - 4) The adjustment method and treatment adopted if the opening and closing dates of the subordinate company's accounting year are different from those of the controlling company. (None)
  - 5) An explanation of any differences in accounting policies between the subordinate companies and the controlling company. The method and substance of adjustments adopted in the event of any non-conformity with the Generally Accepted Accounting Principles of the Republic of China. (None)
  - 6) Special operational risks of overseas subordinate companies, such as exchange rate fluctuations. (Note 13)
  - 7) Statutory or contractual restrictions on distribution of earnings by the various affiliates. (Note)
  - 8) Amortization methods and period for consolidated borrowings (loans). (None)
  - 9) Other matters of significance or explanations that would contribute to the fair presentation of the consolidated financial statements of the affiliates. (None)
- Note: The articles of association of the subsidiaries of the Group located in mainland China stipulate that the reserve fund and employee incentive and welfare fund should be withdrawn from the profits after paying income tax. Profits shall not be distributed until the losses of the previous fiscal year have been offset, and the undistributed profits of the previous fiscal year can be incorporated into the profit distribution of the current fiscal year.
- f. Under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, disclosed items from each individual affiliate are as follows:
- 1) Transactions that have been eliminated between the controlling company and subordinate companies or between subordinate companies. (Table 2)
  - 2) Information related to financing, endorsements, and guarantees. (None)

- 3) Information related to derivative instrument transactions. (Note 7)
  - 4) Significant contingencies. (Note 32)
  - 5) Significant events after the reporting period. (None)
  - 6) Names of bills and securities held, and their quantities, cost, market value (if not available, the net worth per share is disclosed), shareholding or capital contribution ratio, description of any pledges, and the highest amount of shareholding or capital contribution during the period. (Tables 1, 3 and 4)
  - 7) Other matters of significance or explanations that would contribute to a fair presentation of the consolidated financial statements of the affiliates. (None)
- g. Subsidiaries holding the parent company's shares should list clearly their company name, number of shares held, the total amounts and the reasons for holding the shares. (None)

### 35. SEGMENT INFORMATION

#### a. Department of financial information

The chief operating decision makers treats the testing and analysis service units of various regions as individual operating departments. For the purposes of financial statement presentation, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- 1) Similar of the product nature and manufacturing processes;
- 2) Similar of pricing strategy and sales models.

#### b. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Test and analysis service	\$ 1,469,881	\$ 1,113,184

#### c. Geographical information

The Group operates in two principal geographical areas, Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 1,309,877	\$ 1,074,343	\$ 1,524,805	\$ 1,342,214
China	<u>160,004</u>	<u>38,841</u>	<u>331,435</u>	<u>264,324</u>
	<u>\$ 1,469,881</u>	<u>\$ 1,113,184</u>	<u>\$ 1,856,240</u>	<u>\$ 1,606,538</u>

Non-current assets exclude financial assets at FVTOCI - non-current, deferred tax assets and refundable deposits.

d. Information on major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Customer A	\$ 448,263	\$ 349,492
Customer B	<u>162,900</u>	<u>166,547</u>
	<u>\$ 611,163</u>	<u>\$ 516,039</u>

**MSSCORPS CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (In Thousands of Shares)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value	
The Company	<u>Stock</u> HITEKCORPS CO., LTD.	Related party in substance	Financial assets at FVTOCI - non-current	375	\$ -	5.31	\$ -	Note 2

Note 1: The balance of the carrying amount at fair value upon adjustment.

Note 2: The impairment loss of the shares of HITEKCORPS CO., LTD. held by the Company has been fully recognized.

Note 3: In the above table, the maximum number of shares held by MSSCORPS CO., LTD. and subsidiaries is the same as that at the end of the period, and none were pledged as collateral.

**MSSCORPS CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Amounts in Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount (Notes 2 and 4)	Payment Terms	% of Total Sales or Assets (Note 3)
0	MSSCORPS CO., LTD.	TRISTATE INTERNATIONAL CO., LTD. MSSCORPS CO., LTD. (Nanjing)	a	Issuance of common stock for cash	\$ 55,730	-	2
			a	Service revenue	26,589	60 days after the month-end closing	2
			a	Selling of equipment	21,980	60 days after acceptance	1
1	TRISTATE INTERNATIONAL CO., LTD.	GOOD ACTION INT'L CORP.	c	Issuance of common stock for cash	55,730	-	2
2	GOOD ACTION INT'L CORP.	MSSCORPS CO., LTD. (Nanjing)	c	Issuance of common stock for cash	55,730	-	2
3	MSSCORPS CO., LTD. (Nanjing)	MSSCORPS CO., LTD.	b	Service revenue	16,996	60 days after the month-end closing	1

Intercompany relationships:

MSSCORPS CO., LTD., MSSCORPS CO., LTD. (Shanghai) and MSSCORPS CO., LTD. (Nanjing) are engaged in test and analysis services of electronic material; TRISTATE INTERNATIONAL CO., LTD. and GOOD ACTION INT'L CORP. are holding company.

Note 1: The relationships between the investee company and counterparty are as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to Subsidiary.

Note 2: This table only discloses one-way transaction information, which has been consolidated and eliminated in the preparation of these consolidated financial statements.

Note 3: The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets: If it is an asset-liability item, it is calculated by dividing the closing balance accounts by the consolidated total assets; if it is a profit and loss account, it is calculated by dividing the accumulated amount in the period by the consolidated total revenue.

Note 4: Relevant figures in this table are presented in New Taiwan dollars. For foreign currencies, they are converted into New Taiwan Dollars at the exchange rate on the balance sheet date; however, the relevant amounts of profit and loss are converted into New Taiwan Dollars at the annual average exchange rate.



**MSSCORPS CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 2)		As of December 31, 2021				Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands of Shares)	%	Carrying Amount	Net Asset Value Per Share			
The Company	TRISTATE INTERNATIONAL CO., LTD.	Mauritius	Investment holding	\$ 471,331 (US\$ 15,415)	\$ 415,601 (US\$ 13,415)	15,415	100	\$ 481,133	\$ 31.47	\$ 64,826	\$ 64,826	Notes 1, 3, 4 and 5
TRISTATE INTERNATIONAL CO., LTD.	GOOD ACTION INT'L CORP.	Mauritius	Investment holding	470,846 (US\$ 15,400)	415,116 (US\$ 13,400)	15,400	100	484,677	31.47	64,826	64,826	Notes 1, 3 and 5

Note 1: The share of profit (loss) was recognized according to the investees' financial statements audited by the parent company's CPA in the ROC for the same year.

Note 2: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date.

Note 3: The transactions were eliminated in the consolidated financial statements.

Note 4: The carrying amount held at the end of the period includes the unrealized gain on intercompany transactions.

Note 5: The maximum amount of capital contribution in the current period is the same as that at the end of the period, and none were pledged as collateral.

Note 6: Refer to Table 4 for information relating to investments in mainland China.

**MSSCORPS CO., LTD. AND SUBSIDIARIES**
**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 b.(2))	Carrying Amount as of December 31, 2021 (Note 2 b.(2))	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
MSSCORPS CO., LTD. (Shanghai) (Note 4)	Test and analysis of electronic materials	RMB 7,609 (US\$ 1,050)	b	\$ 34,039	\$ -	\$ -	\$ 34,039	\$ (78)	100	\$ (78)	\$ 17,203	\$ -
MSSCORPS CO., LTD. (Nanjing) (Note 4)	Test and analysis of electronic materials	RMB 98,501 (US\$ 14,350)	b	381,077	55,730	-	436,807	64,904	100	64,904	467,463	-

2. Limit on the amount of investments in the mainland China area:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$470,846 (Note 3)	\$498,526 (Note 3)	\$1,127,836

Note 1: The two methods of investing in mainland China are as follows:

- a. Direct investments in mainland China.
- b. Investment in mainland China through a company registered in a third region (GOOD ACTION INT'L CORP.)

Note 2: In the column of investment gain (loss)

- a. If the investment is still in preparation and there is no investment gain (loss), it will be specified.
- b. The basis for recognizing investment gain (loss) is as follows:
  - 1) Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
  - 2) Based on financial statements audited by the accounting firm of the parent company in Taiwan.
  - 3) Others.

Note 3: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date, approved amounts that were not be remitted were translated based on the foreign exchange rate on the balance sheet date.

Note 4: The listed amounts were eliminated upon consolidation.

Note 5: The maximum amount of capital contribution for re-investment of MSSCORPS CO., LTD. and subsidiaries and subsidiaries in the above table is the same as that at the end of the period, and none were pledged as collateral.

**MSSCORPS CO., LTD. AND SUBSIDIARIES**
**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES**
**FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
MSSCORPS CO., LTD. (Nanjing)	Service revenue - test and analysis service	\$ 26,589	2	Note 2	60 days after the month-end closing	Not significantly different	\$ 152	-	\$ -	-
	Service costs - test and analysis service	(16,996)	(2)	Note 2	60 days after the month-end closing	Not significantly different	-	-	-	-

Note 1: The transactions were eliminated in the consolidated financial statements.

Note 2: The test and analysis service prices and costs to related parties were determined based on the market and agreed by both parties.

3. The amount of property transactions and the amount of the resultant gains or losses:

Investee Company	Transaction Type	Disposal of Property, Plant and Equipment		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
MSSCORPS CO., LTD. (Nanjing)	Selling of equipment	\$ 21,980	100	By contract	60 days after acceptance	Not significantly different	\$ -	-	\$ 232	-

Note: The transactions were eliminated in the consolidated financial statements.

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

**MSSCORPS CO., LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownerships (%)
China Development Advantage Venture Capital Limited Partnership	5,275,000	12.78
Shun Shun Investment Co., Ltd.	2,514,815	6.09

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.



**MSSCORPS CO., LTD.**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
MSSCORPS CO., LTD.

### **Opinion**

We have audited the accompanying financial statements of MSSCORPS CO., LTD. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

The key audit matter of the Company's financial statements for the year ended December 31, 2021 is described as follows:

#### The Authenticity of the Specific Customers' Operating Revenue

The Company's operating revenue was \$1,336,466 thousand in 2021, and the overall operating revenue growth rate was about 23% this year. However, the total operating revenue from major customers (excluding subsidiaries) who with higher revenue growth rates than average accounted for approximately 48% of the Company's overall operating revenue, resulting in a significant impact on the financial statements of the Company. Therefore, we assessed that the main risk of occurrence of operating revenue from major customers who with higher revenue growth rates than average as a key audit matter. The accounting policies related to revenue recognition, refer to Note 4 to the financial statements.

The audit procedures that we performed in respect of the operating revenue from the aforementioned customers are as follows:

1. We understood the design of internal controls related to the recognition of sales revenue, checked that the relevant controls were implemented and designed, evaluated the appropriate audit procedures on internal controls related to the occurrence of sales revenue, in order to confirm and evaluate the effectiveness of the design and implementation of the Company's internal controls.
2. We obtained the list of the aforementioned customers in 2021, and checked whether their relevant backgrounds, transaction amounts, credit amounts and company size are reasonable.
3. We selected samples from the revenue ledger of the aforementioned customers, and obtained the customer master file, service order, customer acceptance confirmation letter, sales invoice, payment receipt and other materials to confirm the authenticity of the operating revenue.

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

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

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

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

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

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

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

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



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

The engagement partners on the audits resulting in this independent auditors' report are Keng-Hsi Chang and Chun-Ming Hsueh.

Chang Keng Hsi                      Hsueh Chun Ming

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

April 8, 2022

#### Notice to Readers

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

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

**MSSCORPS CO., LTD.**
**BALANCE SHEETS**
**DECEMBER 31, 2021 AND 2020**
**(In Thousands of New Taiwan Dollars)**

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 386,476	14	\$ 225,116	10
Notes receivable (Notes 4, 9 and 20)	283	-	1,378	-
Trade receivables (Notes 4, 5, 9 and 20)	383,538	13	295,338	13
Trade receivables from related parties (Notes 4, 5, 20 and 28)	152	-	2,756	-
Other receivables (Notes 4, 9 and 25)	-	-	110	-
Other receivables from related parties (Notes 4 and 28)	-	-	34	-
Inventories (Notes 4 and 10)	-	-	-	-
Prepayments (Note 15)	69,952	2	74,025	3
Total current assets	<u>840,401</u>	<u>29</u>	<u>598,757</u>	<u>26</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	-	-	-	-
Investments accounted for using the equity method (Notes 4 and 11)	481,133	17	363,556	16
Property, plant and equipment (Notes 4, 12, 28 and 29)	1,273,875	45	988,262	42
Right-of-use assets (Notes 4 and 13)	124,094	4	133,513	6
Other intangible assets (Notes 4 and 14)	7,040	-	1,716	-
Deferred tax assets (Notes 4 and 22)	9,740	-	6,833	-
Other non-current assets (Notes 4 and 15)	127,964	5	225,910	10
Total non-current assets	<u>2,023,846</u>	<u>71</u>	<u>1,719,790</u>	<u>74</u>
<b>TOTAL</b>	<u>\$ 2,864,247</u>	<u>100</u>	<u>\$ 2,318,547</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	\$ -	-	\$ 3,486	-
Contract liabilities - current (Notes 4 and 20)	13,935	-	11,142	1
Trade payables	25,948	1	12,009	1
Other payables (Notes 17 and 25)	190,270	7	142,778	6
Current tax liabilities (Note 4)	17,824	-	27,212	1
Lease liabilities - current (Notes 4 and 13)	28,627	1	24,892	1
Deferred revenue - current (Notes 4, 17 and 24)	1,773	-	373	-
Current portion of long-term borrowings (Notes 4, 16, 24 and 29)	79,393	3	78,240	3
Refund liabilities - current (Notes 4, 17 and 20)	23,630	1	15,008	1
Other current liabilities (Note 17)	7,488	-	6,361	-
Total current liabilities	<u>388,888</u>	<u>13</u>	<u>321,501</u>	<u>14</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 16, 24 and 29)	486,321	17	308,941	13
Lease liabilities - non-current (Notes 4 and 13)	99,337	4	111,699	5
Deferred tax liabilities (Notes 4 and 22)	4,330	-	-	-
Deferred revenue - non-current (Notes 4, 17 and 24)	5,645	-	3,421	-
Total non-current liabilities	<u>595,633</u>	<u>21</u>	<u>424,061</u>	<u>18</u>
Total liabilities	<u>984,521</u>	<u>34</u>	<u>745,562</u>	<u>32</u>
<b>EQUITY (Notes 4 and 19)</b>				
Share capital				
Ordinary shares	412,772	14	392,772	17
Capital surplus	854,066	30	714,066	31
Retained earnings				
Legal reserve	85,211	3	70,020	3
Special reserve	8,388	-	-	-
Unappropriated earnings	530,236	19	404,515	17
Total retained earnings	623,835	22	474,535	20
Other equity	(10,947)	-	(8,388)	-
Total equity	<u>1,879,726</u>	<u>66</u>	<u>1,572,985</u>	<u>68</u>
<b>TOTAL</b>	<u>\$ 2,864,247</u>	<u>100</u>	<u>\$ 2,318,547</u>	<u>100</u>

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

## MSSCORPS CO., LTD.

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE				
Service revenue (Notes 4, 20 and 28)	\$ 1,336,466	100	\$ 1,088,079	100
OPERATING COSTS				
Service costs (Notes 21 and 28)	(883,873)	(66)	(683,015)	(63)
Other operating costs (Note 10)	-	-	(685)	-
Total operating costs	(883,873)	(66)	(683,700)	(63)
GROSS PROFIT	452,593	34	404,379	37
OPERATING EXPENSES (Notes 9 and 21)				
Selling and marketing expenses	(27,501)	(2)	(23,203)	(2)
General and administrative expenses	(158,277)	(12)	(124,593)	(12)
Research and development expenses	(51,715)	(4)	(47,998)	(4)
Expected credit loss	-	-	(316)	-
Total operating expenses	(237,493)	(18)	(196,110)	(18)
PROFIT FROM OPERATIONS	215,100	16	208,269	19
NON-OPERATING INCOME AND EXPENSES (Notes 4, 21, 24 and 28)				
Interest income	111	-	121	-
Other income	2,993	-	1,621	-
Other gains and losses	4,250	-	(425)	-
Finance costs	(8,596)	-	(6,804)	(1)
Share of profit or loss of subsidiaries, associates and joint ventures	64,826	5	(14,741)	(1)
Total non-operating income and expenses	63,584	5	(20,228)	(2)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	278,684	21	188,041	17
INCOME TAX EXPENSE (Notes 4 and 22)	(26,191)	(2)	(28,935)	(2)
NET PROFIT FOR THE YEAR	252,493	19	159,106	15

(Continued)

## MSSCORPS CO., LTD.

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

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 19 and 22)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (3,199)	-	\$ 6,899	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>640</u>	-	<u>(1,380)</u>	-
Other comprehensive (loss) income for the year, net of income tax	<u>(2,559)</u>	-	<u>5,519</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 249,934</u>	<u>19</u>	<u>\$ 164,625</u>	<u>15</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$ 6.21</u>		<u>\$ 4.05</u>	
Diluted	<u>\$ 6.17</u>		<u>\$ 3.98</u>	

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

(Concluded)

**MSSCORPS CO., LTD.**

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

	<u>Share Capital</u>		<u>Retained Earnings</u>			<u>Other Equity</u>		<u>Total Equity</u>
	<u>Ordinary Shares</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>	<u>Exchange Differences on Translation of the Financial Statements of Foreign Operations</u>	<u>Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other Comprehensive Income</u>	
BALANCE AT JANUARY 1, 2020	\$ 392,772	\$ 714,066	\$ 60,841	\$ -	\$ 333,142	\$ (9,657)	\$ (4,250)	\$ 1,486,914
Appropriation of 2019 earnings (Note 19)								
Legal reserve	-	-	9,179	-	(9,179)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(78,554)	-	-	(78,554)
Net profit for the year ended December 31, 2020	-	-	-	-	159,106	-	-	159,106
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	5,519	-	5,519
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	159,106	5,519	-	164,625
BALANCE AT DECEMBER 31, 2020	392,772	714,066	70,020	-	404,515	(4,138)	(4,250)	1,572,985
Appropriation of 2020 earnings (Note 19)								
Legal reserve	-	-	15,191	-	(15,191)	-	-	-
Special reserve	-	-	-	8,388	(8,388)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(103,193)	-	-	(103,193)
Issuance of ordinary shares for cash (Note 19)	20,000	140,000	-	-	-	-	-	160,000
Net profit for the year ended December 31, 2021	-	-	-	-	252,493	-	-	252,493
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(2,559)	-	(2,559)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	252,493	(2,559)	-	249,934
BALANCE AT DECEMBER 31, 2021	\$ 412,772	\$ 854,066	\$ 85,211	\$ 8,388	\$ 530,236	\$ (6,697)	\$ (4,250)	\$ 1,879,726

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

## MSSCORPS CO., LTD.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 278,684	\$ 188,041
Adjustments for:		
Depreciation expenses	377,470	307,926
Amortization expenses	2,318	630
Expected credit loss recognized on trade receivables	-	316
Net loss on fair value changes of financial liabilities at fair value through profit or loss	600	2,591
Finance costs	8,596	6,804
Interest income	(111)	(121)
Share of (profit)/loss of subsidiaries, associates and joint ventures	(64,826)	14,741
Gain on disposal of property, plant and equipment	(464)	(553)
Write-downs of inventories	-	685
Net loss on foreign currency exchange	1,576	1,248
Government grants	(1,234)	(136)
Realized gain on purchase of equipment on behalf of subsidiary	-	(1,525)
Changes in operating assets and liabilities		
Notes receivable	1,095	(88)
Trade receivables	(87,982)	(21,904)
Trade receivables from related parties	2,599	(2,756)
Other receivables	-	1,499
Prepayments	(10,941)	(43,560)
Financial liabilities held for trading	(4,086)	895
Contract liabilities	2,793	1,329
Notes payable	-	(310)
Trade payables	13,939	(3,099)
Other payables	47,175	24,804
Refund liabilities	8,622	3,803
Other current liabilities	<u>1,127</u>	<u>1,620</u>
Cash generated from operations	576,950	482,880
Interest received	111	121
Interest paid	(6,823)	(6,555)
Income tax paid	<u>(33,516)</u>	<u>(17,080)</u>
Net cash generated from operating activities	<u>536,722</u>	<u>459,366</u>

### CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant and equipment	(484,566)	(220,741)
Proceeds from disposal of property, plant and equipment	22,092	349
Increase in refundable deposits	(981)	(1,906)
Decrease in other receivables from related parties	34	23,304
Payments for intangible assets	(2,984)	(701)
Increase in prepayments for equipment	<u>(63,052)</u>	<u>(175,613)</u>

Net cash used in investing activities	<u>(529,457)</u>	<u>(375,308)</u>
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(Continued)

## MSSCORPS CO., LTD.

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

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 263,000	\$ 216,581
Repayments of long-term borrowings	(81,382)	(142,640)
Repayment of the principal portion of lease liabilities	(26,811)	(18,150)
Dividends paid	(103,193)	(78,554)
Issuance of ordinary shares for cash	160,000	-
Acquisition of additional interests in subsidiary	<u>(55,730)</u>	<u>(89,514)</u>
Net cash generated from (used in) financing activities	<u>155,884</u>	<u>(112,277)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(1,789)</u>	<u>(944)</u>
NET INCREASE (DECREASE) IN CASH	161,360	(29,163)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		
	<u>225,116</u>	<u>254,279</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 386,476</u>	<u>\$ 225,116</u>

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

(Concluded)

## MSSCORPS CO., LTD.

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

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#### 1. GENERAL INFORMATION

MSSCORPS CO., LTD. (the “Company”) was incorporated in the Republic of China (ROC) on July 27, 2005. The Company mainly engages in the test and analysis of electronic materials, electronics components manufacturing, wholesale of electronic materials, retail sale of electronic materials, international trade and product designing.

The Company’s shares have been listed on the emerging stock board of the Taipei Exchange (TPEX) since July 26, 2021.

The shares are widely distributed among a large pool of investors; therefore, there is no ultimate parent company or ownership interest.

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 31, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2022

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



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

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

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

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

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

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

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

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

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

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

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

## 1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgments or assumptions in applying an accounting policy, and the Company discloses those judgments or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and

- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company (including subsidiaries in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period.

e. Inventories

Inventories consist of merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company only financial statements.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

j. Financial instruments

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

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

## 1) Financial assets

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

### a) Measurement categories

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

#### i. Financial assets at amortized cost

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

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

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

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

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

ii. Investments in equity instruments at FVTOCI

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables and refundable deposits).

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities held for trading as at FVTPL. Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 27.

### b) Derecognition of financial liabilities

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

## 3) Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

### k. Revenue recognition

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

#### Revenue from the rendering of services

Revenue from the rendering of services comes from test and analysis of electronic material.



The Company recognizes revenue and trade receivables when the promised goods or services are transferred to customers and the performance obligations are satisfied. Estimated trade discounts are generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities. The receipts in advance received before meeting the aforementioned income recognition conditions are recognized as contract liabilities.

l. Leasing

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

The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

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

m. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants are intended to compensate.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

p. Taxation

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

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

**5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company’s accounting policies, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent global development of the COVID-19 pandemic and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

**Key Sources of Estimation Uncertainty**

Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the past default records of the customers, current financial situation and industrial economic situation as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 145	\$ 146
Demand deposits	<u>386,331</u>	<u>224,970</u>
	<u>\$ 386,476</u>	<u>\$ 225,116</u>

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

	<u>December 31</u>	
	2021	2020
Bank balance	0.001%-0.1%	0.001%-0.2%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2021	2020
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ _____ -	\$ <u>3,486</u>

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Buy	JPY/NTD	2021.01.08	JPY32,160/NTD8,812
	USD/NTD	2021.01.22	USD1,160/NTD33,512
	USD/NTD	2021.02.04	USD1,040/NTD30,142
	USD/NTD	2021.03.05	USD1,280/NTD37,119
	USD/NTD	2021.03.05	USD1,160/NTD33,493

The Company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Ordinary shares - HITEKCORPS CO., LTD.	\$ _____ -	\$ _____ -

This investment in equity instruments is held for medium- to long-term strategic purposes. Accordingly, the management elected to designate this investment in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Company's strategy of holding this investment for long-term purposes.

The Company used the market approach to evaluate the fair value of HITEKCORPS CO., LTD. for the years ended December 31, 2021 and 2020, and considered the financial statements and operating conditions of similar companies.

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount - operating	\$ 283	\$ 1,378
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 283</u>	<u>\$ 1,378</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 386,141	\$ 297,941
Less: Allowance for impairment loss	<u>(2,603)</u>	<u>(2,603)</u>
	<u>\$ 383,538</u>	<u>\$ 295,338</u>
<u>Other receivables</u>		
Receivables from disposal of equipment (Note 25)	<u>\$ -</u>	<u>\$ 110</u>

### a. Notes receivable

When determining the recoverability of notes receivable, the Company measures any change in credit quality from the original credit date to the balance sheet date. The Company continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position and evaluates the notes receivable to assess whether the credit risk of the notes receivable has increased significantly since initial recognition and to measure the expected credit loss. As of December 31, 2021 and 2020, the Company assessed that there is no need to recognize expected credit losses on notes receivable.

The aging of notes receivable was as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Not past due	<u>\$ 283</u>	<u>\$ 1,378</u>

The above aging schedule was based on the number of past due days from end of credit term.

### b. Trade receivables

The average credit period of sales of services was advance payment to 180 days after the month-end closing. No interest was charged on trade receivables that were past due. In determining the recoverability of trade receivables, the Company measured any change in credit quality from the original credit date to the balance sheet date. Historical experience showed that most accounts were recoverable.

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default records of the customer, the customer's current financial position, and economic condition of the industry. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2021

	Not past due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.34%	0.83%	2.22%	14.51%	29.34%	45.89%-71.17%	100%	
Gross carrying amount	\$ 346,572	\$ 30,117	\$ 8,544	\$ 170	\$ 21	\$ 280	\$ 437	\$ 386,141
Loss allowance (Lifetime ECLs)	<u>(1,435)</u>	<u>(305)</u>	<u>(231)</u>	<u>(30)</u>	<u>(8)</u>	<u>(157)</u>	<u>(437)</u>	<u>(2,603)</u>
Amortized cost	<u>\$ 345,137</u>	<u>\$ 29,812</u>	<u>\$ 8,313</u>	<u>\$ 140</u>	<u>\$ 13</u>	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ 383,538</u>

December 31, 2020

	Not past due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 120 Days Past Due	121 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	0.39%	1.07%	2.91%	11.83%	26.63%	47.38%-63.37%	100%	
Gross carrying amount	\$ 273,503	\$ 15,557	\$ 3,176	\$ 4,632	\$ 276	\$ 310	\$ 487	\$ 297,941
Loss allowance (Lifetime ECLs)	<u>(1,077)</u>	<u>(166)</u>	<u>(92)</u>	<u>(548)</u>	<u>(74)</u>	<u>(159)</u>	<u>(487)</u>	<u>(2,603)</u>
Amortized cost	<u>\$ 272,426</u>	<u>\$ 15,391</u>	<u>\$ 3,084</u>	<u>\$ 4,084</u>	<u>\$ 202</u>	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ 295,338</u>

The movements of the loss allowance of trade receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 2,603	\$ 2,287
Add: Net remeasurement of loss allowance	<u>-</u>	<u>316</u>
Balance at December 31	<u>\$ 2,603</u>	<u>\$ 2,603</u>

c. Other receivables

Other receivables consist of receivables from the disposal of equipment. The Company adopted a policy of only dealing with entities that have good credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company continues to track the counterparty's credit rating, considers the counterparty's past default records, analyzes its current financial position in order to evaluate whether there has been a significant increase in the credit risk of other receivables since initial recognition and to measure the expected credit loss. As of December 31, 2021 and 2020, the Company assessed that there is no need to recognize expected credit loss on other receivables.

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Merchandise	\$ -	\$ -

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was both \$0 thousand. The other operating costs included inventory write-downs of \$685 thousand for the years ended December 31, 2020.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Subsidiaries

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
TRISTATE INTERNATIONAL CO., LTD. (Note)	\$ 481,133	\$ 363,556

Note: As of December 31, 2021 and 2020, the carrying amount included the unrealized gain on disposal of property, plant and equipment of \$3,966 thousand and \$4,186 thousand, respectively.

<b>Name of Subsidiary</b>	<b>Proportion of Ownership and Voting Rights</b>	
	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
TRISTATE INTERNATIONAL CO., LTD. (Note)	100%	100%

Note: The Company participated in TRISTATE INTERNATIONAL CO., LTD.'s cash capital increase of \$45,420 thousand (US\$1,500 thousand) and \$44,094 thousand (US\$1,500 thousand) in March and August 2020, respectively. In addition, the Company participated in a cash capital increase of \$55,730 thousand (US\$2,000 thousand) in TRISTATE INTERNATIONAL CO., LTD. in November 2021.

Refer to Tables 2 and 3 for the details of the subsidiaries indirectly held by the Company.

The investment accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of the investment in subsidiaries were calculated based on the subsidiaries' financial statements which have been audited for the same year.

## 12. PROPERTY, PLANT AND EQUIPMENT

### Assets used by the Company

	Machinery and Equipment	Office Equipment	Lease Improvement	Transportation Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 1,725,131	\$ 20,448	\$ 52,580	\$ -	\$ 18,253	\$ 1,816,412
Additions	451,722	2,284	23,282	-	7,595	484,883
Reclassifications (Note)	167,848	-	4,171	-	316	172,335
Disposals	<u>(293,498)</u>	<u>(2,530)</u>	<u>(4,995)</u>	<u>-</u>	<u>(3,285)</u>	<u>(304,308)</u>
Balance at December 31, 2021	<u>\$ 2,051,203</u>	<u>\$ 20,202</u>	<u>\$ 75,038</u>	<u>\$ -</u>	<u>\$ 22,879</u>	<u>\$ 2,169,322</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2021	\$ 786,863	\$ 7,837	\$ 23,244	\$ -	\$ 10,206	\$ 828,150
Depreciation expenses	324,516	5,910	14,200	-	5,241	349,867
Disposals	<u>(271,763)</u>	<u>(2,527)</u>	<u>(4,995)</u>	<u>-</u>	<u>(3,285)</u>	<u>(282,570)</u>
Balance at December 31, 2021	<u>\$ 839,616</u>	<u>\$ 11,220</u>	<u>\$ 32,449</u>	<u>\$ -</u>	<u>\$ 12,162</u>	<u>\$ 895,447</u>
Carrying amount at December 31, 2021	<u>\$ 1,211,587</u>	<u>\$ 8,982</u>	<u>\$ 42,589</u>	<u>\$ -</u>	<u>\$ 10,717</u>	<u>\$ 1,273,875</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 1,686,490	\$ 22,995	\$ 74,379	\$ 1,632	\$ 35,379	\$ 1,820,875
Additions	227,239	8,405	5,039	-	1,750	242,433
Reclassifications (Note)	46,786	-	138	-	114	47,038
Disposals	<u>(235,384)</u>	<u>(10,952)</u>	<u>(26,976)</u>	<u>(1,632)</u>	<u>(18,990)</u>	<u>(293,934)</u>
Balance at December 31, 2020	<u>\$ 1,725,131</u>	<u>\$ 20,448</u>	<u>\$ 52,580</u>	<u>\$ -</u>	<u>\$ 18,253</u>	<u>\$ 1,816,412</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2020	\$ 753,805	\$ 14,119	\$ 39,235	\$ 1,632	\$ 24,429	\$ 833,220
Depreciation expenses	268,331	4,670	10,985	-	4,754	288,740
Disposals	<u>(235,273)</u>	<u>(10,952)</u>	<u>(26,976)</u>	<u>(1,632)</u>	<u>(18,977)</u>	<u>(293,810)</u>
Balance at December 31, 2020	<u>\$ 786,863</u>	<u>\$ 7,837</u>	<u>\$ 23,244</u>	<u>\$ -</u>	<u>\$ 10,206</u>	<u>\$ 828,150</u>
Carrying amount at December 31, 2020	<u>\$ 938,268</u>	<u>\$ 12,611</u>	<u>\$ 29,336</u>	<u>\$ -</u>	<u>\$ 8,047</u>	<u>\$ 988,262</u>

Note: Transferred from other non-current assets - prepayments for equipment.

For the years ended December 31, 2021 and 2020, no impairment assessment was performed as there were no indications of impairment.

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

Machinery and equipment	3-10 years
Office equipment	2-3 years
Lease improvement	3-10 years
Transportation equipment	3-5 years
Other equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.



### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Buildings	\$ 120,418	\$ 130,755
Office equipment	816	1,252
Transportation equipment	<u>2,860</u>	<u>1,506</u>
	<u>\$ 124,094</u>	<u>\$ 133,513</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 18,184</u>	<u>\$ 37,360</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 25,936	\$ 17,728
Office equipment	436	406
Transportation equipment	<u>1,231</u>	<u>1,052</u>
	<u>\$ 27,603</u>	<u>\$ 19,186</u>

Except for the above listed additions and recognized depreciation expense, the Company did not recognize or reverse an impairment loss for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amounts</u>		
Current	\$ 28,627	\$ 24,892
Non-current	<u>99,337</u>	<u>111,699</u>
	<u>\$ 127,964</u>	<u>\$ 136,591</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	1.21%-1.72%	1.66%-1.72%
Office equipment	1.66%-1.72%	1.66%-1.72%
Transportation equipment	1.21%-1.72%	1.66%-1.72%

c. Material leasing activities and terms

The Company leases buildings for the use of plants and offices with lease term of 1-10 years, certain office equipment for the use of offices with lease terms of 5 years and transportation equipment for the use of transportation of goods with lease terms of 3 years. The Company does not have bargain purchase options to acquire the buildings, office equipment and transportation equipment at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	<u>\$ 3,674</u>	<u>\$ 3,330</u>
Expenses relating to low-value asset leases	<u>\$ 440</u>	<u>\$ 296</u>
Total cash outflow for leases	<u>\$ (33,027)</u>	<u>\$ (23,592)</u>

The Company leases buildings and transportation equipment which qualify as short-term leases and certain office equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

#### 14. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2021	\$ 2,597
Additions	2,984
Reclassifications (Note)	4,658
Disposals	<u>(318)</u>
Balance at December 31, 2021	<u>\$ 9,921</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2021	\$ 881
Amortization expenses	2,318
Disposals	<u>(318)</u>
Balance at December 31, 2021	<u>\$ 2,881</u>
Carrying amount at December 31, 2021	<u>\$ 7,040</u>

(Continued)

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 2,478
Additions	701
Reclassifications (Note)	144
Disposals	<u>(726)</u>
Balance at December 31, 2020	<u>\$ 2,597</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2020	\$ 977
Amortization expenses	630
Disposals	<u>(726)</u>
Balance at December 31, 2020	<u>\$ 881</u>
Carrying amount at December 31, 2020	<u>\$ 1,716</u> (Concluded)

Note: Transferred from other non-current assets - prepayments for equipment.

Computer software is amortized on a straight-line basis over its estimated useful life of 3-5 years.

## 15. OTHER ASSETS

	<u>December 31</u>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Prepayments for salary	\$ 48,263	\$ 40,738
Prepaid expenses	<u>21,689</u>	<u>33,287</u>
	<u>\$ 69,952</u>	<u>\$ 74,025</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 64,472	\$ 178,413
Prepayments for salary	55,324	40,310
Refundable deposits (Note)	<u>8,168</u>	<u>7,187</u>
	<u>\$ 127,964</u>	<u>\$ 225,910</u>

Note: The Company considers the historical experience, the current market conditions of the debtor and forward-looking information to measure 12-month or lifetime expected credit losses. As of December 31, 2021 and 2020, the Company assessed that there was no need to recognize expected credit loss on refundable deposits.

## 16. BORROWINGS

### Long-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 29)</u>		
Bank borrowings	\$ 572,480	\$ 390,862
Less: Unamortized discounts on government grants (Note 24)	(6,766)	(3,681)
Less: Current portion	<u>(79,393)</u>	<u>(78,240)</u>
Long-term borrowings	<u>\$ 486,321</u>	<u>\$ 308,941</u>

The Company's borrowings were as follows:

Financing Institution	Mortgage or Secured	Financing Period and Repayment Method	December 31			
			2021		2020	
			Amount	Rate %	Amount	Rate %
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2016.10.21-2021.10.21, monthly amortization of principal, monthly interest payment	\$ -	-	\$ 4,560	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.06.07-2023.06.07, monthly amortization of principal, monthly interest payment	6,936	1.37	11,560	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2018.12.26-2023.12.26, monthly amortization of principal, monthly interest payment	10,738	1.37	16,107	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch	Machinery and equipment	2019.01.02-2024.01.02, monthly amortization of principal, monthly interest payment	8,174	1.37	12,097	1.37
Hua Nan Commercial Bank Ltd. Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.05.29-2027.05.15, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	222,102	1.18	88,102	1.18
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2016.04.29-2021.04.29, monthly amortization of principal, monthly interest payment	-	-	1,583	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2017.04.28-2022.04.28, monthly amortization of principal, monthly interest payment (early Settlement in January, 2021)	-	-	15,200	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.01.19-2024.01.19, monthly amortization of principal, monthly interest payment	20,833	1.45	30,833	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch	Machinery and equipment	2019.02.12-2024.01.19, monthly amortization of principal, monthly interest payment	16,667	1.45	24,667	1.45
Chang Hwa Commercial Bank, Ltd. Hsinchu Branch (Note 1)	Machinery and equipment (Note 2)	2020.09.29-2027.09.15, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	134,500	1.10	70,500	1.10
Cathay United Bank Hsinchu Branch	Machinery and equipment	2019.08.05-2022.05.09, monthly amortization of principal, monthly interest payment	28,958	1.32	40,673	1.32
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.12.06-2023.12.06, monthly amortization of principal, monthly interest payment	21,551	1.50	32,327	1.50
Mega International Commercial Bank Chu Ko Branch	Machinery and equipment	2018.03.21-2023.03.21, monthly amortization of principal, monthly interest payment	7,041	1.50	12,673	1.50
Mega International Commercial Bank Chu Ko Branch (Note 1)	Machinery and equipment (Note 2)	2020.11.20-2027.11.20, 3 years grace period, monthly amortization of average principal after maturity, monthly interest payment	57,000	1.18	24,000	1.18
E.Sun Commercial Bank, Ltd. (Note 1)	Machinery and equipment (Note 2)	2020.10.21-2025.10.15, 2 years grace period, monthly amortization of average principal after maturity, monthly interest payment	<u>37,980</u>	1.15	<u>5,980</u>	1.15
			572,480		390,862	
Less: Unamortized discounts on government grants			(6,766)		(3,681)	
Less: Current portion			<u>(79,393)</u>		<u>(78,240)</u>	
			<u>\$ 486,321</u>		<u>\$ 308,941</u>	

Note 1: The Company has obtained a government preferential interest rate loan from the National Development Fund (NDF), "Action Plan for Accelerated Investment by Domestic Corporations", please refer to Note 24 for the details.

Note 2: As of December 31, 2021, it is still in the process of setting up a mortgage guarantee.

The Company used machinery and equipment as collateral to acquire a loan from the bank are set out in Note 29.

## 17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Other payable		
Payables for salaries or bonuses	\$ 87,117	\$ 65,716
Payables for compensation of employees	33,851	21,719
Payables for purchases of equipment (Note 25)	30,455	30,138
Payables for business tax	13,589	6,179
Payables for remuneration of directors and supervisors	10,170	6,514
Payables for labor and health insurance	5,681	4,745
Payables for pension	3,815	3,419
Others	<u>5,592</u>	<u>4,348</u>
	<u>\$ 190,270</u>	<u>\$ 142,778</u>
Deferred revenue		
Government grants (Note 24)	<u>\$ 1,773</u>	<u>\$ 373</u>
Other current liabilities		
Refund liabilities (Note 20)	<u>\$ 23,630</u>	<u>\$ 15,008</u>
Others		
Receipts under custody	7,394	6,266
Temporary receivables	<u>94</u>	<u>95</u>
	<u>7,488</u>	<u>6,361</u>
	<u>\$ 31,118</u>	<u>\$ 21,369</u>
<u>Non-current</u>		
Deferred revenue		
Government grants (Note 24)	<u>\$ 5,645</u>	<u>\$ 3,421</u>

## 18. RETIREMENT BENEFIT PLANS

### Defined contribution plans

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

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Shares authorized (in thousands of shares)	<u>60,000</u>	<u>60,000</u>
Shares authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Shares issued and fully paid (in thousands of shares)	<u>41,277</u>	<u>39,277</u>
Shares issued and fully paid	<u>\$ 412,772</u>	<u>\$ 392,772</u>

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

The shareholders of the Company held their regular meeting on June 24, 2020 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According to the Company's revised articles, the number of shares authorized is 60,000 thousand shares, and 5,000 thousand shares are reserved within the number of ordinary shares authorized as employee share options. The change was approved by the Ministry of Economic Affairs, R.O.C. in accordance with letter No. 10933397210 on July 17, 2020.

On February 18, 2021, the Company's board of directors resolved to issue 2,000 thousand ordinary shares with a par value of \$10, for a consideration of \$80 per share which increased the share capital issued and fully paid to \$412,772 thousand. The subscription base date was determined by the board of directors to be April 27, 2021.

### b. Capital surplus

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 781,104	\$ 641,104
<u>May only be used to offset a deficit (2)</u>		
Employee share options	72,927	72,927
Expired employee share options	<u>35</u>	<u>35</u>
	<u>\$ 854,066</u>	<u>\$ 714,066</u>

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

2) Such capital surplus has no cash inflows, so it may be used to offset a deficit only.

The movements of various types of capital surplus in 2021 and 2020 were as follows:

	<b>Issuance of Ordinary Shares</b>	<b>Employee Share Options</b>	<b>Other - Expired Employee Share Options</b>	<b>Total</b>
Balance at January 1, 2020	\$ 641,104	\$ 72,927	\$ 35	\$ 714,066
Balance at December 31, 2020	641,104	72,927	35	714,066
Issuance of ordinary shares for cash capital increase	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
Balance at December 31, 2021	<u>\$ 781,104</u>	<u>\$ 72,927</u>	<u>\$ 35</u>	<u>\$ 854,066</u>

c. Retained earnings and dividends policy

The shareholders of the Company held their regular meeting on July 1, 2021 and in that meeting, resolved the amendments to the Company’s Articles of Incorporation (the “Articles”). Under the dividends policy as set forth in the Articles after the amendments, where the Company made a profit after considering tax expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the company’s paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with the undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. The Company’s dividend policy adopts the principle of prudence and balance, in determining the Company’s dividend distribution policy; the Company’s board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of the paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders’ meeting.

Under the dividends policy as set forth in the Articles before the amendments, where the Company made a profit after considering taxes expenses in a fiscal year, the profit shall be first utilized for offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit (not applicable when the legal reserve has reached the Company’s paid-in capital), and then any remaining profit together with beginning undistributed retained earnings shall be used by the Company’s board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders’ meeting for the distribution of dividends and bonuses to shareholders. The Company’s dividend policy adopts the principle of prudence and balance, in determining the Company’s dividend distribution policy; the Company’s board of directors considers the current investment environment, capital needs for future expansions, and cashflow, and distributes no less than 5% of unappropriated earnings to stockholders as dividends and bonuses. Dividends are distributed in the form of cash or stock dividends, where cash dividends should not be lower than 10% of the total bonuses distributed to shareholders. However, when the accumulated unappropriated earnings are less than 5% of paid-in capital, it may not be distributed. However, the board of directors may adjust the ratio according to the overall operating conditions and capital status of the year within the range specified above, which should be resolved in the shareholders’ meeting. For the policies on the distribution of compensation of employees and

remuneration of directors and supervisors, before and after the amendments please refer to compensation of employees and remuneration of directors and supervisors in Note 21(g).

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 1, 2021 and June 24, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 15,191	\$ 9,179
Special reserve	\$ 8,388	\$ -
Cash dividends	\$ 103,193	\$ 78,554
Cash dividends per share (NT\$)	\$ 2.50	\$ 2.00

(Note)

Note: The cash dividends per share is calculated based on the number of outstanding shares on the ex-dividend date of the Company's 2021 annual general meeting of shareholders. On August 6, 2021, the board of directors decided that August 30, 2021 will be the base date of ex-dividend because the Company issued 2,000 thousand new shares before the base day of ex-dividend, which will affect the number of outstanding shares. After adjusting the dividend rate, the cash dividend per share will be adjusted from 2.627 to 2.50.

The 2019 earnings distribution plan is based on the 2019 annual financial report prepared by the Company in accordance with the Business Entity Accounting Act, the Business Accounting Guidelines and the Enterprise Accounting Standard and its interpretations.

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on March 31, 2022, were as follows:

	<b>For the Year Ended December 31, 2021</b>
Legal reserve	\$ 25,249
Special reserve	\$ 2,559
Cash dividends	\$ 185,747
Cash dividends per share (NT\$)	\$ 4.50

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held on June 27, 2022.



d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ -	\$ -
Appropriations in respect of Debits to other equity items	<u>8,388</u>	<u>-</u>
Balance at December 31	<u>\$ 8,388</u>	<u>\$ -</u>

e. Other equity items

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	<u>\$ (4,138)</u>	<u>\$ (9,657)</u>
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(3,199)	6,899
Related income tax	<u>640</u>	<u>(1,380)</u>
Other comprehensive income recognized for the year	<u>(2,559)</u>	<u>5,519</u>
Balance at December 31	<u>\$ (6,697)</u>	<u>\$ (4,138)</u>

2) Unrealized valuation gain/(loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	<u>\$ (4,250)</u>	<u>\$ (4,250)</u>
Balance at December 31	<u>\$ (4,250)</u>	<u>\$ (4,250)</u>

## 20. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Test and Analysis Service	<u>\$ 1,336,466</u>	<u>\$ 1,088,079</u>

a. Contract information

The customer contracts entered into by the Company are mainly for the provision of customized test and analysis services of electronic materials in the semiconductor industry, where the Company's performance obligation to issue the test and analysis reports to customers. Customers pay the consideration for the contract in accordance with the agreed credit terms and conditions upon completion of each inspection and after verification of the results of the inspection. As the time lag between the transfer of the test and analysis report and the customer's payment is less than one year, no adjustment is made to the substantial financial component of the contract. Taking into account the discount terms of different customer contracts and past experience gained in dealing with customers, the Company estimates the discount amount based on the most probable amount and adjusts the amount of revenue and recognizes the refund liability accordingly.

b. Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable (Note 9)	\$ 283	\$ 1,378	\$ 1,290
Trade receivables (Note 9)	383,538	295,338	274,052
Trade receivables from related parties (Note 28)	<u>152</u>	<u>2,756</u>	<u>-</u>
	<u>\$ 383,973</u>	<u>\$ 299,472</u>	<u>\$ 275,342</u>
Contract liabilities			
Detection and Analysis Service	<u>\$ 13,935</u>	<u>\$ 11,142</u>	<u>\$ 9,813</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment.

c. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Primary geographical areas markets		
Asia	\$ 1,307,802	\$ 1,066,706
America	22,210	17,089
Others	<u>6,454</u>	<u>4,284</u>
	<u>\$ 1,336,466</u>	<u>\$ 1,088,079</u>

## 21. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	\$ 59	\$ 72
Others	<u>52</u>	<u>49</u>
	<u>\$ 111</u>	<u>\$ 121</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Government grant income (Note 24)	\$ 1,234	\$ 136
Others	<u>1,759</u>	<u>1,485</u>
	<u>\$ 2,993</u>	<u>\$ 1,621</u>

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Net foreign exchange gain	\$ 4,151	\$ 233
Realized gain on purchase of equipment on behalf (Note 28)	235	1,529
Gain on disposal of property, plant and equipment (Note 28)	464	553
Loss on financial liabilities held for trading	(600)	(2,591)
Others	<u>-</u>	<u>(149)</u>
	<u>\$ 4,250</u>	<u>\$ (425)</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans (Note 24)	\$ 6,494	\$ 4,988
Interest on lease liabilities	<u>2,102</u>	<u>1,816</u>
	<u>\$ 8,596</u>	<u>\$ 6,804</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 365,235	\$ 299,675
Operating expenses	<u>12,235</u>	<u>8,251</u>
	<u>\$ 377,470</u>	<u>\$ 307,926</u>
An analysis of amortization by function		
Operating costs	\$ 1,295	\$ 77
Operating expenses		
Selling and marketing expenses	-	5
General and administrative expenses	825	496
Research and development expenses	<u>198</u>	<u>52</u>
	<u>\$ 2,318</u>	<u>\$ 630</u>

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Defined contribution plan	\$ 14,407	\$ 12,716
Other employee benefits	<u>524,325</u>	<u>422,804</u>
Total employee benefits expense	<u>\$ 538,732</u>	<u>\$ 435,520</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 355,603	\$ 284,674
Operating expenses	<u>183,129</u>	<u>150,846</u>
	<u>\$ 538,732</u>	<u>\$ 435,520</u>

g. Compensation of employees and remuneration of directors and supervisors

The shareholders of the Company held their regular meeting on June 24, 2020 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). According to the Company's Articles after the amendments, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors.

According to the Articles of Incorporation of the Company before the amendments, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of 3%-15% and 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors on March 31, 2022 and February 18, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	10.49%	10%
Remuneration of directors and supervisors (Note)	3.15%	3%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	<u>\$ 33,851</u>	<u>\$ 21,719</u>
Remuneration of directors and supervisors (Note)	<u>\$ 10,170</u>	<u>\$ 6,514</u>

Note: In the shareholders' meeting on July 1, 2021, the Company's shareholders approved the substitution of the audit committee for supervisors.

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

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

The 2019 compensation of employees and remuneration of directors and supervisors is based on the 2019 annual financial report prepared by the Company in accordance with the Business Entity Accounting Act, the Business Accounting Guidelines and the Enterprise Accounting Standard and its interpretations.

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

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 7,378	\$ 2,956
Foreign exchange losses	<u>(3,227)</u>	<u>(2,723)</u>
Net foreign exchange gains	<u>\$ 4,151</u>	<u>\$ 233</u>

## 22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current year	\$ 27,902	\$ 34,707
Adjustments for prior years	<u>(3,774)</u>	<u>(5,298)</u>
	<u>24,128</u>	<u>29,409</u>
Deferred tax		
In respect of the current year	<u>2,063</u>	<u>(474)</u>
Income tax expense recognized in profit or loss	<u>\$ 26,191</u>	<u>\$ 28,935</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit before tax from continuing operations	<u>\$ 278,684</u>	<u>\$ 188,041</u>
Income tax expense calculated at the statutory rate	\$ 55,737	\$ 37,608
Nondeductible expenses in determining taxable income	373	7
Investment credits	(16,673)	(5,961)
Unrecognized deductible temporary differences	(9,472)	2,579
Adjustments for prior years' tax	<u>(3,774)</u>	<u>(5,298)</u>
Income tax expense recognized in profit or loss	<u>\$ 26,191</u>	<u>\$ 28,935</u>

b. Income tax recognized in other comprehensive income

**For the Year Ended December 31**

**2021                      2020**

Deferred tax

In respect of the current year

Translation of foreign operations

\$ (640)

\$ 1,380

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on write-down of inventories	\$ 240	\$ (240)	\$ -	\$ -
Refund liabilities	3,002	1,724	-	4,726
Amortization of expenses	1,091	325	-	1,416
Financial liabilities at FVTPL	697	(697)	-	-
Financial assets at FVTOCI	750	-	-	750
Exchange differences on translating the financial statements of foreign operations	1,035	-	640	1,675
Unrealized foreign exchange loss	18	362	-	380
Unrealized gain on transactions with subsidiaries	-	793	-	793
	<u>\$ 6,833</u>	<u>\$ 2,267</u>	<u>\$ 640</u>	<u>\$ 9,740</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries accounted for using the equity method	\$ -	\$ 4,330	\$ -	\$ 4,330

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on write-down of inventories	\$ 103	\$ 137	\$ -	\$ 240
Refund liabilities	2,241	761	-	3,002
Amortization of expenses	28	1,063	-	1,091
Financial liabilities at FVTPL	-	697	-	697
Financial assets at FVTOCI	750	-	-	750
Exchange differences on translating the financial statements of foreign operations	2,415	-	(1,380)	1,035
Unrealized services costs	2,211	(2,211)	-	-
Unrealized foreign exchange loss	<u>-</u>	<u>18</u>	<u>-</u>	<u>18</u>
	<u>\$ 7,748</u>	<u>\$ 465</u>	<u>\$ (1,380)</u>	<u>\$ 6,833</u>

Deferred tax liabilities

Temporary differences				
Unrealized foreign exchange gain	<u>\$ 9</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ -</u>

- d. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Share of profit of subsidiaries accounted for using the equity method	\$ -	\$ 43,175
Unrealized gain on transactions with subsidiaries	<u>-</u>	<u>4,186</u>
	<u>\$ -</u>	<u>\$ 47,361</u>

- e. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities, and there is no litigation or claim regarding the income tax assessments against the Company.

## 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Basic earnings per share		
From continuing operations	\$ <u>6.21</u>	\$ <u>4.05</u>
Diluted earnings per share		
From continuing operations	\$ <u>6.17</u>	\$ <u>3.98</u>

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

### Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit for the year attributable to owners of the Company	\$ 252,493	\$ 159,106
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>          -</u>	<u>          -</u>
Earnings used in the computation of diluted earnings per share	\$ <u>252,493</u>	\$ <u>159,106</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	40,641	39,277
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>      276</u>	<u>      667</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>40,917</u>	<u>39,944</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.



## 24. GOVERNMENT GRANTS

As of December 31, 2021, the Company has obtained a government preferential interest rate loan of \$451,852 thousand from the National Development Fund (NDF), “Action Plan for Accelerated Investment by Domestic Corporations” for the purchase of machinery and equipment. The loan will be amortized by instalments within 5-7 years from the date of first use (including a grace period of 2-3 years). Based on the current market interest rate of 1.10%-1.18%, the fair value of the borrowing is estimated to be \$442,794 thousand. The difference between the loan amount and the fair value of the borrowing of \$8,788 thousand is due to the preferential interest rate of the government grant, and is recognized as deferred income. The deferred income will be transferred to other income in accordance with its service life when the inspection and acceptance of the machinery and equipment are completed. In 2021 and 2020, the amount transferred to other income was \$1,234 thousand and \$136 thousand, respectively, and the interest expense recognized on these loan was \$1,773 thousand and \$249 thousand, respectively.

If the Company fails to meet the key points of the project loan identification during the loan period, and the NDF suspends or stops the loan interest grant, the Company will change to the original agreed interest rate.

## 25. CASH FLOW INFORMATION

### a. Non-cash transactions

In addition to those disclosed in other notes, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the years ended December 31, 2021 and 2020:

- 1) The Company acquired property, plant and equipment that had not yet been paid in the amounts of \$30,455 thousand and \$30,138 thousand, which were recorded as other payables on December 31, 2021 and 2020, respectively.
- 2) The Company disposed of property, plant and equipment that had not yet been received in the amounts of \$110 thousand, which were recorded as other receivables on December 31, 2020.

### b. Changes in Liabilities Arising from Financing Activities

#### For the year ended December 31, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments		
Long-term borrowings	\$ 387,181	\$ 181,618	\$ -	\$ 1,773	\$ (4,858)	\$ -	\$ 565,714
Lease liabilities	<u>136,591</u>	<u>(26,811)</u>	<u>18,184</u>	<u>2,102</u>	<u>-</u>	<u>(2,102)</u>	<u>127,964</u>
	<u>\$ 523,772</u>	<u>\$ 154,807</u>	<u>\$ 18,184</u>	<u>\$ 3,875</u>	<u>\$ (4,858)</u>	<u>\$ (2,102)</u>	<u>\$ 693,678</u>

#### For the year ended December 31, 2020

	Opening Balance	Cash Flows	Non-cash Changes			Others	Closing Balance
			New Leases	Finance Costs	Fair Value Adjustments		
Long-term borrowings	\$ 316,921	\$ 73,941	\$ -	\$ 249	\$ (3,930)	\$ -	\$ 387,181
Lease liabilities	<u>117,381</u>	<u>(18,150)</u>	<u>37,360</u>	<u>1,816</u>	<u>-</u>	<u>(1,816)</u>	<u>136,591</u>
	<u>\$ 434,302</u>	<u>\$ 55,791</u>	<u>\$ 37,360</u>	<u>\$ 2,065</u>	<u>\$ (3,930)</u>	<u>\$ (1,816)</u>	<u>\$ 523,772</u>

## 26. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

Key management personnel of the Company review the capital structure on an annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments not measured at fair value

The management of the Company considered that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

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

#### 1) Fair value hierarchy

#### December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ -	\$ -

#### December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ -	\$ -	\$ -	\$ -
Financial liabilities at FVTPL				
Derivatives - foreign exchange forward contracts	\$ -	\$ 3,486	\$ -	\$ 3,486

There were no transfers between Levels 1 and 2 in 2021 and 2020.

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Derivatives - foreign exchange forward contracts	Discounted cash flow.  Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of domestic unlisted shares is estimated using the market approach, with reference to the financial statements and operating conditions of the Company and other similar companies.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 778,617	\$ 531,919
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	3,486
Amortized cost (2)	627,709	433,676

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables (including related parties) and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise accounts payable, other payables (excluding payables for salaries and bonuses, payables for compensation of employees, payables for business tax, payables for remuneration of directors and supervisors, payables for labor and health insurance and payables for pension) and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, investments in equity instruments, receivables, derivatives - foreign exchange forward contracts, long-term borrowings, payables and lease liabilities. The financial risks relating to the operations of the Company's financial instruments include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

## 1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

### a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 31.

### Sensitivity analysis

The Company is mainly exposed to the exchange movements in the USD and JPY.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a increase in pre-tax profit and other equity associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 332	\$ (891)

	<b>JPY Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Profit or loss	\$ 36	\$ 50

The result was mainly attributable to the exposure on outstanding cash and cash equivalents, receivables, payables and derivatives - foreign exchange forward contracts in USD and JPY at the end of the year.

The Company's sensitivity to the USD decreased during the current year mainly due to a decrease in USD denominated net assets; the Company's sensitivity to the JPY decreased during the current year mainly due to a decrease in JPY denominated net assets.

b) Interest rate risk

The Company was exposed to interest rate risk because its deposits, bank loans and lease liabilities are at both fixed and floating interest rates.

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial liabilities	\$ 127,964	\$ 136,591
Cash flow interest rate risk		
Financial assets	386,331	224,970
Financial liabilities	565,714	387,181

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$1,794 thousand and \$1,622 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loans.

There has been no major change in the sensitivity to the interest rates during the current year.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Company does not actively trade these investments.

Sensitivity analysis

As of December 31, 2021 and 2020, the fair value of equity financial instruments were both \$0. The Company assesses that the reasonably possible changes in its relevant risk variables on that date will not affect pre-tax other comprehensive income for the years ended December 31, 2021 and 2020.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

According to the Company’s policy, the Company only dealing with creditworthy counterparties, and would secure sufficient guarantee to mitigate the risk of financial loss caused by delinquent payment, if necessary. The Company rates its mainly customers based on the customers’ credit data files created by it pursuant to the regulations governing customers’ credit management, and other financial information accessible to the public and both parties’ past trading records. The Company continues to monitor the exposure to credit risk and counterparties’ credit ratings, and controls the exposure to credit risk through credit limits granted to the counterparties that have been reviewed and approved by management.

To minimize credit risk, the Company’s management appoints a dedicated team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Meanwhile, the Company reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Given this, the Company’s management believes that the Company’s credit risk should have been significantly reduced.

The Company’s concentration of credit risk of 31% and 29% in total trade receivables as of December 31, 2021 and 2020, respectively, was related to the Company’s mainly customers A company and B company (annual service revenue amounts of other customers do not exceed 10% of the Company’s total revenue).

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2021 and 2020, the Company had available unutilized bank loan facilities set out in (c) below.

#### a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company’s remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise this right. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

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

#### December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 52,256	\$ 9,739	\$ -	\$ -	\$ -
Lease liabilities	2,551	5,101	22,799	87,715	15,015
Variable interest rate liabilities	<u>5,404</u>	<u>10,768</u>	<u>67,327</u>	<u>440,284</u>	<u>61,677</u>
	<u>\$ 60,211</u>	<u>\$ 25,608</u>	<u>\$ 90,126</u>	<u>\$ 527,999</u>	<u>\$ 76,692</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
Non-interest bearing liabilities	\$ 28,393	\$ 18,102	\$ -	\$ -	\$ -
Lease liabilities	1,667	4,638	20,611	89,950	26,622
Variable interest rate liabilities	<u>21,528</u>	<u>12,317</u>	<u>51,780</u>	<u>244,566</u>	<u>70,450</u>
	<u>\$ 51,588</u>	<u>\$ 35,057</u>	<u>\$ 72,391</u>	<u>\$ 334,516</u>	<u>\$ 97,072</u>

b) Liquidity table for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 41,358	\$ 98,234	\$ -	\$ -	\$ -
Outflows	<u>(42,324)</u>	<u>(100,754)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (966)</u>	<u>\$ (2,520)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Secured bank loan facilities:		
Amount used	\$ 572,480	\$ 390,862
Amount unused	<u>548,418</u>	<u>830,745</u>
	<u>\$ 1,120,898</u>	<u>\$ 1,221,607</u>
Unsecured bank loan facilities:		
Amount used	\$ -	\$ -
Amount unused	<u>280,000</u>	<u>220,000</u>
	<u>\$ 280,000</u>	<u>\$ 220,000</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
MSSCORPS CO., LTD. (Nanjing)	Subsidiary

b. Operating revenue

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
Service revenue - test and analysis service	Subsidiaries	\$ <u>26,589</u>	\$ <u>13,736</u>

The test and analysis service prices to related parties were determined based on the market price and agreed by both parties, and the collection period for related parties was 60 days after the month-end closing. The prices to third parties were determined in accordance with mutual agreements, and the collection period for third parties was advance receipt or 30 to 180 days after the month-end closing.

c. Operating costs

Line Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2021	2020
Service costs - test and analysis service	Subsidiaries	\$ <u>16,996</u>	\$ <u>10,980</u>

The test and analysis service costs from related parties was determined based on the market and agreed by both parties. The payment period for related parties was 60 days after the month-end closing. The costs from third parties were determined in accordance with mutual agreements, and the payment period was 30 to 60 days after the month-end closing.

d. Receivables from related parties

Line Item	Related Party Category/Name	<u>December 31</u>	
		2021	2020
Trade receivables	Subsidiaries	\$ <u>152</u>	\$ <u>2,756</u>
Other receivables - purchasing equipment on behalf	Subsidiaries MSSCORPS CO., LTD. (Nanjing)	\$ <u>-</u>	\$ <u>34</u>

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized on receivables from related parties.

The unrealized gain of the Company for the purchase of equipment on behalf for MSSCORPS CO., LTD. (Nanjing) was \$1,525 thousand at the end of 2019, and recognized realized gain on purchase of equipment on behalf was \$1,525 thousand for the year ended December 31, 2020. In addition, the Company occurred and recognized gain on the purchase of equipment on behalf for MSSCORPS CO., LTD. (Nanjing) was \$235 thousand for the year ended December 31, 2021.



e. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Subsidiaries				
MSSCORPS CO., LTD. (Nanjing)	\$ 21,980	\$ -	\$ 244	\$ -
Add: Realized gain on disposal of property, plant and equipment			452	320
Loss: Unrealized gain on disposal of property, plant and equipment			(232)	-
			\$ 464	\$ 320

f. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 36,700	\$ 34,490
Other long-term employee benefits	5,156	4,222
Post-employment benefits	540	539
	\$ 42,396	\$ 39,251

The remuneration of directors and key executives was determined by the remuneration committee, is based on the performance of individuals and market trends for the year ended December 31, 2021; the remuneration of directors and key executives was determined by the Company, is based on the performance of individuals and market trends for the year ended December 31, 2020.

Note: In the board of directors meeting on July 9, 2021, the Company's board of directors approved determined to establish the remuneration committee.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2021	2020
Machinery and equipment, net	\$ 831,764	\$ 396,153

### 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Company at December 31, 2021 and 2020 were as follows:

a. Significant unrecognized commitments

1) Unused letters of credit were as follows:

(In Thousands of Foreign Currency)

	December 31	
	2021	2020
Acquisition of property, plant and equipment		
USD	\$ 407	\$ 1,249
JPY	\$ -	\$ 151,000

2) Unrecognized commitments were as follows:

(In Thousands of Foreign Currency)

	December 31	
	2021	2020
Acquisition of property, plant and equipment		
EUR	\$ -	\$ 28
USD	\$ 10,543	\$ 1,086
JPY	\$ 48,445	\$ -
NTD	\$ 4,885	\$ 12,324

b. Contingencies

Significant litigations

The Company and the person responsible for the Company, Liu Chi Lun, were brought in criminal proceedings against the Company in November 2019 by Materials Analysis Technology Inc. in violation of its business secrets. The case was not prosecuted by October 14, 2020 through the Hsinchu District Prosecutor Office at No. 830 and No. 7035 of the 2020 annual detailmarks. The Company was informed by January 5, 2021 that Materials Analysis Technology Inc. applied for reconsideration of the ruling and was sent back by the Taiwan High Prosecutor Office for further investigation. The case was not prosecuted by June 10, 2021 through the Hsinchu District Prosecutor Office at No. 10. On July 1, 2021, it was informed that Materials Analysis Technology Inc. had applied for reconsideration of the ruling and was dismissed by July 22, 2021 by the Taiwan High Prosecutor Office with resolution No. 300 of the 2021 proposal. The following is a case in which Materials Analysis Technology Inc. Settled for Trial with the Hsinchu District Court on August 5, 2021 for adjudication and was rejected by the Hsinchu District Court on December 21, 2021. The above case was also filed on January 8, 2021 by Materials Analysis Technology Inc. in civil proceedings against Liu Chi Lun, the Company and the Company's responsible person, for damages due to violation of its business secrets and for damages of \$20,000 thousand. The case was dismissed by February 15, 2022 by the Intellectual Property and Commercial Court in the 2021 private Court of Appeal No. 1, but was appealed by the Materials Analysis Technology Inc. on March 11, 2022, Inc., in respect of the case. The final outcome of this case will not have a material impact on the Company's operations, depending on the outcome of future litigation.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,670	27.680 (USD:NTD)	\$ 46,229
JPY	16,523	0.241 (JPY:NTD)	\$ 3,974
Non-monetary items			
Investments in subsidiaries accounted for using the equity method			
USD	17,525	27.680 (USD:NTD)	\$ 485,099
<u>Financial liabilities</u>			
Monetary items			
USD	471	27.680 (USD:NTD)	\$ 13,039
JPY	1,361	0.241 (JPY:NTD)	\$ 327

December 31, 2020

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount (In Thousands)</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,587	28.480 (USD:NTD)	\$ 45,205
JPY	49,891	0.276 (JPY:NTD)	\$ 13,785
Non-monetary items			
Investments in subsidiaries accounted for using the equity method			
USD	12,912	28.480 (USD:NTD)	\$ 367,742
<u>Financial liabilities</u>			
Monetary items			
USD	4,640	Note	\$ 3,438
JPY	32,160	Note	\$ 48

Note: The fair value of foreign exchange forward contracts is calculated by the discounted cash flow method.

For the years ended December 31, 2021 and 2020, net foreign exchange gains were \$4,151 thousand and \$233 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the Company.

### 32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (Notes 7 and 27)

b. Information on investees (Table 2)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 3)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 4):
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 5)

**MSSCORPS CO., LTD.**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2021**

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Number of Shares (In Thousands of Shares)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value	
The Company	Stock HITEKCORPS CO., LTD.	Related party in substance	Financial assets at FVTOCI - non-current	375	\$ -	5.31	\$ -	Note 2

Note 1: The balance of the carrying amount at fair value upon adjustment.

Note 2: The impairment loss of the shares of HITEKCORPS CO., LTD. held by the Company has been fully recognized.

**MSSCORPS CO., LTD.**

**INFORMATION ON INVESTEEES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 2)		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	TRISTATE INTERNATIONAL CO., LTD.	Mauritius	Investment holding	\$ 471,331 (US\$ 15,415)	\$ 415,601 (US\$ 13,415)	15,415	100	\$ 481,133	\$ 64,826	\$ 64,826	Notes 1
TRISTATE INTERNATIONAL CO., LTD.	GOOD ACTION INT'L CORP.	Mauritius	Investment holding	470,846 (US\$ 15,400)	415,116 (US\$ 13,400)	15,400	100	484,677	64,826	64,826	Notes 1

Note 1: The share of profit (loss) was recognized according to the investees' financial statements audited by the parent company's CPA in the ROC for the same year.

Note 2: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date.

Note 3: Refer to Table 3 for information on investments in mainland China.

**MSSCORPS CO., LTD.**
**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 b.(2))	Carrying Amount as of December 31, 2021 (Note 2 b.(2))	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
MSSCORPS CO., LTD. (Shanghai)	Test and analysis of electronic materials	RMB 7,609 (US\$ 1,050)	b	\$ 34,039	\$ -	\$ -	\$ 34,039	\$ (78)	100	\$ (78)	\$ 17,203	\$ -
MSSCORPS CO., LTD. (Nanjing)	Test and analysis of electronic materials	RMB 98,501 (US\$ 14,350)	b	381,077	55,730	-	436,807	64,904	100	64,904	467,463	-

2. Limit on the amount of investments in the mainland China area:

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$470,846 (Note 3)	\$498,526 (Note 3)	\$1,127,836

Note 1: The two methods of investing in mainland China are as follows:

- Direct investments in mainland China.
- Investment in mainland China through a company registered in a third region (GOOD ACTION INT'L CORP.)

Note 2: In the column of investment gain (loss)

- If the company is still in the preparatory stage and there is no investment gain (loss), it will be specified.
- The basis for recognizing investment gain (loss) is as follows:
  - Based on financial statements audited by an international accounting firm that has a business relationship with an accounting firm in the ROC.
  - Based on financial statements audited by the accounting firm of the parent company in Taiwan.
  - Others.

Note 3: The amounts were translated into foreign currencies using the exchange rate on each actual transaction date, approved amounts that were not remitted were translated based on the foreign exchange rate on the balance sheet date.



**MSSCORPS CO., LTD.**
**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
2. The amount and percentage of sales and the balance and percentage of the related payables at the end of the period:

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
MSSCORPS CO., LTD. (Nanjing)	Service revenue - test and analysis service	\$ 26,589	2	Note	60 days after the month-end closing	Not significantly different	\$ 152	-	\$ -	-
	Service costs - test and analysis service	(16,996)	(2)	Note	60 days after the month-end closing	Not significantly different	-	-	-	-

Note: The test and analysis service prices and costs to related parties were determined based on the market and agreed by both parties.

3. The amount of property transactions and the amount of the resultant gains or losses:

Investee Company	Transaction Type	Disposal of Property, Plant and Equipment		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with General Transactions	Ending Balance	%		
MSSCORPS CO., LTD. (Nanjing)	Selling of equipment	\$ 21,980	100	By contract	60 days after acceptance	Not significantly different	\$ -	-	\$ 232	-

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
5. The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None.

**TABLE 5**

**MSSCORPS CO., LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS**

**DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownerships (%)
China Development Advantage Venture Capital Limited Partnership	5,275,000	12.78
Shun Shun Investment Co., Ltd.	2,514,815	6.09

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

## MSSCORPS CO., LTD.

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**STATEMENT 1**

**MSSCORPS CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2021**

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

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Item	Description	Amount
Cash on hand		\$ <u>145</u>
Bank deposits		
Demand deposits		<u>363,712</u>
Foreign currency deposits		
USD	697 thousand @27.680	19,287
JPY	13,505 thousand @0.241	3,248
RMB	7 thousand @4.344	30
EUR	2 thousand @31.320	<u>54</u>
		<u>22,619</u>
		<u>386,331</u>
		<u>\$ 386,476</u>

**MSSCORPS CO., LTD.**

**STATEMENT OF TRADE RECEIVABLES**

**DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars)**

<b>Client Name</b>	<b>Description</b>	<b>Amount</b>
Unrelated parties		
Customer A	Test and analysis service	\$ 66,263
Customer B	Test and analysis service	52,478
Customer E	Test and analysis service	33,316
Customer C	Test and analysis service	33,925
Others (Note)	Test and analysis service	<u>200,159</u>
		386,141
Less: Allowance for impairment loss		<u>(2,603)</u>
		<u>\$ 383,538</u>
Related parties		
MSSCORPS CO., LTD. (Nanjing)	Test and analysis service	<u>\$ 152</u>

Note: The balance of each individual client included in others does not exceed 5% of the account balance.

**MSSCORPS CO., LTD.**
**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2021**
**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Investees	Balance, January 1, 2021		Increase in the Current Year		Decrease in the Current Year		Gain (Losses) on Investments Accounted for Using the Equity Method	Exchange Differences on Translating Foreign Operations	Balance, December 31, 2021			Market Value or Net Asset Value (Note 1)		Collateral
	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount	Number of Shares (In Thousands of Shares)	Amount			Number of Shares (In Thousands of Shares)	%	Amount	Unit Price (NT\$)	Total Amount	
TRISTATE INTERNATIONAL CO., LTD.	13,415	\$ 363,556	2,000	\$ 56,182	-	\$ (232)	\$ 64,826	\$ (3,199)	15,415	100	\$ 481,133	31.21	\$ 481,133	None

Note 1: Amount was estimated based on the net asset value of the investee company as of December 31, 2021 as shown on the financial statements which have been audited by the auditor of the parent company for the same periods and adjusted for unrealized gain on intercompany transactions.

Note 2: The increase in the current year included participated in a cash capital increase of \$55,730 thousand (US\$2,000 thousand) in TRISTATE INTERNATIONAL CO., LTD. and recognized the realized gain on intercompany transactions amounting to \$452 thousand for the year.

Note 3: This decrease in the current year included the unrealized gain on intercompany transactions amounting to \$232 thousand.

**MSSCORPS CO., LTD.**

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Buildings</b>	<b>Office Equipment</b>	<b>Transportatio n Equipment</b>	<b>Total</b>
<b>Cost</b>				
Balance, January 1, 2021	\$ 168,187	\$ 2,423	\$ 3,264	\$ 173,874
Additions	15,599	-	2,585	18,184
Disposals	<u>(3,160)</u>	<u>(360)</u>	<u>(1,463)</u>	<u>(4,983)</u>
Balance at December 31, 2021	<u>\$ 180,626</u>	<u>\$ 2,063</u>	<u>\$ 4,386</u>	<u>\$ 187,075</u>
<b>Accumulated depreciation</b>				
Balance, January 1, 2021	\$ 37,432	\$ 1,171	\$ 1,758	\$ 40,361
Additions	25,936	436	1,231	27,603
Disposals	<u>(3,160)</u>	<u>(360)</u>	<u>(1,463)</u>	<u>(4,983)</u>
Balance at December 31, 2021	<u>\$ 60,208</u>	<u>\$ 1,247</u>	<u>\$ 1,526</u>	<u>\$ 62,981</u>
Carrying amount at December 31, 2021	<u>\$ 120,418</u>	<u>\$ 816</u>	<u>\$ 2,860</u>	<u>\$ 124,094</u>

**MSSCORPS CO., LTD.****STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Description</b>	<b>Amount</b>
Supplier B	Payments	\$ 6,963
Supplier D	Payments	6,378
Supplier F	Payments	1,811
Others (Note)	Payments	<u>10,796</u>
		<u>\$ 25,948</u>

Note: The balance of each individual vendor included in others does not exceed 5% of the account balance.



**MSSCORPS CO., LTD.**

**STATEMENT OF LEASE LIABILITIES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Lease Term</b>	<b>Discount Rate</b>	<b>Amount</b>
Buildings	Plants and offices	2018.2.1-2028.4.30	1.21%-1.72%	\$ 124,255
Office equipment	Photocopier	2017.12.1-2025.8.31	1.66%-1.72%	834
Transportation equipment	Official car	2018.4.30-2024.11.14	1.21%-1.72%	<u>2,875</u>
				127,964
Less: Lease liabilities due within one year				<u>(28,627)</u>
				<u>\$ 99,337</u>

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

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<b>Item</b>	<b>Amount</b>
Depreciation expense	\$ 365,235
Salary expense (Note 1)	302,317
Consumables	93,828
Others (Note 2)	<u>122,493</u>
	<u>\$ 883,873</u>

Note 1: Including salary expense and pension expense.

Note 2: The amount of each individual item included in others does not exceed 5% of the amount.

**MSSCORPS CO., LTD.**

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

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Item	Selling and Marketing Expenses	General and Administrativ e Expenses	Research and Development Expenses
Salary expense (Note 1)	\$ 18,380	\$ 110,119	\$ 36,452
Insurance expense	1,376	10,909	1,492
Testing and inspection fees	22	-	4,191
Depreciation expense	1,833	7,726	2,676
Consumables	2	630	2,620
Others (Note 2)	<u>5,888</u>	<u>28,893</u>	<u>4,284</u>
	<u>\$ 27,501</u>	<u>\$ 158,277</u>	<u>\$ 51,715</u>

Note 1: Including salary expense, remuneration of directors and pension expense.

Note 2: The amount of each individual item included in others does not exceed 5% of the amount.

**MSSCORPS CO., LTD.**

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

	2021			2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits expenses						
Salary expense	\$ 292,198	\$ 151,766	\$ 443,964	\$ 233,324	\$ 127,453	\$ 360,777
Remuneration of directors	-	8,897	8,897	-	4,695	4,695
Labor and health insurance	18,743	11,144	29,887	15,395	8,917	24,312
Pension	10,119	4,288	14,407	8,839	3,877	12,716
Others	<u>34,543</u>	<u>7,034</u>	<u>41,577</u>	<u>27,116</u>	<u>5,904</u>	<u>33,020</u>
	<u>\$ 355,603</u>	<u>\$ 183,129</u>	<u>\$ 538,732</u>	<u>\$ 284,674</u>	<u>\$ 150,846</u>	<u>\$ 435,520</u>
Depreciation	<u>\$ 365,235</u>	<u>\$ 12,235</u>	<u>\$ 377,470</u>	<u>\$ 299,675</u>	<u>\$ 8,251</u>	<u>\$ 307,926</u>
Amortization	<u>\$ 1,295</u>	<u>\$ 1,023</u>	<u>\$ 2,318</u>	<u>\$ 77</u>	<u>\$ 553</u>	<u>\$ 630</u>

Note:

1. For the years ended December 31, 2021 and 2020, the average number of the Company's employees was 345 and 311, respectively, and the number of directors who were not employees was 4 and 2, respectively. The calculation basis is consistent with the employee benefit expense.

2. a. For the year ended December 31, 2021, the Company's average employee benefits were \$1,554 thousand. (The total amount of employee benefits of current year - the total amount of remuneration of directors ÷ the number of employees of the current year - the number of directors who were not employees)

For the year ended December 31, 2020, the Company's average employee benefits were \$1,394 thousand. (The total amount of employee benefits of the prior year - the total amount of remuneration of directors ÷ the number of employees of the prior year - the number of directors who were not employees)

b. For the year ended December 31, 2021, the Company's average salary expense was \$1,302 thousand. (The total amount of salary expenses of prior year ÷ The numbers of employees of current year - The numbers of directors who were not employees)

For the year ended December 31, 2020, the Company's average salary expense was \$1,168 thousand. (The total amount of salary expenses of the prior year ÷ the number of employees of the prior year - the number of directors who were not employees)

c. The percentage change in the average salary expenses was +11.47 %. (The total amount of average salary expenses of the current year - the total amount of average salary expenses of the prior year ÷ the total amount of average salary expenses of the prior year)

d. The remuneration of supervisors for the year ended December 31, 2021 was \$1,465 thousand, and the remuneration of supervisors for the year ended December 31, 2020 was \$1,873 thousand.

e. The Company's policies on the remuneration and salary of directors and supervisors were as follows:

- The remuneration of directors and supervisors of the Company shall not be higher than 5% according to the provisions of the Company's Articles. Remuneration of directors for business execution shall be determined in accordance with the "Regulations on the Payment of Directors and Managers' Remuneration", based on their participation in the Company's operations and the value of their contributions, and with reference to industry standards.

f. The Company's policies on the compensation of managers and employees were as follows:

- The Company's compensation policies for managers and employees mainly include salaries, additional allowances, severance pay, various bonuses, and employees' compensation. Salary is determined with reference to Taiwan's human resources market, other companies in the same industry, and the Company's salary and welfare policies; employees' compensation should not be less than 10% in accordance with the Company's Articles; year-end bonuses are issued according to the Company's operational performance and individual employee performance.

MSSCORPS CO., LTD.



Chairman and President: Liu, Chi-Lun

