

**Macronix International 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 entities that are required to be included in the consolidated financial statements of Macronix International Co., Ltd. as of and for the year ended December 31, 2021 under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are all the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10 “Consolidated Financial Statements”. In addition, all the relevant information required to be disclosed in the consolidated financial statements have been disclosed. Hence, we do not prepare a separate set of consolidated financial statements.

Very truly yours,

Macronix International Co., Ltd.

By

Miin Wu
Chairman

February 25, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Macronix International Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Macronix International 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 (collectively referred to as the "consolidated financial statements").

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 matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Valuation of inventory

The Group manufactures and sells ROM products, NOR Flash, and NAND Flash, which are widely used in consumer electronics. As of December 31, 2021, inventory was NT\$13,156,387 thousand, accounting for 17% of the total assets in the consolidated balance sheet. With the current rapid changes in technology and the improvements in manufacturing technologies, market demand for memory chip could change significantly and result in inventory obsolescence. Since inventory valuation and estimates of net realizable value of inventory are subject to management's judgment, they are considered as accounting estimates with relatively high uncertainty. Therefore, valuation of inventory has been identified as a key audit matter. Refer to notes 4 (f), 5 (a), and 11 to the consolidated financial statements for the details of accounting policy, accounting judgment, key sources of estimation uncertainty and the related information about the valuation of inventory.

Our key audit procedures performed in respect of the above area included the following:

1. We understood and assessed the adequacy of the policy and procedures for the inventory valuation adopted by the management.
2. We obtained data on the assessment of inventory at the lower of cost or net realizable value and selected sample data, and we tested the reasonableness of net realizable value by comparing inventory carrying amounts to recent selling prices; we tested the accuracy of allowance for inventory loss by comparing net realizable value with carrying amounts. We obtained the inventory aging report, and we tested the accuracy and completeness of the report by agreeing the age interval, quantity, and amount to the supporting documents of inbound inventory. We assessed the reasonableness of allowance for inventory loss by recalculating the amount in accordance with the stated valuation policy for the inventory.
3. We performed a retrospective review of inventory movements to evaluate the reasonableness of inventory obsolescence reserve policy and policy on scrapping of inventories.

Other Matter

We have also audited the parent company only financial statements of the Company 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 the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 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 audit resulting in this independent auditors' report are Tung Hui Yeh and Kuo Tyan Hong.

The image shows two handwritten signatures in black ink. The signature on the left is 'Tung Hui Yeh' and the signature on the right is 'Kuo Tyan Hong'. Both signatures are written in a cursive, flowing style.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 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.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 18,565,221	24	\$ 11,879,299	18
Notes receivable and trade receivables, net (Notes 4, 10 and 32)	5,690,688	8	3,454,719	5
Receivables from related parties, net (Notes 4, 32 and 33)	961,722	1	1,647,427	3
Other receivables (Notes 4, 10, 27 and 32)	366,048	1	116,930	-
Inventories (Notes 4, 5 and 11)	13,156,387	17	12,945,267	20
Other current assets (Note 17)	192,189	-	118,182	-
Total current assets	<u>38,932,255</u>	<u>51</u>	<u>30,161,824</u>	<u>46</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 32)	153,840	-	-	-
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 8 and 32)	3,223,593	4	2,336,074	3
Financial assets measured at amortized cost - non-current (Notes 4, 9 and 32)	43,440	-	-	-
Property, plant and equipment (Notes 4, 13, 18, 30, 34 and 35)	32,218,383	42	31,462,800	48
Right-of-use assets (Notes 4 and 14)	837,427	1	1,042,394	2
Intangible assets (Notes 4 and 15)	96,873	-	57,280	-
Deferred tax assets (Notes 4 and 27)	648,077	1	660,294	1
Other financial assets - non-current (Notes 4, 16, 32 and 34)	221,113	-	171,552	-
Other non-current (Note 17)	333,147	1	-	-
Total non-current assets	<u>37,775,893</u>	<u>49</u>	<u>35,730,394</u>	<u>54</u>
TOTAL	<u>\$ 76,708,148</u>	<u>100</u>	<u>\$ 65,892,218</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Note 25)	\$ 36,263	-	\$ 92,195	-
Notes payable and trade payables (Notes 19 and 32)	3,403,696	4	2,940,531	5
Payables to related parties (Notes 32 and 33)	4,509,196	6	4,161,427	6
Accrued employees' compensation and remuneration of directors (Notes 26, 32 and 33)	3,134,490	4	1,403,624	2
Payables for purchases of equipment (Note 32)	757,658	1	554,266	1
Other payables (Notes 20 and 32)	1,773,716	2	1,481,794	2
Other payables to related parties (Notes 32 and 33)	360	-	-	-
Current tax liabilities (Notes 4 and 27)	686,210	1	63,359	-
Provisions - current (Notes 4 and 22)	23,290	-	22,687	-
Lease liabilities - current (Notes 4 and 14)	90,092	-	104,598	-
Current portion of long-term borrowings (Notes 4, 18, 30, 32 and 34)	3,094,739	4	5,412,007	8
Other current liabilities (Note 21)	350,960	1	332,270	1
Total current liabilities	<u>17,860,670</u>	<u>23</u>	<u>16,568,758</u>	<u>25</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4, 18, 30, 32 and 34)	9,250,335	12	10,736,875	16
Deferred tax liabilities (Notes 4 and 27)	644,221	1	-	-
Lease liabilities - non-current (Notes 4 and 14)	753,991	1	940,302	2
Net defined benefit liabilities (Notes 4 and 23)	1,407,473	2	1,432,473	2
Other non-current liabilities (Notes 4, 21 and 30)	65,981	-	19,418	-
Total non-current liabilities	<u>12,122,001</u>	<u>16</u>	<u>13,129,068</u>	<u>20</u>
Total liabilities	<u>29,982,671</u>	<u>39</u>	<u>29,697,826</u>	<u>45</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4, 24 and 29)				
Share capital				
Ordinary shares	18,560,178	24	18,563,017	28
Share capital to be cancelled	(410)	-	(1,153)	-
Total share capital	<u>18,559,768</u>	<u>24</u>	<u>18,561,864</u>	<u>28</u>
Capital surplus	399,210	1	384,772	1
Retained earnings				
Legal reserve	2,271,266	3	1,741,857	3
Special reserve	291,361	-	621,195	1
Unappropriated earnings	24,532,500	32	15,408,584	23
Total retained earnings	<u>27,095,127</u>	<u>35</u>	<u>17,771,636</u>	<u>27</u>
Other equity	829,747	1	(365,619)	(1)
Treasury shares	(159,061)	-	(159,061)	-
Equity attributable to shareholders of the parent	46,724,791	61	36,193,592	55
NON-CONTROLLING INTERESTS (Note 24)	686	-	800	-
Total equity	<u>46,725,477</u>	<u>61</u>	<u>36,194,392</u>	<u>55</u>
TOTAL	<u>\$ 76,708,148</u>	<u>100</u>	<u>\$ 65,892,218</u>	<u>100</u>

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

MACRONIX INTERNATIONAL 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	%
NET OPERATING REVENUE (Notes 4, 25, 33 and 38)	\$ 50,572,991	100	\$ 39,800,947	100
OPERATING COSTS (Notes 4, 11, 23, 26 and 33)	<u>29,523,012</u>	<u>58</u>	<u>26,391,592</u>	<u>66</u>
GROSS PROFIT	<u>21,049,979</u>	<u>42</u>	<u>13,409,355</u>	<u>34</u>
OPERATING EXPENSES (Notes 4, 23, 26 and 33)				
Selling and marketing expenses	1,789,142	4	1,538,615	4
General and administrative expenses	2,581,068	5	1,888,419	5
Research and development expenses	<u>5,615,664</u>	<u>11</u>	<u>4,115,844</u>	<u>10</u>
Total operating expenses	<u>9,985,874</u>	<u>20</u>	<u>7,542,878</u>	<u>19</u>
INCOME FROM OPERATIONS	<u>11,064,105</u>	<u>22</u>	<u>5,866,477</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 26)	25,730	-	30,858	-
Other income (Notes 4, 8, 14, 26 and 30)	174,215	-	130,386	-
Other gains and losses (Note 26)	(204,967)	-	60,281	-
Gains on disposal of property, plant and equipment (Notes 4, 13, 26 and 37)	2,505,176	5	-	-
Finance costs (Notes 4, 26 and 30)	<u>(236,570)</u>	<u>-</u>	<u>(246,956)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>2,263,584</u>	<u>5</u>	<u>(25,431)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	13,327,689	27	5,841,046	14
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(1,364,850)</u>	<u>(3)</u>	<u>(515,434)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>11,962,839</u>	<u>24</u>	<u>5,325,612</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(153,365)	(1)	(2,737)	-
Unrealized gain on investments in equity instruments at FVTOCI (Notes 24 and 32)	944,505	2	440,966	1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 24)	<u>(112,963)</u>	<u>-</u>	<u>(150,215)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>678,177</u>	<u>1</u>	<u>288,014</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 12,641,016</u>	<u>25</u>	<u>\$ 5,613,626</u>	<u>14</u>

(Continued)

MACRONIX INTERNATIONAL 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	%
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 11,962,952	24	\$ 5,326,083	13
Non-controlling interests	<u>(113)</u>	<u>-</u>	<u>(471)</u>	<u>-</u>
	<u>\$ 11,962,839</u>	<u>24</u>	<u>\$ 5,325,612</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 12,641,130	25	\$ 5,614,102	14
Non-controlling interests	<u>(114)</u>	<u>-</u>	<u>(476)</u>	<u>-</u>
	<u>\$ 12,641,016</u>	<u>25</u>	<u>\$ 5,613,626</u>	<u>14</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 6.48</u>		<u>\$ 2.90</u>	
Diluted	<u>\$ 6.25</u>		<u>\$ 2.84</u>	

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

(Concluded)

MACRONIX INTERNATIONAL 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 Shareholders of the Parent											Non-controlling Interests	Total Equity	
	Share Capital				Retained Earnings			Other Equity						
	Shares (Thousands)	Ordinary Shares	Share Capital to be Cancelled	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Compensation of Employees	Treasury Shares			Total
BALANCE AT JANUARY 1, 2020	1,839,927	\$ 18,399,271	\$ (182)	\$ 543,920	\$ 1,440,661	\$ 1,007,052	\$ 12,237,717	\$ (235,880)	\$ (299,040)	\$ (443,066)	\$ (159,061)	\$ 32,491,392	\$ 1,276	\$ 32,492,668
Legal reserve	-	-	-	-	301,196	-	(301,196)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(385,857)	385,857	-	-	-	-	-	-	-
Cash dividends distributed by the Company - \$1.20 per share	-	-	-	-	-	-	(2,207,891)	-	-	-	-	(2,207,891)	-	(2,207,891)
Net income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	5,326,083	-	-	-	-	5,326,083	(471)	5,325,612
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	-	(2,737)	(150,210)	440,966	-	-	288,019	(5)	288,014
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	5,323,346	(150,210)	440,966	-	-	5,614,102	(476)	5,613,626
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(29,100)	-	29,100	-	-	-	-	-
Issuance of restricted shares for employees	16,400	164,002	-	(164,002)	-	-	-	-	-	-	-	-	-	-
Compensation cost of restricted shares for employees	-	-	-	1,300	-	-	(149)	-	-	292,511	-	293,662	-	293,662
Retirement of restricted shares for employees	(25)	(256)	(971)	1,227	-	-	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	2,327	-	-	-	-	-	-	-	2,327	-	2,327
BALANCE AT DECEMBER 31, 2020	1,856,302	18,563,017	(1,153)	384,772	1,741,857	621,195	15,408,584	(386,090)	171,026	(150,555)	(159,061)	36,193,592	800	36,194,392
Legal reserve	-	-	-	-	529,409	-	(529,409)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	(329,834)	329,834	-	-	-	-	-	-	-
Cash dividends distributed by the Company - \$1.20 per share	-	-	-	-	-	-	(2,227,424)	-	-	-	-	(2,227,424)	-	(2,227,424)
Net income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	11,962,952	-	-	-	-	11,962,952	(113)	11,962,839
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	-	(153,365)	(112,962)	944,505	-	-	678,178	(1)	678,177
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	11,809,587	(112,962)	944,505	-	-	12,641,130	(114)	12,641,016
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(258,672)	-	258,672	-	-	-	-	-
Compensation cost of restricted shares for employees	-	-	-	9,994	-	-	-	-	-	105,151	-	115,145	-	115,145
Retirement of restricted shares for employees	(284)	(2,839)	743	2,096	-	-	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	2,348	-	-	-	-	-	-	-	2,348	-	2,348
BALANCE AT DECEMBER 31, 2021	1,856,018	\$ 18,560,178	\$ (410)	\$ 399,210	\$ 2,271,266	\$ 291,361	\$ 24,532,500	\$ (499,052)	\$ 1,374,203	\$ (45,404)	\$ (159,061)	\$ 46,724,791	\$ 686	\$ 46,725,477

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 13,327,689	\$ 5,841,046
Adjustments for:		
Depreciation expense	4,238,607	3,713,338
Amortization expense	45,625	32,989
Expected credit loss (reversed) recognized on trade receivables	(63)	223
Net loss on fair value changes of financial assets at fair value through profit or loss	12,280	-
Finance costs	236,570	246,956
Interest income	(25,730)	(30,858)
Dividend income	(124,741)	(101,174)
Compensation cost of employee restricted shares	115,145	293,662
Gain on disposal of property, plant and equipment	(2,566,001)	(6,822)
Net loss on foreign currency exchange	205,944	8,608
Gain from lease modifications	(2,213)	-
Amortization of government grants deferred revenue	(1,357)	-
Changes in operating assets and liabilities		
Trade receivables	(2,225,842)	519,076
Receivables from related parties	657,512	(637,329)
Other receivables	(71,905)	21,095
Inventories	(211,120)	(134,830)
Prepayments	(333,147)	-
Other current assets	(93,518)	130,401
Contract liabilities	(55,932)	(6,362)
Notes payable and trade payables	461,480	795,312
Payables to related parties	653,350	(582,175)
Payables for employees' compensation and director's remuneration	1,730,866	117,850
Other payables	300,009	7,663
Other payables to related parties	4,038	(3,098)
Provisions	603	2,227
Other current liabilities	177,693	(58,591)
Net defined benefit liabilities	<u>(178,365)</u>	<u>(181,826)</u>
Cash generated from operations	16,277,477	9,987,381
Interest received	20,716	31,167
Dividend received	124,741	101,174
Interest paid	(242,011)	(270,217)
Income tax (paid) return	<u>(64,692)</u>	<u>5,714</u>
Net cash generated from operating activities	<u>16,116,231</u>	<u>9,855,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial assets at fair value through other comprehensive income	(84,006)	-
Proceeds from the disposal of financial assets at fair value through other comprehensive income	95,880	8,626
Purchase of financial assets at amortized cost	(43,840)	-
Financial assets at amortized cost after maturity	-	20,955
Acquisition of financial assets at fair value through profit or loss	(168,645)	-
Payments for property, plant and equipment	(4,706,096)	(6,036,935)
Proceeds from disposal of property, plant and equipment	2,418,597	7,623
Increase in refundable deposits	-	(71)

(Continued)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2021	2020
Decrease in refundable deposits	\$ 171	\$ 98
Payments for intangible assets	(84,339)	(43,201)
Increase in other financial assets	<u>(50,603)</u>	<u>-</u>
Net cash used in investing activities	<u>(2,622,881)</u>	<u>(6,042,905)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(1,550,000)
Proceeds from long-term borrowings	3,330,000	7,300,000
Repayments of long-term borrowings	(7,077,225)	(4,192,648)
Proceeds from guarantee deposits received	2,094	193,798
Payments of guarantee deposits received	(177,656)	(16,946)
Repayment of leased liabilities	(111,824)	(107,963)
Distribution of cash dividends	<u>(2,227,424)</u>	<u>(2,205,564)</u>
Net cash used in financing activities	<u>(6,262,035)</u>	<u>(579,323)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(545,393)</u>	<u>(78,781)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,685,922	3,154,210
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>11,879,299</u>	<u>8,725,089</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 18,565,221</u>	<u>\$ 11,879,299</u>

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

(Concluded)

MACRONIX INTERNATIONAL 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)

1. GENERAL INFORMATION

Macronix International Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) on December 9, 1989 and commenced business in December 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips. The Company also performs design, research and development, consultation and trade of relevant products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 15, 1995.

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 and were authorized for issue on February 25, 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 Group’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 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022.

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 is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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.

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 financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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 and defined benefit liabilities.

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, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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

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. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in a former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through profit or loss or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

See Note 12 and Table 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group (including subsidiaries and associates that use currency 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; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, finished goods, merchandise and work-in-process 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. 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 standard cost and adjusted to approximate weighted - average cost on the balance sheet date.

g. Property, plant, and equipment

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

Depreciation on 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 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 life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) 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 asset, intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, 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 allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 Group becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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 settlement date basis.

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets is classified as at FVTPL when such financial assets is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32: Financial Instruments.

ii. Financial assets measured at amortized cost

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

- i) The financial assets are 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 assets 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 measured at amortized cost, including cash and cash equivalents and trade receivables measured at amortized cost, 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 a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
- ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

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.

Cash equivalents include time deposits with original maturities, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

- iii. 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 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 the disposal of the equity investments; instead, they will be transferred to retained earnings.

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

- b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease 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 such 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 a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that 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 When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss

allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. 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 entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of Memory products and wafer fabrication. Sales of Memory products and wafer fabrication are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, and has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. For Memory products and wafer fabrication, revenue is recognized when the goods are delivered to the customer's specific location, and the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

As the Group provides rendering services, the related revenue is recognized when services are rendered. Payment for installation services is not due from the customer until the installation services are complete, and therefore, contract assets are recognized over the period in which the installation services are performed. The contract assets are reclassified to trade receivables when the installation is complete.

m. Leases

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group subleases right-of-use assets, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) 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 applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

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

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

o. Government grants

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

Government grants related to income are recognized in other income on a systematic basis during the period when the related costs in which the government intends to compensate are recognized by the Group as expenses. Specifically, the primary condition of government grants is that the Group should purchase, construct or otherwise acquire non-current assets that are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as employee benefit expenses in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retain earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

q. Share-based payment arrangements

The fair value at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - employees' unearned compensation. It is recognized as an expense in full at the grant date if vesting immediately.

When restricted shares for employees are issued, other equity - employees' unearned compensation are recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options or capital surplus-restricted share option.

r. Treasury shares

The parent company's shares held by subsidiaries is reclassified to treasury shares from investment accounted for using equity method and recognized with the original investment cost. Cash dividends earned by subsidiaries are write-off with investment income and adjust capital surplus-treasury share transaction.

s. Taxation

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

1) Current tax

Income tax payable (recoverable) 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 Law 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, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures and personnel training expenditures 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 only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liability is settled or the asset 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

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 judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in 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 year in which the estimate is revised if the revision affects only that period or in the period of the revision and future years if the revision affects both current and future years.

a. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

b. Recognition and measurement of defined benefit plans

The net defined liabilities (assets) and the resulting defined benefit costs under the defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and the liabilities.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 10	\$ 11
Checking accounts and demand deposits	7,048,266	9,730,077
Cash equivalents		
Time deposits	<u>11,516,945</u>	<u>2,149,211</u>
	<u>\$ 18,565,221</u>	<u>\$ 11,879,299</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Foreign convertible preference shares	\$ <u>153,840</u>	\$ <u>-</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-current</u>		
Investments in equity instruments		
Domestic investments		
Listed shares	\$ 2,067,920	\$ 1,461,804
Unlisted shares	<u>614,379</u>	<u>420,699</u>
	2,682,299	1,882,503
Foreign investments		
Listed shares	<u>541,294</u>	<u>453,571</u>
	<u>\$ 3,223,593</u>	<u>\$ 2,336,074</u>

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

The Group sold its ordinary shares in Tower Semiconductor Ltd. at a fair value of \$95,880 thousand and \$4,827 thousand for the years ended December 31, 2021 and 2020, respectively. The related unrealized loss of financial assets at FVTOCI of \$258,672 thousand and \$16,050 thousand under other equity was transferred to retained earnings.

Due to the liquidation and dissolution of Global Strategic Investment Inc. (Cayman) and Global Strategic Investment Inc. (Samoa), cash in the amount of \$33,280 thousand and 49,116 shares of Amphastar Pharmaceuticals, Inc. at fair value were allocated to the Group in August 2020 based on the shareholding ratio. The related unrealized loss on financial assets at FVTOCI of NT\$13,050 thousand under other equity was transferred to retained earnings.

The Group recognized dividend income of NT\$124,741 thousand and NT\$101,174 thousand for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the Group's related investments still held amounted to NT\$2,598,293 thousand and NT\$1,882,503 thousand, respectively.

9. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Non-Current</u>		
Time deposits with original maturities exceeding 1 year	\$ <u>43,440</u>	\$ <u>-</u>

The interest rate for time deposits with original maturities exceeding 1 year was 3.15% per annum as of December 31, 2021.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trade receivables</u>		
Total amount of trade receivables measured at amortized cost	\$ 5,707,643	\$ 3,471,737
Less: Allowance for impairment loss	<u>(16,955)</u>	<u>(17,018)</u>
	<u>\$ 5,690,688</u>	<u>\$ 3,454,719</u>
<u>Other receivables</u>		
Tax receivable	\$ 179,499	\$ 110,103
Receivables from disposal of property, plant and equipment	173,565	-
Others	<u>12,984</u>	<u>6,827</u>
	<u>\$ 366,048</u>	<u>\$ 116,930</u>

a. Trade receivables

The average credit period for sales of goods was 60 days.

In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considers any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

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 past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The aging of trade receivables is as follows:

	December 31	
	2021	2020
Neither past due nor impaired	\$ 5,413,261	\$ 3,384,849
Past due but not impaired		
Within 60 days	276,675	69,837
61-120 days	752	33
Over 120 days	<u>-</u>	<u>-</u>
	<u>\$ 5,690,688</u>	<u>\$ 3,454,719</u>

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

As of December 31, 2021 and 2020, the Group did not hold collateral for most of its receivables.

The movements of the allowance for doubtful trade receivables are as follows:

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 17,018	\$ 16,795
Add: Amounts recovered	-	223
Less: Amounts reversed	<u>(63)</u>	<u>-</u>
Balance at December 31	<u>\$ 16,955</u>	<u>\$ 17,018</u>

b. Other receivables

No allowance for impairment loss of other receivables was recognized since the other receivables of the Group were not past due and the Group assessed that there was no uncertainty of recoverability.

11. INVENTORIES

	December 31	
	2021	2020
Finished goods and merchandise	\$ 1,326,783	\$ 932,686
Work in progress	11,064,802	11,327,960
Raw materials	<u>764,802</u>	<u>684,621</u>
	<u>\$ 13,156,387</u>	<u>\$ 12,945,267</u>

The costs of inventories recognized as cost of goods sold included reversal of inventory loss due to sold part of the written-down inventory. The amounts were as follows:

	For the Year Ended December 31	
	2021	2020
Reversal of inventory loss	<u>\$ 1,548,422</u>	<u>\$ 99,103</u>

12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

As of December 31, 2021 and 2020, the Company has direct and indirect majority ownership in the following subsidiaries: Run Hong Investment Ltd. (Run Hong), Hui Ying Investment Ltd. (Hui Ying), Mxtran Inc. (Mxtran), Macronix America, Inc. (MXA), Macronix (BVI) Co., Ltd. (MXBVI), Mxtran Holding (Samoa) Co., Ltd. (Mxtran Samoa), Mxtran (H.K.) Holding Co., Limited (MxtranHK), New Trend Technology Inc. (NTTI), Macronix (Asia) Limited (MX Asia), Macronix Pte Ltd (MPL), Macronix Europe N.V. (MXE), Macronix (Hong Kong) Co., Limited (MXHK) and Macronix Microelectronics (Suzhou) Co., Ltd. (MXm).

Investor	Investee	Nature of Activities	% of Ownership	
			2021	2020
The Company	Run Hong	Investment company	100.00	100.00
The Company	Hui Ying	Investment company	100.00	100.00
The Company and Run Hong	Mxtran	IC design	94.84	94.84
The Company	MXA	Sales and marketing	100.00	100.00
The Company	MXBVI	Investment holding company	100.00	100.00
Mxtran	Mxtran Samoa	Investment holding company	100.00	100.00
Mxtran Samoa	Mxtran HK	Investment holding company	100.00	100.00
MXBVI	NTTI	IC design	100.00	100.00
MXBVI	MX Asia	After-sales service	100.00	100.00
MXBVI	MPL	After-sales service	100.00	100.00
MXBVI	MXE	After-sales service	100.00	100.00
MXBVI	MXHK	Sales and marketing	100.00	100.00
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00

13. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2021	2020
Assets used by the Group	<u>\$ 32,218,383</u>	<u>\$ 31,462,800</u>

	Years Ended December 31, 2021					Balance, End of Year
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Reclassification	
<u>Cost</u>						
Freehold land	\$ 1,224,746	\$ -	\$ -	\$ (17,603)	\$ -	\$ 1,207,143
Buildings	25,439,896	-	4,319,859	(1,633)	312,968	21,431,372
Machinery equipment	100,853,676	-	10,721,370	-	1,207,367	91,339,673
Research and development equipment	4,236,751	-	20,582	(288)	2,600,194	6,816,075
Transportation equipment	22,633	-	3,365	(14)	6,905	26,159
Leasehold improvements	15,045	-	-	(852)	-	14,193
Miscellaneous equipment	1,188,858	2,642	119,698	(3,560)	81,494	1,149,736
Advance payments and construction in progress	5,090,704	4,908,877	-	-	(4,212,812)	5,786,769
	<u>138,072,309</u>	<u>\$ 4,911,519</u>	<u>\$ 15,184,874</u>	<u>\$ (23,950)</u>	<u>\$ (3,884)</u>	<u>127,771,120</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	353,863	\$ -	\$ -	\$ (9,940)	\$ -	343,923
Buildings	20,992,618	432,550	4,312,258	(531)	-	17,112,379
Machinery equipment	82,255,045	3,162,587	10,708,360	-	-	74,709,272
Research and development equipment	1,962,791	433,152	20,506	(215)	-	2,375,222
Transportation equipment	14,037	4,001	3,365	(7)	-	14,666
Leasehold improvements	13,990	378	-	(795)	-	13,573
Miscellaneous equipment	1,017,165	86,929	116,837	(3,177)	(378)	983,702
	<u>106,609,509</u>	<u>\$ 4,119,597</u>	<u>\$ 15,161,326</u>	<u>\$ (14,665)</u>	<u>\$ (378)</u>	<u>95,552,737</u>
Carrying amount at December 31, 2021	<u>\$ 31,462,800</u>					<u>\$ 32,218,383</u>

	Years Ended December 31, 2020					
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Reclassification	Balance, End of Year
<u>Cost</u>						
Freehold land	\$ 1,257,751	\$ -	\$ -	\$ (33,005)	\$ -	\$ 1,224,746
Buildings	25,161,752	-	750	3,564	275,330	25,439,896
Machinery equipment	91,635,490	-	204,065	-	9,422,251	100,853,676
Research and development equipment	3,634,881	2,457	14,672	611	613,474	4,236,751
Transportation equipment	28,642	-	7,240	31	1,200	22,633
Leasehold improvements	18,057	272	3,106	(262)	84	15,045
Miscellaneous equipment	1,225,083	8,556	151,224	(108)	106,551	1,188,858
Advance payments and construction in progress	9,822,103	5,692,111	63	2	(10,423,449)	5,090,704
	<u>132,783,759</u>	<u>\$ 5,703,396</u>	<u>\$ 381,120</u>	<u>\$ (29,167)</u>	<u>\$ (4,559)</u>	<u>138,072,309</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	372,499	\$ -	\$ -	\$ (18,636)	\$ -	353,863
Buildings	20,577,580	414,583	750	1,205	-	20,992,618
Machinery equipment	79,413,703	2,845,771	204,065	-	199,636	82,255,045
Research and development equipment	1,921,379	259,279	14,672	492	(203,687)	1,962,791
Transportation equipment	17,637	3,042	6,660	18	-	14,037
Leasehold improvements	16,359	752	2,956	(249)	84	13,990
Miscellaneous equipment	1,099,095	69,805	151,201	10	(544)	1,017,165
	<u>103,418,252</u>	<u>\$ 3,593,232</u>	<u>\$ 380,304</u>	<u>\$ (17,160)</u>	<u>\$ (4,511)</u>	<u>106,609,509</u>
Carrying amount at December 31, 2020	<u>\$ 29,365,507</u>					<u>\$ 31,462,800</u>

For the years ended December 31, 2021 and 2020, the Group assessed that no indication of an impairment loss was present; therefore, no impairment assessment was performed.

The carrying amount of the freehold land in the United States which was unutilized by the Group as of December 31, 2021 and 2020 was US\$9,579 thousand, respectively.

The Group's 6-inch fab ceased production in May 2021 and was disposed of in September 2021. The related gain on disposal of NT\$2,505,176 thousand was recognized as gain on disposal of property, plant and equipment under non-operating income and expenses.

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

Buildings	
Main buildings	31-40 years
Electronic equipment	11-20 years
Facility equipment	15 years
Landscape engineering	20 years
Machinery equipment	11 years
Research and development equipment	5-11 years
Transportation equipment	5 years
Leasehold improvements	6-16 years
Miscellaneous equipment	2-16 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 34.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Freehold land	\$ 752,951	\$ 919,621
Buildings	81,212	107,825
Machinery equipment	-	9,445
Transportation equipment	2,764	5,003
Miscellaneous equipment	<u>500</u>	<u>500</u>
	<u>\$ 837,427</u>	<u>\$ 1,042,394</u>
 <u>For the Year Ended December 31</u>		
	2021	2020
Additions to right-of-use assets	<u>\$ 25,376</u>	<u>\$ 76,762</u>
Depreciation charge for right-of-use assets		
Freehold land	\$ 65,972	\$ 70,126
Buildings	38,015	39,729
Machinery equipment	10,050	4,861
Transportation equipment	2,973	3,390
Miscellaneous equipment	<u>2,000</u>	<u>2,000</u>
	<u>\$ 119,010</u>	<u>\$ 120,106</u>
Income from the subleasing of right-of-use assets (included in other income)	<u>\$ (4,006)</u>	<u>\$ (4,036)</u>

Except for the recognized depreciation, the Group did not have impairment of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	2021	2020
<u>Carrying amounts</u>		
Current	<u>\$ 90,092</u>	<u>\$ 104,598</u>
Non-current	<u>\$ 753,991</u>	<u>\$ 940,302</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31</u>	
	2021	2020
Freehold land	1.67%-1.73%	1.67%-1.73%
Buildings	1.03%-6.00%	1.03%-6.00%
Machinery equipment	1.18%-1.28%	1.05%
Transportation equipment	1.03%-1.22%	1.03%-1.22%
Miscellaneous equipment	1.19%	1.03%-1.22%

c. Material lease-in activities and terms

The Group also leased certain land and buildings for the use as plant and office in a period of one to twenty years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	<u>\$ 754</u>	<u>\$ -</u>
Expenses relating to low-value asset leases	<u>\$ 207</u>	<u>\$ 299</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 12,948</u>	<u>\$ 10,529</u>
Total cash outflow for leases	<u>\$ (144,298)</u>	<u>\$ (139,223)</u>

The Group leases certain office buildings which qualify as short-term leases and certain office equipment which qualifies 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.

15. INTANGIBLE ASSETS

	Years Ended December 31, 2021					
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Reclassified	Balance, End of Year
<u>Cost</u>						
Software	\$ 108,622	<u>\$ 84,339</u>	<u>\$ 19,383</u>	<u>\$ (292)</u>	<u>\$ 5,781</u>	\$ 179,067
<u>Accumulated amortization</u>						
Software	<u>51,342</u>	<u>\$ 45,625</u>	<u>\$ 19,383</u>	<u>\$ (278)</u>	<u>\$ 4,888</u>	<u>82,194</u>
Carrying amount at December 31, 2021	<u>\$ 57,280</u>					<u>\$ 96,873</u>

	Years Ended December 31, 2020					
	Balance, Beginning of Year	Additions	Disposals	Net Exchange Differences	Balance, End of Year	
<u>Cost</u>						
Software	\$ 108,386	\$ 43,201	\$ 43,323	\$ 358	\$ 108,622	
Others	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	
	<u>121,386</u>	<u>\$ 43,201</u>	<u>\$ 56,323</u>	<u>\$ 358</u>	<u>108,622</u>	
<u>Accumulated amortization</u>						
Software	62,447	\$ 31,906	\$ 43,323	\$ 312	51,342	
Others	<u>11,917</u>	<u>1,083</u>	<u>13,000</u>	<u>-</u>	<u>-</u>	
	<u>74,364</u>	<u>\$ 32,989</u>	<u>\$ 56,323</u>	<u>\$ 312</u>	<u>51,342</u>	
Carrying amount at December 31, 2020	<u>\$ 47,022</u>					<u>\$ 57,280</u>

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software	3 years
Others	3 years

16. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2021	2020
<u>Non-current</u>		
Restricted time deposits (Note 34)	\$ 208,268	\$ 157,665
Refundable deposits	<u>12,845</u>	<u>13,887</u>
	<u>\$ 221,113</u>	<u>\$ 171,552</u>

17. OTHER ASSETS

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Prepayments	\$ 192,087	\$ 118,182
Others	<u>102</u>	<u>-</u>
	<u>\$ 192,189</u>	<u>\$ 118,182</u>
<u>Non-current</u>		
Prepayments	<u>\$ 333,147</u>	<u>\$ -</u>

The non-current prepayments were made according to the production capacity cooperation agreement signed between the Company and its suppliers; the prepayments were paid in accordance with the contract.

18. BORROWINGS

	<u>December 31</u>	
	2021	2020
<u>Long-term borrowings</u>		
Secured borrowings from financial institutions	\$ 6,737,500	\$ 10,291,437
Unsecured borrowings from financial institutions	<u>5,670,625</u>	<u>5,880,000</u>
	12,408,125	16,171,437
Less: Current portion	3,094,739	5,412,007
Less: Arrangement fee	10,000	22,555
Less: Government loan discount	<u>53,051</u>	<u>-</u>
Long-term borrowings	<u>\$ 9,250,335</u>	<u>\$ 10,736,875</u>
Interest rate	0.50%-1.79%	0.93%-1.79%

Borrowing Type	Repayment Terms	December 31	
		2021	2020
Secured syndicated loan denominated in NT\$	From June 2019 to February 2024	\$ 6,737,500	\$ 7,700,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	978,000	-
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	649,000	-
Unsecured bank borrowings denominated in NT\$	From December 2020 to December 2023	600,000	600,000
Unsecured bank borrowings denominated in NT\$	From August 2020 to February 2023	600,000	600,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	556,000	-
Unsecured bank borrowings denominated in NT\$	From December 2021 to December 2024	500,000	-
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	437,500	500,000
Unsecured bank borrowings denominated in NT\$	From June 2020 to June 2023	375,000	500,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2031	329,000	-
Unsecured bank borrowings denominated in NT\$	From August 2020 to August 2023	328,125	500,000
Unsecured bank borrowings denominated in NT\$	From April 2021 to April 2028	318,000	-
Unsecured bank borrowings denominated in NT\$	Pay off in December 2021	-	1,200,000
Unsecured bank borrowings denominated in NT\$	Pay off in December 2021	-	450,000
Unsecured bank borrowings denominated in NT\$	Pay off in December 2021	-	300,000
Secured bank borrowings denominated in NT\$	Pay off in December 2021	-	218,750
Secured bank borrowings denominated in NT\$	Pay off in September 2021	-	196,875
Unsecured bank borrowings denominated in NT\$	Pay off in September 2021	-	120,000
Unsecured bank borrowings denominated in NT\$	Pay off in July 2021	-	150,000
Unsecured bank borrowings denominated in NT\$	Pay off in June 2021	-	960,000
Secured syndicated loan denominated in NT\$	Pay off in January 2021	-	2,175,812
Less: Current portion		3,094,739	5,412,007
Less: Arrangement fee		10,000	22,555
Less: Government loan discount		<u>53,051</u>	<u>-</u>
Total long-term borrowings		<u>\$ 9,250,335</u>	<u>\$ 10,736,875</u>

To repay the vested liabilities, purchase equipment and machinery and increase operating funds, the Group signed a 5-year syndicated loan agreement with 7 financial institutions in November 2017 with a total amount of NT\$7.7 billion. In January 2021, the Group repaid all of the loan in advance.

To purchase equipment or machinery, the Group has entered into a 5-year syndicated loan agreement with 9 financial institutions including the Taiwan Cooperative Bank in January 2019 with the total amount of NT\$8 billion. The Group provided notes used as refundable guarantees for syndicated loan mentioned above that will be cancelled upon termination of the guarantee.

The Ministry of Economic Affairs implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” on January 1, 2019, which provided enterprises to make compliant investments with financial institutions at preferential interest rates. The Group has obtained the approval of the Ministry of Economic Affairs to qualify for the project loan and signed a loan contract with a financial institution to obtain a financing line of NT\$6.7 billion, with a credit period of 7 to 10 years. The funds obtained are used for factory expansion, purchased machinery and equipment, buildings and operating turnover, etc. The details of government grants are set out in Note 30.

In addition, the Group’s floating borrowing rate on the above borrowing is reset every one to three months.

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group’s semi-annual and annual consolidated financial statements. For the year ended December 31, 2021 and 2020, the Group had met the financial ratio covenants.

The details of assets pledged as collateral for long-term loans are set in Note 34.

19. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	2021	2020
Trade payables	<u>\$ 3,403,696</u>	<u>\$ 2,940,531</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed upon credit terms.

20. OTHER PAYABLES

	<u>December 31</u>	
	2021	2020
Payables for bonuses	\$ 343,085	\$ 260,131
Payables for donations	218,872	177,957
Payables for maintenance and repairs	211,542	192,006
Payables for patents	122,327	129,333
Others	<u>877,890</u>	<u>722,367</u>
	<u>\$ 1,773,716</u>	<u>\$ 1,481,794</u>

21. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Refund liabilities	\$ 307,035	\$ 128,992
Receipts under custody	36,767	35,032
Temporary credits	7,158	7,525
Guarantee deposits	<u>-</u>	<u>160,721</u>
	<u>\$ 350,960</u>	<u>\$ 332,270</u>
<u>Non-current</u>		
Government grants deferred revenue (Note 30)	\$ 55,226	\$ -
Guarantee deposits	10,755	19,409
Others	<u>-</u>	<u>9</u>
	<u>\$ 65,981</u>	<u>\$ 19,418</u>

22. PROVISIONS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Employee benefits (a)	<u>\$ 23,290</u>	<u>\$ 22,687</u>

- a. The provision for employee benefits represents vested long service leave entitlements accrued.

23. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

The Group's subsidiaries in Hong Kong, the USA, Europe, Japan, Korea, Singapore and China are required to contribute a 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.

- b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in

the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 1,874,741	\$ 1,898,790
Fair value of plan assets	<u>(1,021,636)</u>	<u>(942,837)</u>
Net defined benefit liability	<u>\$ 853,105</u>	<u>\$ 955,953</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	<u>\$ 1,903,616</u>	<u>\$ 791,902</u>	<u>\$ 1,111,714</u>
Service cost			
Current service cost	5,015	-	5,015
Net interest expense	15,013	-	15,013
Return on plan assets	<u>-</u>	<u>6,241</u>	<u>(6,241)</u>
Recognized in profit or loss	<u>20,028</u>	<u>6,241</u>	<u>13,787</u>
Remeasurement			
Return on plan assets	-	26,677	(26,677)
Actuarial loss - experience adjustments	26,798	-	26,798
Actuarial loss - change in financial assumptions	39,079	-	39,079
Actuarial loss - change in demographic assumptions	<u>(5,967)</u>	<u>-</u>	<u>(5,967)</u>
Recognized in other comprehensive income	<u>59,910</u>	<u>26,677</u>	<u>33,233</u>
Contributions from the employer	<u>-</u>	<u>202,781</u>	<u>(202,781)</u>
Benefits paid	<u>(84,764)</u>	<u>(84,764)</u>	<u>-</u>
Balance at December 31, 2020	<u>1,898,790</u>	<u>942,837</u>	<u>955,953</u>
Service cost			
Current service cost	3,601	-	3,601
Net interest expense	9,359	-	9,359
Return on plan assets	<u>-</u>	<u>4,662</u>	<u>(4,662)</u>
Recognized in profit or loss	<u>12,960</u>	<u>4,662</u>	<u>8,298</u>
Remeasurement			
Return on plan assets	-	12,094	(12,094)
Actuarial loss - experience adjustments	53,453	-	53,453
Actuarial loss - change in demographic assumptions	<u>39,519</u>	<u>-</u>	<u>39,519</u>
Recognized in other comprehensive income	<u>92,972</u>	<u>12,094</u>	<u>80,878</u>
Contributions from the employer	<u>-</u>	<u>192,024</u>	<u>(192,024)</u>
Benefits paid	<u>(129,981)</u>	<u>(129,981)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 1,874,741</u>	<u>\$ 1,021,636</u>	<u>\$ 853,105</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2021	2020
Operating costs	\$ 4,307	\$ 7,381
Selling and marketing expenses	528	797
General and administration expenses	1,552	2,478
Research and development expenses	<u>1,911</u>	<u>3,131</u>
	<u>\$ 8,298</u>	<u>\$ 13,787</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

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

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

	December 31	
	2021	2020
Discount rate	0.50%	0.50%
Expected rate of salary increase	3.00%	3.00%
Expected return on plan assets increase	0.50%	0.50%

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

	For the Year Ended December 31	
	2021	2020
Discount rate		
0.50% increase	<u>\$ (62,796)</u>	<u>\$ (67,172)</u>
0.50% decrease	<u>\$ 66,474</u>	<u>\$ 71,260</u>
Expected rate of salary increase		
0.50% increase	<u>\$ 102,481</u>	<u>\$ 97,993</u>
0.50% decrease	<u>\$ (96,601)</u>	<u>\$ (92,509)</u>

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

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 87,610</u>	<u>\$ 56,154</u>
The average duration of the defined benefit obligation	6.9 years	7.3 years

The Group maintains a separate executive pension plan and the net periodic pension costs were NT\$5,218 thousand and NT\$6,835 thousand for the years ended December 31, 2021 and 2020, respectively.

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2020	<u>\$ 498,861</u>
Service cost	
Current service cost	2,860
Net interest expense	<u>3,975</u>
Recognized in profit or loss	<u>6,835</u>
Remeasurement	
Actuarial loss (gain) - experience adjustments	(34,790)
Actuarial loss - changes in assumptions	<u>4,294</u>
Recognized in other comprehensive income	<u>(30,496)</u>
Balance at December 31, 2020	<u>475,200</u>
Service cost	
Current service cost	2,851
Net interest expense	<u>2,367</u>
Recognized in profit or loss	<u>5,218</u>
Remeasurement	
Actuarial loss - experience adjustments	52,255
Actuarial loss - changes in assumptions	<u>20,233</u>
Recognized in other comprehensive income	<u>72,488</u>
Balance at December 31, 2021	<u>\$ 552,906</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2021	2020
General and administration expenses	<u>\$ 5,218</u>	<u>\$ 6,835</u>

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

	<u>December 31</u>	
	2021	2020
Discount rate	0.50%	0.50%
Expected rate of salary increase	-	-
Expected return on plan assets increase	0.50%	0.50%

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>6,550,000</u>	<u>6,550,000</u>
Shares authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,856,018</u>	<u>1,856,302</u>
Shares issued	<u>\$ 18,560,178</u>	<u>\$ 18,563,017</u>

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

A total of 864,704 thousand shares and 650,000 thousand shares of the Company's authorized shares were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	<u>December 31</u>	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	\$ 253,624	\$ 145,378
Donations	37	37
Treasury share transactions	<u>35,444</u>	<u>33,096</u>
	<u>\$ 289,105</u>	<u>\$ 178,511</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interests in subsidiaries (2)	<u>\$ 4,609</u>	<u>\$ 4,609</u>
<u>May not be used for any purpose</u>		
Employee restricted shares	<u>\$ 105,496</u>	<u>\$ 201,652</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 paid-in capital and once a year).
 - 2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using the equity method.
- c. Retained earnings and dividend policy

The Company's Articles of Incorporation, state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve 10% of the remaining profit (until the amount of the legal reserve equals the amount of 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 any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The Company state the policies on the distribution of employees' compensation and remuneration of directors state by the Company's Articles of Incorporation refer to "Employees' compensation and remuneration of directors" in Note 26 (h).

The Company is classified under the capital intensive industry. In accordance with the long-term financial program of the Company, the above shareholders' dividends can be retained as undistributed earnings, and then be distributed in the future, as determined by the shareholders at the Annual General Meeting.

Distributions shall be prioritized to take the form of cash dividends. Nevertheless, it still depends on the Company's financial, sales or operating condition. The Company's Articles of Incorporation provide that no more than 50% of the current year's total amount of distributable earnings can be distributed in the form of share dividends.

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

The appropriation of earnings for 2020 and 2019, which had been proposed by the Company's general meeting of shareholders on August 17, 2021 and May 27, 2020, respectively. The appropriation and dividends per share were as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Legal reserve	\$ 529,409	\$ 301,196
Special reserve	\$ (329,834)	\$ (385,857)
Cash dividends	\$ 2,227,424	\$ 2,207,891
Cash dividends per share	\$ 1.2	\$ 1.2

The appropriation of earnings for 2021, which were proposed by the Company's board of directors on February 25, 2022, were as follows:

	For the Year Ended December 31, 2021
Legal reserve	<u>\$ 1,155,091</u>
Special reserve	<u>\$ (214,869)</u>
Cash dividends	<u>\$ 3,340,758</u>
Cash dividends per share	\$ 1.8

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 27, 2022.

d. Special reserve

	For the Year Ended December 31	
	2021	2020
Beginning at January 1	\$ 621,195	\$ 1,007,052
Appropriations in respect of		
Treasury shares reversal	(9,979)	(36,882)
Reversal of the debits to other equity items	<u>(319,855)</u>	<u>(348,975)</u>
Balance at December 31	<u>\$ 291,361</u>	<u>\$ 621,195</u>

According to the shareholding ratio, the special reserve is calculated based on the difference between the market value of the parent company's stock holdings and the book value, and the special reserve will be partially reversed on market price.

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (386,090)	\$ (235,880)
Exchange differences on translating foreign operations	<u>(112,962)</u>	<u>(150,210)</u>
Balance at December 31	<u>\$ (499,052)</u>	<u>\$ (386,090)</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 171,026	\$ (299,040)
Recognized for the year		
Unrealized gain - equity instrument	<u>944,505</u>	<u>440,966</u>
Other comprehensive income recognized for the year	1,115,531	141,926
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	<u>258,672</u>	<u>29,100</u>
Balance at December 31	<u>\$ 1,374,203</u>	<u>\$ 171,026</u>

3) Employee unearned benefit

In the meeting of shareholders on June 16, 2016 and June 18, 2019, the shareholders approved a restricted share plan for employees. Refer to Note 29 for the information of restricted shares issued.

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ (150,555)	\$ (443,066)
Share-based payment expenses recognized	115,145	293,662
Adjustments for change of turnover rate	<u>(9,994)</u>	<u>(1,151)</u>
Balance at December 31	<u>\$ (45,404)</u>	<u>\$ (150,555)</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 800	\$ 1,276
Share of loss for the year	(113)	(471)
Other comprehensive income (loss) for the year		
Exchange difference on translating the financial statements of foreign operations	<u>(1)</u>	<u>(5)</u>
Balance at December 31	<u>\$ 686</u>	<u>\$ 800</u>

g. Treasury shares

The Company's shares held by its subsidiaries at December 31, 2021 and 2020 were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2021</u>			
Hui Ying	1,957	\$ 159,061	\$ 82,569
<u>December 31, 2020</u>			
Hui Ying	1,957	\$ 159,061	\$ 82,765

The Company's shares held by subsidiaries are regarded as treasury shares; shareholder's rights are retained, except for the rights to participate in any share issuances for cash and to vote.

25. REVENUE

a. Segmentation of revenue from contracts with customers

<u>Product type</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Flash	\$ 33,504,267	\$ 20,953,865
ROM	13,556,983	16,022,159
Foundry	3,501,876	2,794,731
Others	<u>9,865</u>	<u>30,192</u>
	<u>\$ 50,572,991</u>	<u>\$ 39,800,947</u>

b. Contract balances

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Contract liabilities (classified as current liabilities)	<u>\$ 36,263</u>	<u>\$ 92,195</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of the performance obligations and the customer's payment.

The Group recognized revenue from the beginning balance of contract liabilities as follows:

<u>From the beginning balance of contract liabilities</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Sale of goods	<u>\$ 89,081</u>	<u>\$ 97,447</u>

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Bank deposits	<u>\$ 25,730</u>	<u>\$ 30,858</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Dividend income	\$ 124,741	\$ 101,174
Others	<u>49,474</u>	<u>29,212</u>
	<u>\$ 174,215</u>	<u>\$ 130,386</u>

c. Gain on disposal of property, plant and equipment

For the Year Ended December 31
2021 2020

Gain on disposal of idle assets	\$ <u>2,505,176</u>	\$ <u> -</u>
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d. Other gains and losses

For the Year Ended December 31
2021 2020

Net foreign exchange (losses) gains	\$ (164,905)	\$ 95,298
Financial assets at fair value through profit or loss	(12,280)	-
Other losses	<u>(27,782)</u>	<u>(35,017)</u>
	<u>\$ (204,967)</u>	<u>\$ 60,281</u>

e. Finance costs

For the Year Ended December 31
2021 2020

Interest on loans	\$ 220,856	\$ 248,416
Interest on lease liabilities	18,565	20,432
Less: Amounts included in the cost of qualifying assets	<u>(2,851)</u>	<u>(21,892)</u>
	<u>\$ 236,570</u>	<u>\$ 246,956</u>

Information about capitalized interest was as follows:

For the Year Ended December 31
2021 2020

Capitalized interest	\$ 2,851	\$ 21,892
Capitalization rate	1.20%	1.79%

f. Depreciation and amortization

For the Year Ended December 31
2021 2020

An analysis of depreciation by function		
Operating costs	\$ 3,598,190	\$ 3,255,402
Operating expenses	<u>640,417</u>	<u>457,936</u>
	<u>\$ 4,238,607</u>	<u>\$ 3,713,338</u>

An analysis of amortization by function		
Operating costs	\$ 18,342	\$ 14,039
Operating expenses	<u>27,283</u>	<u>18,950</u>
	<u>\$ 45,625</u>	<u>\$ 32,989</u>

g. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 240,792	\$ 205,546
Defined benefit plans	<u>13,516</u>	<u>20,622</u>
	254,308	226,168
Share-based payments		
Equity-settled	115,145	293,662
Other employee benefits	<u>9,161,053</u>	<u>6,973,495</u>
Total employee benefits expense	<u>\$ 9,530,506</u>	<u>\$ 7,493,325</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,069,134	\$ 3,296,709
Operating expenses	<u>5,461,372</u>	<u>4,196,616</u>
	<u>\$ 9,530,506</u>	<u>\$ 7,493,325</u>

h. Employees' compensation and remuneration of directors

In compliance with the Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 15% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the years ended December 31, 2021 and 2020, the estimated employees' compensation and the remuneration of directors resolved by the board of directors on February 25, 2022 and February 26, 2021, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2021	2020
Employees' compensation	<u>\$ 2,396,656</u>	<u>\$ 1,050,180</u>
Remuneration of directors	<u>\$ 319,554</u>	<u>\$ 140,024</u>

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 amount of employees' compensation and remuneration of directors paid and the amount recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors 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.

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 693,758	\$ 65,707
Overseas income tax	1,793	4,274
Adjustments for prior year	12,861	(1,619)
Deferred tax		
In respect of the current year	<u>656,438</u>	<u>447,072</u>
Income tax expense recognized in profit or loss	<u>\$ 1,364,850</u>	<u>\$ 515,434</u>

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

	For the Year Ended December 31	
	2021	2020
Income before tax from continuing operations	<u>\$ 13,327,689</u>	<u>\$ 5,841,046</u>
Income tax expense calculated at the statutory rate	\$ 2,716,358	\$ 1,189,038
Non-deductible expenses in determining taxable income	7,969	7,083
Non-taxable income	(132,173)	(18,946)
Realized investment losses	(242,886)	-
Deductible temporary differences	(1,236,665)	(1,085,296)
Deductible tax-exemptions income credits	(83,349)	-
Unrecognized investment credits	(337,368)	(25,666)
Recognized loss carryforwards	658,310	446,566
Overseas income tax	1,793	4,274
Adjustments for prior year	<u>12,861</u>	<u>(1,619)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,364,850</u>	<u>\$ 515,434</u>

- b. Current tax assets and liabilities

	December 31	
	2021	2020
Current tax assets		
Tax refund receivable	<u>\$ 1,072</u>	<u>\$ 3,818</u>
Current tax liabilities		
Income tax payable	<u>\$ 686,210</u>	<u>\$ 63,359</u>

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	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized inventory losses	\$ -	\$ 483,271	\$ 483,271
Net defined benefit liabilities	-	83,127	83,127
Unrealized refund liabilities	-	35,569	35,569
Recognized loss carryforwards	658,310	(658,310)	-
Others	<u>1,984</u>	<u>44,126</u>	<u>46,110</u>
	<u>\$ 660,294</u>	<u>\$ (12,217)</u>	<u>\$ 648,077</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Depreciation	\$ -	\$ (603,554)	\$ (603,554)
Unrealized exchange gains	<u>-</u>	<u>(40,667)</u>	<u>(40,667)</u>
	<u>\$ -</u>	<u>\$ (644,221)</u>	<u>\$ (644,221)</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Recognized loss carryforwards	\$ 1,104,876	\$ (446,566)	\$ 658,310
Others	<u>2,490</u>	<u>(506)</u>	<u>1,984</u>
	<u>\$ 1,107,366</u>	<u>\$ (447,072)</u>	<u>\$ 660,294</u>

- d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Loss carryforwards</u>		
Expire in 2021	\$ -	\$ 131,050
Expire in 2022	184,390	184,390
Expire in 2023	97,389	97,389
Expire in 2024	141,421	147,183
		(Continued)

	December 31	
	2021	2020
Expire in 2025	\$ 67,634	\$ 67,634
Expire in 2026	28,806	28,806
Expire in 2027	66,966	66,966
Expire in 2028	31,408	31,408
Expire in 2029	17	17
Expire in 2030	8,677	8,677
Expire in 2031	<u>11,803</u>	<u>-</u>
	<u>\$ 638,511</u>	<u>\$ 763,520</u>
Investment credits		
Research and development expenditures	\$ 141,281	\$ 200,880
Purchase of smart machines expenditures	<u>30,000</u>	<u>23,538</u>
	<u>\$ 171,281</u>	<u>\$ 224,418</u>
Deductible temporary differences	<u>\$ 6,773,449</u>	<u>\$ 9,527,337</u> (Concluded)

The unrecognized investment credits will expire in 2022.

e. Information about unused investment credits, unused loss carry-forwards and tax-exemptions

As of December 31, 2021, investment credits comprised of:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Industrial Innovation	Research and development expenditures	\$ 141,281	2022
Statute for Industrial Innovation	Purchase of smart machines expenditures	<u>30,000</u>	2022
		<u>\$ 171,281</u>	

Loss carryforwards as of December 31, 2021 comprised of:

Unused Tax Amount	Expiry Year
\$ 36,878	2022
19,478	2023
28,284	2024
13,527	2025
5,761	2026
13,393	2027
6,282	2028
3	2029
1,735	2030
<u>2,361</u>	2031
<u>\$ 127,702</u>	

As of December 31, 2021, profit attributable to the following expansion projects is exempted from income tax for a 5-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
Construction and expansion of 2008	2017 to 2021

f. Income tax assessments

The Company's and Mxtran Inc.' tax returns through 2019 and Run Hong Investment Ltd. and Hui Ying Investment Ltd. ' tax returns through 2020 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 6.48</u>	<u>\$ 2.90</u>
Diluted earnings per share	<u>\$ 6.25</u>	<u>\$ 2.84</u>

The income and weighted average number of ordinary shares outstanding in the computation of earnings per share from continuing operations were as follows:

Net Income for the Year

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Income for the year attributable to owners of the Company	<u>\$ 11,962,952</u>	<u>\$ 5,326,083</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares in computation of basic earnings per share	1,845,347	1,839,322
Effect of potentially dilutive ordinary shares:		
Restricted shares to employees	7,704	10,105
Employees' compensation or bonus issue to employees	<u>60,181</u>	<u>27,631</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>1,913,232</u>	<u>1,877,058</u>

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus 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.

29. SHARE-BASED PAYMENT ARRANGEMENTS

Restricted share plan for employees

Information on share plan for employees were as follows:

Approved Date	Grant Shares (Thousand)	Board of Directors Approved Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Fair Value
2016/06/16	123,535	58,971	2016/10/25	2017/01/03	57,476	\$ 4.73
2019/06/18	35,294	16,815	2019/10/21	2020/06/16	16,400	32.55

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period listed as follows:

- If an employee remains employed by the Company for one year after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 40% of the restricted shares will be vested;
- If an employee remains employed by the Company for two years after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the restricted shares will be vested;
- If an employee remains employed by the Company for three years after grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the restricted shares will be vested.

In addition to the vesting conditions, the limitations are as follows:

- Employees, except for inheritance, should not sell, transfer, pledge, donate or in any other way dispose of the shares.
- The shares should be held in stock trust.
- Except for the above two paragraphs, the other rights of the restricted share plan for employees, which include, but are not limited to, dividends, bonuses, the distribution rights of the legal reserve and capital surplus, share options of cash capital voting rights of shareholders, etc., are the same as the Group's issued ordinary shares.
- The dividends of restricted share plan for employees are not restricted by existing conditions.
- When a new share is returned in cash due to the Company's capital reduction, the refund of the vested capital loss shall be under custodian trust. In accordance with the issuance method, such capital and shares shall be granted if the vesting conditions for new restricted employee shares are met. The vested shares are granted to employees without interests; if the vested conditions are not met, such cash will be recovered by the Company (applicable to the shareholders' resolution of restricted share plan in the 2019 shareholders' meeting).

When employees do not reach the vesting conditions of restricted share plan for employees during the year, the Company will recover and cancel the shares.

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Year Ended December 31	
	2021	2020
Balance at January 1	9,836	23
Issued	-	16,400
Vested	(4,800)	(6,465)
Forfeited (Note)	<u>(210)</u>	<u>(122)</u>
Balance at December 31	<u>4,826</u>	<u>9,836</u>

Note: The forfeited shares for the years ended December 31, 2021 include 41 thousand shares which will be cancelled and 169 thousand shares which were already cancelled, and the forfeited shares for the years ended December 31, 2020 include 115 thousand shares which will be cancelled and 7 thousand shares which were already cancelled.

For the years ended December 31, 2021 and 2020, the compensation costs recognized were NT\$115,145 thousand and NT\$293,662 thousand, respectively.

30. GOVERNMENT GRANTS

As of December 31, 2021, the Company obtained a government preferential interest rate loan of \$2,830,000 thousand from the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”. The loan will be repaid on an average monthly basis after the date of expiry. At the time of the borrowing, the fair value of the borrowing was estimated based on the market interest rate. The difference between the amount obtained and the fair value of the loan is \$56,583 thousand, which is regarded as a government low interest loan and recognized as deferred income. For the year ended December 31, 2021, the Company recognized other income of \$1,357 thousand and the interest expense of the loan of \$3,532 thousand, respectively.

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group’s strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Group determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products.

The management of the Group periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Group implements prudent strategy of risk management.

32. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

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 FVTPL				
Foreign convertible preference shares	\$ -	\$ -	\$ 153,840	\$ 153,840
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	\$ 2,067,920	\$ -	\$ -	\$ 2,067,920
Securities listed in other countries	541,294	-	-	541,294
Securities unlisted	-	-	614,379	614,379
	<u>\$ 2,609,214</u>	<u>\$ -</u>	<u>\$ 614,379</u>	<u>\$ 3,223,593</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	\$ 1,461,804	\$ -	\$ -	\$ 1,461,804
Securities listed in other countries	453,571	-	-	453,571
Securities unlisted	-	-	420,699	420,699
	<u>\$ 1,915,375</u>	<u>\$ -</u>	<u>\$ 420,699</u>	<u>\$ 2,336,074</u>

There were no transfers between Level 1 and Level 2 in the current and prior years.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the Year Ended December 31, 2021

Financial Assets	Financial Assets at FVTPL - Foreign Convertible Preference Shares	Financial Assets at FVTOCI - Equity Instruments	Total
Balance at January 1	\$ -	\$ 420,699	\$ 420,699
Additions	168,645	84,006	252,651

(Continued)

Financial Assets	Financial Assets at FVTPL - Foreign Convertible Preference Shares	Financial Assets at FVTOCI - Equity Instruments	Total
Total loss recognized in profit or loss	\$ (12,280)	\$ -	\$ (12,280)
Total gain recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	-	109,674	109,674
Effects of foreign currency exchange differences	<u>(2,525)</u>	<u>-</u>	<u>(2,525)</u>
Balance at December 31	<u>\$ 153,840</u>	<u>\$ 614,379</u>	<u>\$ 768,219</u> (Concluded)

For the Year Ended December 31, 2020

Financial Assets	Financial Assets at FVTPL - Foreign Convertible Preference Shares	Financial Assets at FVTOCI - Equity Instruments	Total
Balance at January 1	\$ -	\$ 396,986	\$ 396,986
Total gain (loss) recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOCI)	<u>-</u>	<u>23,713</u>	<u>23,713</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 420,699</u>	<u>\$ 420,699</u>

3) Valuation used in Level 3 fair value measurement

The fair values of equity securities listed in the ROC and other countries and foreign convertible preference shares was arrived at using either the asset-based approach or based on the multiplier evaluated in the active market by the market approach and adjustments of liquidity.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets</u>		
Measured at amortized costs (1)	\$ 25,668,734	\$ 17,159,824
Measured at FVTPL	153,840	-
Measured at FVTOCI	3,223,593	2,336,074
<u>Financial liabilities</u>		
Measured at amortized cost (2)	22,411,418	25,167,034

- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, trade receivables (including receivables from related parties), other receivables and other financial assets.
- 2) The balances included financial liabilities measured at amortized cost, which comprise, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), payable for purchases of equipment, guarantee deposits and long-term loans (including current portion).

d. Financial risk management objectives and policies

The Group manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

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 risk (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 were managed within approved policy parameters utilizing foreign exchange forward contracts.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The sensitivity analysis of foreign currency risk focuses mainly on exchange rates for transactions in currencies other than the entity's functional currency (i.e. foreign currencies) which are recognized at the rates of exchange prevailing at the end of each reporting period.

The following table details the Group's sensitivity to a 3% and 10% increase in the New Taiwan dollars (i.e. the functional currency) against the USD and JPY, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	USD Impact		JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Pre-tax profit decrease	\$ <u>113,995</u>	\$ <u>93,594</u>	\$ <u>1,079</u>	\$ <u>160,081</u>

b) Interest rate risk

The Group is exposed to interest rate risk from outstanding bank loans. Interest rates of the Group's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The sensitivity analysis of interest is performed based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period.

If interest rates had been 50 basis points higher/lower, the Group's pre-tax loss for the years ended December 31, 2021 and 2020 would decrease/increase by NT\$61,725 thousand and NT\$80,744 thousand, respectively.

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 trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

A sensitivity analysis of equity prices is performed based on the fair values of equity investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the years ended December 31, 2021 and 2020 would have increase/decrease by NT\$322,359 thousand and NT\$233,607 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors, such as financial condition, external and internal credit scoring, historical experience, and economic conditions, which may affect the customer's paying ability. The Group holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas.

As of December 31, 2021 and 2020, the Group's ten largest customers accounted for 41% and 57% of its total trade receivables (including receivables from related parties), respectively. The Group believed that the concentration of credit risk is relatively insignificant for the remaining trade receivables.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Group only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

3) Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted payments, including principal and estimated interest.

December 31, 2021

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 13,579,116	\$ -	\$ -	\$ -	\$ 13,579,116
Lease liabilities	105,175	176,860	140,834	512,042	934,911
Interest bearing	<u>3,272,506</u>	<u>7,076,478</u>	<u>1,371,007</u>	<u>1,036,924</u>	<u>12,756,915</u>
	<u>\$ 16,956,797</u>	<u>\$ 7,253,338</u>	<u>\$ 1,511,841</u>	<u>\$ 1,548,966</u>	<u>\$ 27,270,942</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 105,175</u>	<u>\$ 317,694</u>	<u>\$ 320,221</u>	<u>\$ 185,202</u>	<u>\$ 6,619</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 10,702,363	\$ -	\$ -	\$ -	\$ 10,702,363
Lease liabilities	128,813	227,291	188,559	630,296	1,174,959
Interest bearing	<u>5,626,283</u>	<u>8,046,662</u>	<u>2,891,576</u>	<u>-</u>	<u>16,564,521</u>
	<u>\$ 16,457,459</u>	<u>\$ 8,273,953</u>	<u>\$ 3,080,135</u>	<u>\$ 630,296</u>	<u>\$ 28,441,843</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 128,813</u>	<u>\$ 415,850</u>	<u>\$ 376,402</u>	<u>\$ 245,069</u>	<u>\$ 8,825</u>	<u>\$ -</u>

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

33. 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.

- a. Related parties and their relationships associated with the Company:

<u>Related Parties</u>	<u>Relationship with the Company</u>
MegaChips Corporation (MegaChips)	Key management personnel
Ardentec Corporation (Ardentec)	The Group is its major management authority
Etron Technology, Inc. (Etron)	Others
Macronix Education Foundation (MXIC Foundation)	Others
NCKUEE Alumni Foundation (NCKUEE Foundation)	Others

- b. Operating revenues

Line Items	Related Parties Categories/Name	<u>For the Year Ended December 31</u>	
		2021	2020
Sales	Key management personnel MegaChips	<u>\$ 13,704,352</u>	<u>\$ 16,101,433</u>

Sales prices for the related parties were not comparable to those for external customers as the Group was the sole provider of these customers. The sales terms for the related parties was 30 days.

- c. Purchases

Related Parties Categories/Name	<u>For the Year Ended December 31</u>	
	2021	2020
Key management personnel MegaChips	<u>\$ 5,895,828</u>	<u>\$ 6,209,245</u>

Materials purchased from related parties were for manufacturing process. The payment term was 30 days after monthly closing and after acceptance of materials.

- d. Receivables from related parties

Line Items	Related Parties Categories/Name	<u>December 31</u>	
		2021	2020
Receivables from related parties, net	Key management personnel MegaChips	<u>\$ 961,722</u>	<u>\$ 1,647,427</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Parties Categories/Name	December 31	
		2021	2020
Payables to related parties	Key management personnel		
	MegaChips	\$ 4,388,398	\$ 4,062,278
	The Group is its major management authority	<u>120,798</u>	<u>99,149</u>
		<u>\$ 4,509,196</u>	<u>\$ 4,161,427</u>
Other payables to related parties	Others		
	NCKUEE Foundation	\$ 300	\$ -
	Other	<u>60</u>	<u>-</u>
		<u>\$ 360</u>	<u>\$ -</u>

The outstanding trade payables from related parties are unsecured and will be settled in cash.

f. Other transactions with related parties

Line Items	Related Parties Categories/Name	For the Year Ended December 31	
		2021	2020
Manufacturing expenses	The Group is its major management authority		
	Ardentec	<u>\$ 387,057</u>	<u>\$ 306,514</u>
Operating expenses	Others		
	MXIC Foundation	\$ 21,628	\$ 23,028
	Other	<u>300</u>	<u>91</u>
		<u>\$ 21,928</u>	<u>\$ 23,119</u>

The manufacturing expenses of related parties were comparable to those with other vendors. The payment term was 75 days after monthly closing.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term benefits	\$ 905,782	\$ 504,012
Post-employment benefits	5,218	6,835
Share-based payments	18,545	48,751
Other long-term employee benefits	<u>(11)</u>	<u>(14)</u>
	<u>\$ 929,534</u>	<u>\$ 559,584</u>

The remuneration of key executives was determined by the remuneration committee based on the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees, natural gas agreements, and land lease agreements:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Property, plant and equipment, net	\$ 9,758,877	\$ 12,915,218
Pledge deposits (classified as other financial assets - non-current)	<u>208,268</u>	<u>157,665</u>
	<u>\$ 9,967,145</u>	<u>\$ 13,072,883</u>

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2021 and 2020 were as follows:

- a. As of December 31, 2021 and 2020, unused letters of credit amounted to approximately NT\$395,425 thousand and NT\$0 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Acquisition of property, plant and equipment	<u>\$ 11,312,421</u>	<u>\$ 2,137,663</u>

- c. The Company's board of directors passed a resolution to donate to National Cheng Kung University to establish the "School of Computing" to cultivate cross domain innovative talents with dual expertise "specific discipline" and "computing" to contribute to the society, and to fulfill Company's social responsibilities with a donation amount of \$100,000 thousand per year for the following ten years. As of December 31, 2021, the Company has allocated \$200,000 thousand.
- d. On October 26, 2021, the board of directors of the Company approved to continue participating in the joint development plan of IBM "Phase Change Memory" and obtain the authorization of specific analog artificial intelligence technology. The period is from January 2022 to January 2025. The two parties jointly bear the related technology development fees, and the unrecognized contract amount is US\$21,000 thousand.
- e. The Company signed a long-term purchase contract with suppliers. The contract is valid up to December 31, 2024. The Company must prepay a certain amount of money as a guarantee according to the contract, and these suppliers must deliver the purchased items to the Company according to the supply quantity and price agreed in the contract. As of December 31, 2021, the Company recorded prepayments of US\$11,994 thousand and the unpaid contract amount was US\$47,978 thousand.

36. 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 foreign currencies and respective functional currencies were as follows:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 18,356,915	0.2405	\$ 4,414,838
USD	200,501	27.68	<u>5,549,865</u>
			<u>\$ 9,964,703</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	18,312,040	0.2405	\$ 4,404,046
USD	63,224	27.68	<u>1,750,043</u>
			<u>\$ 6,154,089</u>

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 20,790,537	0.2763	\$ 5,744,425
USD	155,570	28.48	<u>4,430,634</u>
			<u>\$ 10,175,059</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	14,996,812	0.2763	\$ 4,143,619
USD	46,026	28.48	<u>1,310,820</u>
			<u>\$ 5,454,439</u>

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange (losses) gains were NT\$(164,905) thousand and NT\$95,298 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group.

37. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions:
 - 1) Financing provided to others: None
 - 2) Endorsements/guarantees provided: None
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 1 (attached)
 - 4) Marketable securities acquired and 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: Table 2 (attached)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 9) Trading in derivative instruments: None
 - 10) Intercompany relationships and significant intercompany transactions: Table 5 (attached)
- b. Information on investees: Table 6 (attached)
- 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, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriation of investment gains or losses, and limit on the amount of investment in the mainland China area: Table 7 (attached)
 - 2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Table 5 (attached)
- 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: None

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance emphasizes on the types of goods or services delivered or provided. Considering the nature of the product and the process of manufacture, the management integrated those divisions of similar operation functions into one operation segment. The reporting segments of the Group were as follows:

Memory products and wafer fabrication

IC design

There was no material difference between the accounting policies of the reportable segment and those described in Note 4.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<u>Segment Net Operating Revenue</u> <u>For the Year Ended December 31</u>	
	2021	2020
Memory products and wafer fabrication	\$ 50,569,261	\$ 39,800,902
IC design	<u>3,730</u>	<u>45</u>
Total	<u>\$ 50,572,991</u>	<u>\$ 39,800,947</u>

	<u>Segment Income (Loss) from</u> <u>Operations and Net Income</u> <u>For the Year Ended December 31</u>	
	2021	2020
Memory products and wafer fabrication	\$ 11,075,249	\$ 5,875,847
IC design	<u>(11,144)</u>	<u>(9,370)</u>
Total	11,064,105	5,866,477
Interest income	25,730	30,858
Other income	174,215	130,386
Other gains and losses	(204,967)	60,281
Gains on disposal of property, plant and equipment	2,505,176	-
Finance costs	<u>(236,570)</u>	<u>(246,956)</u>
Income before tax (continuing operations)	<u>\$ 13,327,689</u>	<u>\$ 5,841,046</u>

b. Segment total assets and liabilities

	December 31	
	2021	2020
<u>Segment assets</u>		
Memory products and wafer fabrication	\$ 75,823,994	\$ 65,040,620
IC design	<u>14,963</u>	<u>19,751</u>
Total segment assets	75,838,957	65,060,371
Uncollected assets	<u>869,191</u>	<u>831,847</u>
Consolidated total assets	<u>\$ 76,708,148</u>	<u>\$ 65,892,218</u>
<u>Segment liabilities</u>		
Memory products and wafer fabrication	\$ 16,305,498	\$ 13,481,320
IC design	<u>1,668</u>	<u>4,256</u>
Total segment liabilities	16,307,166	13,485,576
Uncollected liabilities	<u>13,675,505</u>	<u>16,212,250</u>
Consolidated total liabilities	<u>\$ 29,982,671</u>	<u>\$ 29,697,826</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings and other financial liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

c. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's net operating revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	Year Ended December 31		December 31	
	2021	2020	2021	2020
Taiwan	\$ 38,520,916	\$ 31,960,513	\$ 32,972,749	\$ 32,009,324
China	9,631,521	6,398,649	184,487	192,056
Others	<u>2,420,554</u>	<u>1,441,785</u>	<u>328,594</u>	<u>361,094</u>
	<u>\$ 50,572,991</u>	<u>\$ 39,800,947</u>	<u>\$ 33,485,830</u>	<u>\$ 32,562,474</u>

Non-current assets exclude financial instruments and deferred tax assets.

d. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2021	2020
Customer A	<u>\$ 13,704,352</u>	<u>\$ 16,101,433</u>

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

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				Shares as Collateral
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	<u>Shares</u> Ardentec Corporation	The Company serves as member of its board of directors	Financial assets at FVTOCI - non current	35,951,871	\$ 1,995,329	7.33	\$ 1,995,329	None
	United Industrial Gases Co., Ltd.	None	"	6,671,877	498,055	3.06	498,055	None
	Zowie Technology Co., Ltd.	None	"	20,426	-	0.07	-	None
MXBVI	<u>Shares</u> Chipbond Technology Corporation	None	Financial assets at FVTOCI - non current	1,088,319	72,591	0.15	72,591	None
	Tower Semiconductor Ltd.	None	"	464,000	509,631	0.43	509,631	None
	Amphastar Pharmaceuticals, Inc.	None	"	49,116	31,663	0.10	31,663	None
	<u>Foreign Convertible Preference Shares</u> Kneron Holding Corporation	None	Financial assets at FVTPL - non current	566,711	70,800	0.99	70,800	None
	Wolley Inc.	Associate (Note)	"	2,400,000	83,040	18.19	83,040	None
Hui Ying	<u>Shares</u> Macronix International Co., Ltd.	The Company	Financial assets at FVTOCI - non current	1,956,619	82,569	0.11	82,569	None
	Raio Technology Co., Ltd.	None	"	1,247,288	32,318	10.03	32,318	None
	Genovior Biotech Corporation	None	"	6,270,000	48,906	6.14	48,906	None
Run Hong	<u>Shares</u> Genovior Biotech Corporation	None	Financial assets at FVTOCI - non current	4,500,000	35,100	4.41	35,100	None

Note: The Company has the ability to participate in the decision-making of the company's financial and operating policies and has significant influence on the company.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Company	Buildings and affiliated factory facilities	August 5, 2021	From June 1991 to February 2020	\$ 6,192	\$ 820,000	Collect the price according to the contract	\$ 813,808	HON HAI PRECISION INDUSTRY CO., LTD.	None	In order to enhance advanced technology and international competitiveness, the Company will focus on the development of 12-inch fab and focus on the research, development and manufacturing of 3D NAND and advanced NOR Flash.	Based on the appraisal results of professional appraisal agencies as a reference for decision	None

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

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

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Sales	\$ 13,704,352	28	30 days after monthly closing	Note 33	Note 33	\$ 961,722	13	-
	MXHK	Indirect subsidiary	Sales	8,919,103	18	45 days after monthly closing	Note 33	Note 33	1,500,143	20	-
	MXA	Subsidiary	Sales	2,159,019	4	Net 60 days	Note 33	Note 33	326,248	4	-
	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Purchase	5,895,828	49	30 days after monthly closing and after acceptance of materials	Note 33	Note 33	4,388,398	55	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 319,733	100	45 days after monthly closing	No material difference	No material difference	US\$ 54,196	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 77,323	100	Net 60 days	No material difference	No material difference	US\$ 11,786	100	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2021

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	\$ 961,722	10.50 times	\$ -	-	\$ 865,477 thousand	\$ -
	MXHK	Indirect subsidiary	1,500,143	8.54 times	-	-	1,500,143 thousand	-
	MXA	Subsidiary	326,248	10.16 times	-	-	326,248 thousand	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Investee Company	Counterparty	Relationship (Note 1)	Financial Statement Accounts	Transaction Details		
				Amount	Payment Terms	% to Total Revenues or Assets
The Company	MXHK	1	Sales	\$ 8,919,103	Note 2	18
			Net receivable from related parties	1,500,143	-	2
	MXE	1	Operating expenses	146,596	-	-
			Other payables to related parties	45,069	-	-
	MXA	1	Sales	2,159,019	Note 2	4
			Operating expenses	215,187	-	-
			Net receivable from related parties	326,248	-	-
			Other payables to related parties	82,498	-	-
	Mxtran	1	Manufacturing costs	6,600	-	-
			Rental revenue	435	Note 3	-
IT service revenue			324	-	-	
MX Asia	1	Operating expenses	113,092	-	-	
		Other payables to related parties	22,908	-	-	
MXHK	MXm	3	Operating expenses	360,755	-	-

Note 1: The transactions from the parent company to the subsidiary are denoted as 1.

The transactions from the subsidiary to the parent company are denoted as 2.

The transactions between two subsidiaries are denoted as 3.

Note 2: The sales price refers to the agreed upon product price for the end customer.

Note 3: The Company leased office space to related parties and collected rental revenue according to the floor space per month.

Note 4: The transaction terms with related parties were 30 to 60 days after monthly closing and were similar to those with third parties.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

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		Balance as of December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	%	Carrying Amount			
The Company	MXA	San Jose, California, USA.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 228,970	\$ 79,885	\$ 79,885	Subsidiary
	MXBVI	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	212,048,000	100.00	2,548,353	191,446	191,398	Subsidiary
	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	94,664	9,759	7,411	Subsidiary
	Run Hong	Taipei, Taiwan	Investment	1,014,432	984,432	-	100.00	43,833	(279)	(279)	Subsidiary
	Mxtran	Hsinchu, Taiwan	IC design	755,287	755,287	69,627,323	90.43	12,028	(2,172)	(1,966)	Subsidiary
MXBVI	NTTI	San Jose, California, USA.	IC design	911,049	899,931	27,850,000	100.00	272,627	(9,103)		Note Subsidiary
	MXE	Belgium	After-sales service	2,106	2,106	999	100.00	126,978	8,008		Note Subsidiary
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	21,895	1,108		Note Subsidiary
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	1,092,282	194,035		Note Subsidiary
	MX Asia	Cayman Island	After-sales service	23,035	23,035	700,000	100.00	68,631	5,230		Note Subsidiary
Run Hong	Mxtran	Hsinchu, Taiwan	IC design	40,318	40,318	3,393,200	4.41	586	(2,172)		Note Subsidiary
Mxtran	Mxtran Samoa	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	956	-		Note Subsidiary
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	407	-		Note Subsidiary

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	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 for Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
MXm	Development of integrated circuit system and software	\$ 296,160	MXHK (Note 2)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 16,568	100	\$ 16,568	\$ 414,017	\$ -

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 Amounts of Investment Stipulated by Investment Commission, MOEA
\$ 296,160	\$ 296,160	\$ 28,034,874

Note 1: The amount was recognized based on the audited financial statements of the investee company.

Note 2: The Company invested in a company located in mainland China indirectly through the existing company in a third country.