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Taiwan Mask Corporation

2021 Annual Report

Publication on May 6, 2022

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<https://www.tmcnet.com.tw/StockInfo.aspx>

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V. Name of overseas exchange where securities are listed, and method of inquiry: Not applicable.

VI. Company's website: <http://www.tmcnet.com.tw>

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One. Report to Shareholders

To begin with, I would like to express my appreciation to all shareholders for their support. In 2021, the global semiconductor industry continue to experience significant changes in the supply chain and demand side due to international trade confrontations and shortages of key chips, the impact of the pandemic, and changes in work and lifestyle. Overall, the semiconductor industry is showing significant growth due to increased applications and changes in the manufacturing landscape.

In this regard, Taiwan Mask Corp. (TMC) has been steadily layering the groundwork and building new production capacity and technologies in a timely manner to grow together with our strategic customer partners. In addition to building new production capacity and technologies, we continue to strengthen our operational management efficiency and recruit key talents to join the expansion of new businesses and implement the execution strategy from 2020, so the company continued its growth in 2021.

TMC's 2021 consolidated net revenue reached NT\$6,077 million, up 30.23% over the previous year, and net profit after tax of NT\$887 million, up 82.30% over the previous year. In terms of operational performance, we continue to expand our business, develop new markets, enhance our process capabilities and expand to meet customer needs. We aim to be the best partner for our customers by strengthening our new organizational functions and changing our management system to effectively increase our production capacity and continuously improve our manufacturing quality and production technology.

(I) 2021 Business Report:

1. 2021 Consolidated revenues, net profit after tax, and comparison with 2020:

Unit: NT\$Thousand

General ledger account	2020	2021	Growth rate
Operating revenue	4,666,756	6,077,362	30.23%
Net income (loss)	486,307	886,561	82.30%

2. Profitability analysis

Unit: NT\$Thousand

Items	2020	2021	Growth rate
Gross profit	943,086	1,409,380	49.44%
Operating profit	344,153	434,012	26.11%
Pre-tax profit	630,541	1,178,098	86.84%
Net income	486,307	886,561	82.30%
Basic after-tax EPS	3.34	5.65	69.16%

3. Technology research and development

In the direction of technology research and development, TMC will expand the production capacity of 65nm and 40nm key production machines according to the market demand, deepen the manufacturing technology service capability, and pass the verification and mass production one by one according to the new machine delivery time and customer demand and will build 28nm capacity in

2023 to strengthen technology service capability. In order to meet the Group's business development needs, we also plan to build a factory in Tongluo Science Park to prepare for the Group's medium and long-term business expansion. The subsidiary Miracle Technology continues to expand its foundry services in Taiwan and China, and is building up its capacity to develop power components to meet market demand. The subsidiary Aptos Technology, by focusing on flash memory packaging and testing, has achieved steady growth and is developing new applications for its existing technologies to revitalize its assets and create value. The subsidiary Xsense Technology Corporation has been developing high power laser thermal substrate manufacturing services and has successfully expanded to new customers in 2021. The subsidiary Innova Vision INC. a contact lens manufacturer, has successfully set up an automated production line and is gradually entering mass production. DIGITAL-CAN TECH. CO., LTD. joined the Group, and has also deployed in many defense and industrial laminate manufacturing applications.

4. Production and manufacturing service

TMC provides manufacturing services for photomask related products to meet customers' needs to set production specifications and build MES to perform production management. By strengthening the information management system, we integrate effective management information, review the effectiveness of the implementation of strategies, goals and key results, and strengthen the implementation of goals and key results through project management. In addition, each subsidiary performs manufacturing and other related services according to its business nature, and continues to expand its operations and improve its quality and manufacturing service capabilities through effective management in order to strengthen its competitive edge in the market.

(II) Summary of 2022 Business Plan

1. Continue to strengthen its operations, quality improvements, improve quality and yield, increase the production capacity and order acceptance of high-end process photomasks, optimize customer service, and to maximize current production line's performance.
2. Continue to expand the photomask business required for 65nm technology for 12-inch wafers: After the trial production of 65nm photomasks, we will actively expand photomask manufacturing services for 12-inch foundries and gradually invest in 40nm photomask manufacturing technology and production services.
3. Continue to promote photomask manufacturing services to provide stable production quality, accurate delivery and excellent service to our strategic partner customers, and grow together with them.
4. The Group's synergy integration and full performance: Under the foundation of photomask service by the parent company, combining with its subsidiaries, including Miracle Tech's foundry management service, Aptos Tech's packaging and testing service, Xsense Tech's heat dissipation substrate production, Innova Vision's contact lens manufacturing and DIGITAL-CAN TECH's laminate manufacturing, there are expectations to create more values for shareholders through the Group's internal collaborations and the effective sharing of resources and management.

(III) Future development strategies, impact of the competitive environment, regulatory environment, and the overall business environment

1. Future development strategies

The Company continues to heighten its operations capability and strengthen its customer service for its core business of photomask. Due to the alignment technology requirements of integrated circuits, Optical Proximity Correction Mask (OPC) and PSM (Phase Shift Mask) are widely used in 8" and 12" foundries due to the alignment technology of ICs, and they vary with the equipment and technology of each foundry. These require close cooperation with the foundry to produce photomasks that meet customer requirements. Therefore, it is our development strategy to establish good mutual cooperation with foundries and become the photomask production partner of several world-class leading foundries, and to increase the proportion of related sales.

2. Impact of the competitive environment, regulatory environment, and the overall business environment

There is a close relationship between the development of the photomask industry and semiconductor industry. In recent years, the markets and applications of 5G, AI, IOT, automotive electronics, high-speed computing and energy-saving fast charging continue to grow, thus driving the prosperity of the semiconductor and related industries. The U.S.-China trade war and the new pneumoconiosis have brought about new business opportunities and growth, despite the impact and increased uncertainty. TMC increased its production capacity in a timely and appropriate manner, and steadily and progressively invested in new facilities to develop new technologies to assist customers and develop with them for mutual benefit.

Wishing you all
good health and prosperity.

Chairperson: Sean Chen



Two. Company Profile

I. Date of incorporation

October 21, 1988.

II. Company history

- 1988/04/01 Initiated by Industrial Technology Investment Corporation (ITIC), the Preparatory Committee selected Mr. Chin-Tai Shih as the Chairperson and hired Mr. Parkson Chen as Director of Preparatory Office.
- 1988/05/04 Approved by the Science and Industrial Park for meeting the requirements as stipulated in Article 3 on “Approval for investment and establishment within the Science and Industrial Park” of the Industrial Park’s Establishment Management Regulations.
- 1988/10/07 The organizers approved the Company Charter and elected directors and supervisors during the meeting. The nine elected directors are Chung-Mou Chang, Chin-Tai Shih, Ching-Chu Chang, Pao-Hsi Chang, Fan-Cheng Tseng, Hsien-Hsiung Huang, Chi-Lin Chiang, Jui-Yu Kuo, Parkson Chen, and three elected supervisors are Min-Chan Chen, K.J. Wu, and Mei-Li Tsai. The Board of Directors selected Mr. Chin-Tai Shih as Chairperson and hired Mr. Parkson Chen as General Manager.
- 1988/10/21 Acquired official company license.
- 1989/03/04 Obtained approval from Hsinchu Science Park for a land of 0.96 hectares for use of factory construction.
- 1989/03/24 Obtained certificate of business registration approved by the Local Tax Bureau Hsinchu City, and the first business invoice (Government Uniform Invoice) was issued on the same day on March 31.
- 1989/08/18 Chairperson Mr. Chin-Tai Shih resigned from the chairperson position and was succeeded by Mr. Chi-Mo Wang.
- 1989/09/18 Groundbreaking ceremony for the Company’s new factory site in Hsinchu Science Park.
- 1989/11 The Company purchased its second electron beam exposure system.
- 1990/03/16 Approved by Securities and Futures Bureau (SFB) as a company with initial public offering of stocks.
- 1990/04/03 Joint meeting of directors and supervisors during the 1st Term 5th Meeting passed the resolution for cash capital increase of NT\$262,500,000 and collected in full on June 5 of the same year.
- 1991/04/02 Changing the company’s authorized capital stock to NT\$500,000,000 due to long-term development needs of the company was approved at the Shareholders’ Meeting.
- 1991/07/22 The Company’s newly-built factory in Hsinchu Science Park was completed for use.
- 1992/06 Completed outsourced manufacturing of 4 M DRAM photomask by Electronics Institute of Industrial Technology Research Institute (ITRI), proven the strength and ability of submicron development in Taiwan.
- 1992/08/24 Entered into a contract agreement with Japan’s ICA company to purchase CORE-2564 laser-beam

- mask/reticle lithography system made by ETEC company to meet the requirements in industrial developments of integrated circuit for 16 M DRAM and 64 M DRAM.
- 1993/10 ICS company of the United States came to Taiwan to present the Zero-Defect Quality Award to the Company, in recognition of the Company's speedy delivery of goods and great quality with zero defects.
- 1994/01 Collaborated with Electronics Institute of Industrial Technology Research Institute (ITRI) to co-develop finished photomask products for Liquid Crystal Display (LCD) usage and to formally supply them to LCD manufacturers.
- 1994/05 The newly purchased CORE-2564 laser-beam mask/reticle lithography system arrived at the factory. It was the newest model at that time with added computerized rapid processing function and it allowed development of Phase Shift Mask.
- 1994/11/21 The Company was approved by the 235th Meeting of the Marketable Securities Listing Committee of the Taipei Stock Exchange Corporation (TWSE) and agreed for the Company's stock to be listed as Class II stocks. Officially listed on April 17, 1995.
- 1995/02/13 The Company's stocks were co-handled with the eleven securities underwriter of CTBC Securities on matters of public sale prospectus prior to listing, the negotiated sale price was NT\$47 per share.
- ~
- 1995/03/14 All matters of the sale were completed on March 14, 1995, and on March 27 of the same year submitted a declaration to TWSE for official listing on April 17.
- 1995/05/13 The Company had purchased a large-size exposure machine which arrived at the factory for set-up, becoming the first company in Taiwan to be able to provide large-size photomasks needed by LCD.
- 1995/06/06 The shareholders' meeting approved increasing the authorized capital stock to NT\$700,000,000.
- 1995/10/17 Purchased the third CORE2564 machine to the factory for set-up.
- 1996/01/05 The Securities and Futures Bureau (SFB) approved the Company's cash capital increase of NT\$85,437,500. The offering was completed on April 2, 1996.
- 1996/06/01 The shareholders' meeting approved increasing the authorized capital stock to NT\$1 billion.
- 1996/06/27 The Company purchased electron beam exposure system equipment produced by Japan's electro-optical company which arrived at the factory for set-up. The machine's model is JBX-7000MV which was designed especially for the production of 64M and 256M DRAM. The Company had introduced a variable shaped beam exposure system for the first time, along with the available equipment at that time, it brought the Company's production method at that time into a new era.
- 1996/07/08 The Company signed a collaborative agreement with United Microelectronics Corporation (UMC) for 0.35 micrometer (μm) photomask mass production. UMC to purchase one 0.35 μm processing photomask exposure machine to be placed at the Company in 1997. The Company was then responsible for management of the production and manufacturing, supplying photomask to UMC's 8-inch wafer factory.
- 1996/08/02 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased had arrived at the factory for installation. The system model was ALTA-3000

which was considered as the newest precision equipment model at that time, a model type designed specifically for 0.35 μm manufacturing for mass production and 0.25 μm manufacturing development. This machine system provided abundant support and supply to the Company in supplying photomask to 8-inch integrated circuit factories.

- 1996/11/09 Joint meeting of directors and supervisors during the 3rd Term 14th Meeting had approved cash capital increase of NT\$119,228,750, actual paid-in capital after capital increase was NT\$1,100,000,000.
- 1997/05/21 The convening of the 1997 Shareholders' Meeting had approved increasing the authorized capital stock to NT\$2,500,000,000, 4th Term Election of Directors and Supervisors with Mr. Chi-Mo Wang's reappointment as the 4th Term Chairperson.
- 1997/07/23 Groundbreaking ceremony for the Company's second factory, expected year of completion was 1998.
- 1998/05/21 The 1998 shareholders' meeting approved increasing the authorized capital stock to NT\$2,700,000,000.
- 1999/05/05 The 1999 shareholders' meeting approved increasing the authorized capital stock to NT\$3,891,000,000.
- 2000/04 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased was the ALTA-3500 model. It was a model type designed specifically for 0.18 μm manufacturing for mass production and 0.15 μm manufacturing development.
- 2000/06/12 The 2000 shareholders' meeting approved the merger with Hsintai Technology Company Limited and increased the authorized capital stock to NT\$4,500,000,000. Election of the 5th Term directors and supervisors took place during the meeting, with Mr. Shan-Ko Hsu elected to chairperson.
- 2000/12/01 Baseline date for merger of Hsintai Technology Company Limited.
- 2001/04/24 The 2001 shareholders' meeting approved increasing the authorized capital stock to NT\$5,200,000,000. By-election for the 5th Term directors and supervisors took place due to resignation of one director and one supervisor from Wensheng Investment Company and ITIC respectively. After the by-election, Biyou Electronics Industrial Company and Tech Alliance Corp. took up positions of director and supervisor respectively.
- 2002/03 The Company's second factory had completed construction and was in usage.
- 2003/06/03 The 2003 shareholders' meeting elected 6th Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 6th Term chairperson.
- 2006/06/12 The 2006 shareholders' meeting elected 7th Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 7th Term chairperson.
- 2009/06/10 The 2009 shareholders' meeting elected 8th Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 8th Term chairperson.
- 2012/06/28 The 2012 shareholders' meeting elected 9th Term directors and supervisors, Mr. Parkson Chen was elected to 9th Term chairperson.

2015/06/25 The 2015 shareholders' meeting elected 10th Term directors, independent directors and supervisors, Mr. Parkson Chen was elected to 10th Term chairperson.

2017/06/23 The 2017 shareholders' meeting elected 11th Term directors, independent directors and supervisors, Mr. K.J. Wu was elected to 11th Term chairperson.

2017/10/01 Baseline date for merger of Miracle Technology CO., LTD. (Miracle Tech).

2018/08/09 The Board of Directors passed the resolution to acquire equity of Weida Hi-Tech Company by cash.

2019/05/03 Innova Vision INC. organized cash capital increase by issuance of new shares on May 3, 2020. The Group has not executed based on shares proportion. Therefore, the Group has lost control of this company and Innova Vision INC. is not a subsidiary of the Group now.

2019/06/28 Aptos Technology INC. held elections for all directors. The Company's subsidiary Youe Chung Capital Corporation won more than half of the director seats obtaining actual control of this company. It will then be included as a subsidiary of the Group from this date onwards.

2020/03/18 A special meeting of the shareholders was convened in 2020 for election of 12th Term directors. Mr. Michael Tsai was elected as a 12th Term chairperson.

2020/04/10 Weida Hi-Tech Company issued new stocks for cash capital increase separately on April 10,

2020/05/15 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which

2020/06/02 caused the shareholding to drop to 36.7%. Weida Hi-Tech Company then held an extraordinary general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one seat of director and lost the control of the Weida.

2020/11/04 The board approved of the appointment of Mr. Cheng-Hsiang Chen as the Company's chairman of the 12th term.

2020/12/16 Innova Vision held an extraordinary general meeting of shareholders on December 16, 2020 to elect new directors. The Company's subsidiary Youe Chung Capital Corporation won all of the director seats, obtaining substantial control of this company. It will then be included as a subsidiary of the Group from this date onwards.

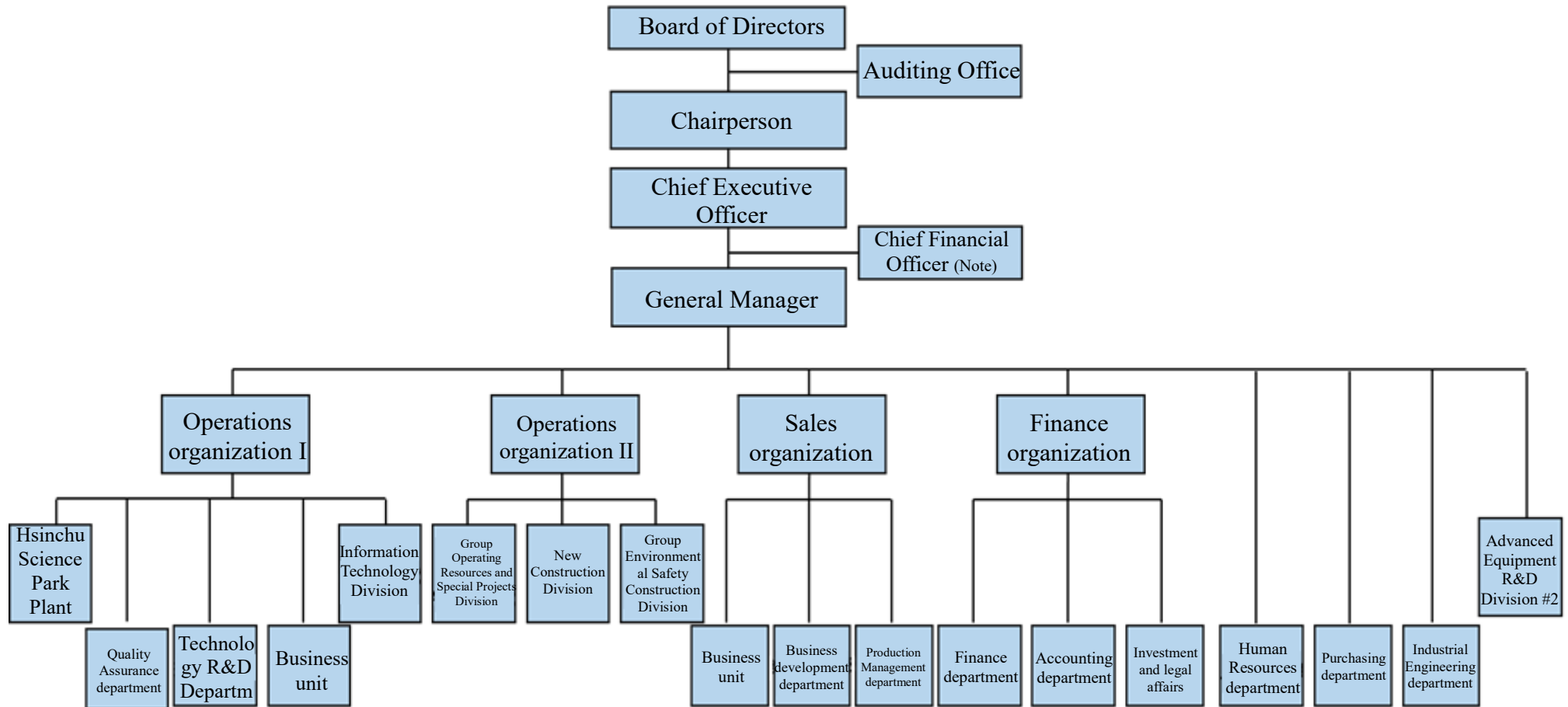
2020/11/04 The board approved of the appointment of Mr. Cheng-Hsiang Chen as the Company's chairman of the 12th term.

2021/07/12 The issuance of the 3rd domestic unsecured convertible bonds was approved.

Three. Corporate Governance Report

I. Organizational Structure

(I) Structure



Note: The position of Chief Financial Officer is mainly responsible for integrating the financial resources of the Group, and the financial officers or departments established for each firm in the Group (including the Company) are still responsible for handling the financial matters of each firm, and presenting them at different levels according to the approval authority set by each firm. The CFO will then compile and report the relevant execution to the CEO.

(II) Business operations of main departments

Main departments	Main duties of each department	Main departments	Main duties of each department
Auditing Office	Audit the internal control operations, assess the soundness and effectiveness of internal controls and the accuracy of financial and accounting information.	Production Management department	Production schedule, import-export, storage and transportation business, testing and certification of photomask.
Group Environmental Safety Construction Division	Management of labor occupational safety and health.	Group Operating Resources and Special Projects Division	Monitor and control project execution progress, process quality, cost utilization and project target discrepancies, and make continuous improvements.
Factory Affairs Department	Controls electricity, air-conditioning and clean room and is responsible for the shift scheduling, meter reading and agents reserves of various system equipment, and is capable of understanding and handling the system issues in a timely manner. Perform primary and secondary maintenance and inspection of system equipment, environmental management system and occupational safety and health-related works, contracting of secondary distribution, buildings and project construction and the related supervision, trial run and acceptance. Analyze and understand the system equipment and improve the operating conditions and the emergency responses to various incidents.	Advanced Equipment R&D Division #2	Development of automation equipment.
Hsinchu Science Park Plant	Production management of photomask. Inspection and repair of photomask manufactured, control and management of production cost, production efficiency improvement, manufacturing equipment maintenance and handle process exceptions.	New Construction Division	Execute planning, evaluation, design, budgeting, schedule estimation, contracting supervision, and operation system establishment of plant systems in accordance with the objectives of the Group's plant expansion and project plans.
Information Technology Division	CAD technology development, engineering computer software development, maintenance and computer management, maintenance. Coding development, supporting customers information correction and service, providing MIS information.	Industrial Engineering department	Work standardization, simplifying, process analysis and optimization, investment analysis, cost analysis.
Technology R&D Department	R&D of advanced manufacturing technology of photomasks. Assessment, development and incorporation of advanced photomask machine and materials, customer new product certification and introduction, discussion of customer technical issues.	Purchasing department	Material, machines and general purchase business.
Quality Assurance department	Formulating product specification, quality guarantee planning, customer service.	Finance organization	Financial scheduling, fund management, collection, production and analysis of accounting information, shareholder services related business, group investment management
Sales organization	Product sales, market research and development.	Human Resources department	Human resources and salary, recruiting, administration, education and training, general affairs.

II. Profile of directors, president and vice presidents

(I) Information on president and vice presidents

March 31, 2022

Job title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse, underage dependents		Shares held in the names of others		Main career (academic) backgrounds	Concurrent Position in Other Companies	Managers who are Spouse or Blood Relatives Within the Second Degree			Note
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chief Executive Officer	Republic of China	K.J. Wu	Male	2020/1/15	5,311,253	2.10%	1,764,000	0.69%	-	-	MBA, University of Maryland, United States of America; Director, Finance Office, ITRI Chairperson, Taiwan Mask Corporation	Chairperson, Taiwan Mask Charity Foundation	-	-	-	-
General Manager	Republic of China	Lidon Chen	Male	2020/1/15	2,830,000	1.10%	0	0.00%	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	Chairperson, Xsense Technology Corporation Director, DIGITAL-CAN TECH. CO., LTD.	-	-	-	-
Vice General Manager of Operations	Republic of China	Nester Huang	Male	2020/2/20	857,000	0.34%	0	0.00%	-	-	Bachelor degree, Department of Applied Physics, Tunghai University Director of Manufacturing (Back-end processes), Micron Technology, Inc. General Manager, JCET Group Co., Ltd.	Chairperson, DIGITAL-CAN TECH. CO., LTD. Director, Aptos Technology INC.	-	-	-	-
Vice General Manager of Operations	Republic of China	Che-Pin Tseng	Male	2021/8/30	0	0.00%	0	0.00%	-	-	Bachelor degree, Department of Applied Physics, Chung Yuan Christian University. Vice President of Operations, Episil Holding Inc. Vice President of Operations, Toppan Chunghwa Electronics, Co.,	-	-	-	-	-

											Ltd. Taiwan Branch					
Vice General Manager of Finance	Republic of China	Eve Yang	Female	2020/3/17	1,300,000	0.51%	0	0%	-	-	MBA, University of North Alabama, USA Vice President of Finance, FOCI Fiber Optic Communications, Inc.	Chairperson, Youe Chung Capital Corporation Director, DIGITAL-CAN TECH. CO., LTD. Supervisor, Xsense Technology Corporation	-	-	-	-
Vice President	Republic of China	Po-Wen Hsiao	Male	2021/05/05	500,000	0.16%	0	0%	-	-	M.S., Institute of Applied Chemistry, Tsinghua University Sales Assistant Vice President, Xintec Inc. Assistant Vice President, Customer Engineering Department, Taiwan Semiconductor Manufacturing Co.	-	-	-	-	-

Note: There are no situations where the aforementioned personnel are the same person as the Chairperson, or is a spouse or first-degree relative of the Chairperson.

(II) Profile of directors and independent directors

March 31, 2022

Job title	Nationality or Place of Registration	Name	Gender and Age	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chairperson	Republic of China	Cheng-Hsiang Chen	Male 55	2020/3/18	3 Years	2020/3/18	2,000,000	0.79%	2,000,000	0.78%	-	-	-	-	Syracuse University, MS. Computer Science Director, Tachun Venture Capital Co., Ltd. Chairperson, Ontario Technology Corporation Chief Executive Officer, xFuture Ltd. Executive Vice President, GLMS Group (NTT Com Asia Partner) Director of Business Unit, AVerMedia Technologies, Inc. Chief Executive Officer and Co-Founder, Goosean Media Inc. Assistant Vice President, Sales Consultation, Oracle Corporation Asia Pacific, Greater China region Manager, Application Software Development Group, Oracle Corporation USA Headquarter IT Manager, Taiwan Semiconductor Manufacturing Company Limited	Chairperson, Taiwan Mask Corporation Chairperson and General Manager, Browave Corporation Chief Executive Officer, USA's N2 Connectivity Inc Director, Xsense Technology Corp. (B.V.I.) Taiwan Branch Chairperson, Jaas data inc. Director, Xsense Technology Corporation Chairperson, Ontario Technology Corporation				

Director	Republic of China	Lidon Chen	Male 58	2020/3/18	3 Years	2020/3/18	0	0%	2,830,000	1.11%	-	-	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	Chairperson, Taiwan Mask Corporation President, Taiwan Mask Corporation Chairperson, Xsense Technology Corporation				
Director	Republic of China	Chao-Yi Wu	Female 38	2020/3/18	3 Years	2020/3/18	8,907,000	3.52%	9,907,000	3.87%	418,000	0.16%	-	-	Master's degree, Cornell University, USA Manufacturing and Engineering Department, Wintec Industries Inc. Management Department, Sinyi Realty Inc., Japan Account Manager, Browave Corporation President, Browave Corporation Japan	Chairperson, Taiwan Mask Corporation Director, FOCl Fiber Optic Communications, Inc. Director, Browave Corporation President, Browave Corporation Japan	Chief Executive Officer	K.J. Wu	Father and daughter	
Director	Republic of China	Fushuo Investment Co., Ltd.	Corporate	2020/3/18	3 Years	2017/6/23	6,364,000	2.52%	4,364,000	1.71%	-	-	-	-		Chairperson, Taiwan Mask Corporation Director, AI Memory Corporation				
		Representative: Martin Chu	Male 56	2020/11/4	3 Years	2020/11/4	0	0%	0	0%	-	-	-	-	M.S., Pennsylvania State University, U.S.A. General Manager, Logic and Special Application Foundry Group, Powerchip Semiconductor Manufacturing Corp. Board Member, Powerchip Semiconductor Manufacturing Corp. President of Maxchip Electronics Executive vice president of Maxchip Electronics	General Manager, Logic and Special Application Foundry Business Group, Powerchip Semiconductor Manufacturing Corp. Board Member, Powerchip Semiconductor Manufacturing Corp. Chairperson, Fu Shuo Investment Co., Ltd.				

Note: 1. There are no situations where the aforementioned personnel hold concurrent positions as the chairperson and president or equivalent position (manager as the highest level), or is a spouse or first-degree relative of the Chairperson.

Job title	Nationality or Place of Registration	Name	Gender and Age	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Independent Director	Republic of China	Yu-Chiun Wu (Note 2)	Male 71	2020/3/18	3 Years	2017/6/23	-	-	-	-	-	-	-	-	M.B.A., National Taiwan University (Advanced Public Management) Securities and Futures Bureau of Financial Supervisory Commission under Executive Yuan Director-general	Independent director, Taiwan Mask Corporation Independent director, Yuanta Securities Corporation Director, Browave Corporation	-	-	-	-
Independent Director	Republic of China	WANG, WEI-CHEN	Male 63	2021/7/05	3 Years	2021/7/05	-	-	-	-	-	-	-	-	Department of Accounting, National Chengchi University CPA, PwC Taiwan	Independent director, Taiwan Mask Corporation Independent director, ENNOSTAR Inc. Independent director, FEATURE INTEGRATION TECHNOLOGY INC. CPA, Zhicheng Hexing CPA Firm	-	-	-	-
Independent Director	Republic of China	CHENG, HUAN-KUEI	Male 67	2021/07/05	3 Years	2021/7/05	6,051	0.00%	6,051	0.00%	-	-	-	-	Master of Business Administration, Saginaw Valley State University, Michigan, USA Director, National Chung-Shan Institute of Science and Technology Director, Browave Corporation Supervisor, National Chung-Shan Institute of Science and Technology Assistant Professor, Graduate Institute of Accounting, Soochow University	Independent director, Taiwan Mask Corporation Director, National Chung-Shan Institute of Science and Technology	-	-	-	-

Note:

1. There are no situations where the aforementioned personnel hold concurrent positions as the chairperson and general manager or equivalent position (manager as the highest level), or is a spouse or first-degree relative of the Chairperson.
2. The Company's independent director Yu-Chiun Wu of the 12th term resigned on September 6, 2021 for personal reasons.

(III) Major shareholders of corporate shareholders

March 31, 2022

Name of Corporate Shareholders	Majority corporate shareholders
Fushuo Investment Co., Ltd.	Powerchip Technology Corporation (100%)

(IV) Main shareholders of majority corporate shareholders

March 31, 2022

Name of Legal Person	Majority corporate shareholders
Powerchip Technology Corporation	Chung-Jen Huang (4.75%), Chia-I Chen (2.35%), RESEN CORPORATION (1.25%), DEUTRON ELECTRONICS CORPORATION (1.22%), Ming-Hui Chen, (0.92%), Novax Technologies, Inc. (0.75%), JENDAN INVESTMENT INC. (0.73%), SYNAGE TECHNOLOGY CORPORATION (0.69%), Yi-Meng Wu (0.67%), Yuanlong Investment Co.,Ltd. (0.63%)

(V) Directors' and independent directors' expertise and independence

March 31, 2022

Name	Having more than 5 years' work experience and professional qualifications listed below			Independence												Concurrent ly serving as an independent director in other publicly listed companies	
	Criteria	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11		12
Cheng-Hsiang Chen			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Lidon Chen			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Chao-Yi Wu			✓	✓					✓	✓	✓	✓	✓	✓	✓	✓	
Fushuo Investment Co., Ltd. Representative: Martin Chu			✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓		
Yu-Chiun Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
WANG, WEI-CHEN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
CHENG, HUAN-KUEI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note: A "☐" is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).
- (5) Not directly owning 5% or more of the Company's total issued shares or one of the top five shareholders in terms of the number of shares owned, and not a director, supervisor or employee of a corporate shareholder who is designated as the Company's director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).
- (7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, general manager or equivalent position, or a spouse of these personnel, of the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary).

- (8) A director, supervisor, manager or a shareholder with over 5% ownership of a specified company or institution which does not have financial or business dealings with the Company (The same does not apply, however, in cases where the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with this regulations or with the laws of the country of the parent company or subsidiary).
- (9) Not a professional individual or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration in the most recent two years, to the company or to any affiliate of the company, or a spouse thereof. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Not a spouse or relative of second degree or closer to any other directors.
- (11) Does not meet any of the conditions stated in Article 30 of The Company Act.
- (12) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

(VI) Diversity and Independence of the Board of Directors

1. Diversity of the Board of Directors

The Company currently has six Board members, one female and five male; the professional fields of the Board members include industry, technology, finance, accounting, and business, etc. Some of the Board members have been university professors, and the professional qualifications, experience and age of the Board members are diversified. In addition, the Company expects to elect an independent director at the 2022 shareholders' meeting. Preference will be given to female nominees and those with legal experience in order to optimize the diversity of the Board of Directors.

2. Independence of the Board of Directors

The Company has three independent directors, more than one-third of the Board of Directors, and the Board of Directors is independent; independent director Wei-Chen Wang, who is qualified as a certified public accountant and has practiced for more than 20 years, has extensive experience in industry, accounting and finance; independent director Huan-Kuei Cheng, who was a director and supervisor of the National Chung-Shan Institute of Science and Technology and taught at universities, also has extensive experience in business, accounting and industry; independent directors do not have any of the circumstances under Article 26-3, Paragraphs 3 and 4 of the Securities and Exchange Act.

(II) Remuneration range of directors (including independent directors)

Range of compensation paid to the Company's directors	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A + B + C + D + E + F + G)	
	The Company (Note 8)	From All Consolidated Entities (Note 9) H	The Company (Note 8)	From All Consolidated Entities (Note 9) I
Below NT\$ 1,000,000	Independent director Hsin Chen	Independent director Hsin Chen	Independent director Hsin Chen	Independent director Hsin Chen
NT\$1,000,000 ~ NT\$1,999,999	Independent directors Huan-Kuei Cheng, Wei-Chen Wang	Independent directors Huan-Kuei Cheng, Wei-Chen Wang	Independent directors Huan-Kuei Cheng, Wei-Chen Wang	Independent directors Huan-Kuei Cheng, Wei-Chen Wang
NT\$2,000,000 ~ NT\$3,499,999	Representatives of Fushuo Investment legal person directors: Michael Tsai/Martin Chu, Director Cheng-Hsiang Chen, Director Lidon Chen, Director Chao-Yi Wu, Independent Director Yu-Chiun Wu	Representatives of Fushuo Investment legal person directors: Michael Tsai/Martin Chu, Director Cheng-Hsiang Chen, Director Lidon Chen, Director Chao-Yi Wu, Independent Director Yu-Chiun Wu	Representatives of Fushuo Investment legal person directors: Michael Tsai/Martin Chu, Director Cheng-Hsiang Chen, Director Chao-Yi Wu, Independent Director Yu-Chiun Wu	Representatives of Fushuo Investment legal person directors: Michael Tsai/Martin Chu, Director Cheng-Hsiang Chen, Director Chao-Yi Wu, Independent Director Yu-Chiun Wu
NT\$3,500,000 ~ NT\$4,999,999				
NT\$5,000,000 ~ NT\$9,999,999				
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999			Director Lidon Chen	Director Lidon Chen
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
NT\$ 100,000,000 and above				
Total	8 persons	8 persons	8 persons	8 persons

Note 1: The names of directors should be separately listed (legal person shareholder should list the name of the legal person and the representative separately), and the payment to each director and independent director should be summarized and disclosed.

Note 2: Refers to the remuneration of directors in the most recent year (including the salary, differential pay for the job, severance pay, various rewards, bonuses and others).

Note 3: Fill in the remuneration amount allocated to directors approved by the board meeting in the most recent year.

Note 4: Refers to the related business implementation expenses of directors in the most recent years (including transportation, special disbursement, various allowance, housing, cars and other tangibles). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here.

Note 5: Refers to the salary, differential pay for the job, severance pay, various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles for the directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees). In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 6: Refers to those directors taking concurrent positions as employees (including as the general manager, assistant general manager, other department managers or employees) and receiving employee compensation (including stocks and cash) in the most recent year, of whom the allocated employee compensation approved by the board shall be disclosed. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year.

Note 7: The total amount of remunerations paid to directors of the Company by all companies (including the Company) shall be disclosed in the consolidated report.

Note 8: The total amount of various types of remunerations paid by the Company to each director and disclose the names in the specified range grades.

Note 9: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each director should be disclosed. Disclose the names of directors in the specified range grades.

Note 10: The net income after tax refers to the number in the standalone financial report.

Note 11: a. This field should state the amount of remuneration paid to directors from non-consolidated affiliates or parent companies.

b. If a director of the Company receives a remuneration from non-consolidated affiliates or the parent company, the amount shall be included in Field I of the appropriate range grade, and the field name should be changed to "Parent company and all non-consolidated affiliates".

c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the directors of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(III) Remuneration for President and Vice Presidents

Unit: NT\$Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a % of the net profit after tax (Note 8)		Remuneration from investee enterprises other than subsidiaries (Note 9)
		The Company	From All Consolidated Entities (Note 5)	The Company	From All Consolidated Entities (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	K.J. Wu (Note 1)													
General Manager	Lidon Chen													
Executive Vice General Manager	Vincent Tsai (Note 2)													
Vice General Manager of Operations	Nester Huang	53,409	53,409	0	0	0	0	20,815	0	20,815	0	6.26	6.26	無
Vice General Manager of Finance	Eve Yang													
Vice President	Po-Wen Hsiao (Note 3)													
Vice General Manager of Operations	Che-Pin Tseng (Note 4)													

Note 1: No remuneration was paid to the Chief Executive Officer, K.J. Wu Note 2: Executive Vice President Vincent Tsai retired on April 15, 2021. Note 3: Vice President Po-Wen Hsiao assumed the position on May 5, 2021. Note 4: Vice President Che-Pin Tseng assumed the position on November 15, 2021.

(IV) Range of remuneration to President and Vice Presidents

Range of remuneration to the Company's President and Vice Presidents	Names of President and vice presidents	
	The Company (Note 6)	From All Consolidated Entities (Note 7) E
Below NT\$ 1,000,000	K.J. Wu (Note)	K.J. Wu (Note)
NT\$1,000,000 ~ NT\$1,999,999	Vincent Tsai	Vincent Tsai
NT\$2,000,000 ~ NT\$3,499,999	Che-Pin Tseng	Che-Pin Tseng
NT\$3,500,000 ~ NT\$4,999,999		
NT\$5,000,000 ~ NT\$9,999,999	Po-Wen Hsiao	Po-Wen Hsiao
NT\$10,000,000 ~ NT\$14,999,999	Eve Yang	Eve Yang
NT\$15,000,000 ~ NT\$29,999,999	Lidon Chen, Nester Huang	Lidon Chen, Nester Huang
NT\$30,000,000 ~ NT\$49,999,999		
NT\$50,000,000 ~ NT\$99,999,999		
NT\$ 100,000,000 and above		
Total	7 persons	7 persons

Note: No remuneration was paid to the Chief Executive Officer, K.J. Wu

Note 1: The names of general manager and assistant general managers should be separately listed and summarized to disclose the payment for each person.

- Note 2: Refers to the salary, differential pay for the job and severance of general manager and assistant general managers in the most recent year.
- Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of general manager and assistant general managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.
- Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the general manager and assistant general managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year.
- Note 5: The total amount of remunerations paid to the general manager and assistant general managers of the Company by all companies (including the Company) shall be disclosed in the consolidated report.
- Note 6: The total amount of various types of remunerations paid by the Company to the general manager and each assistant general manager and disclose the names in the specified range grades.
- Note 7: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each one of general managers and assistant general managers should be disclosed. Disclose their names in the specified range grades.
- Note 8: The net income after tax refers to the number in the standalone financial report.
- Note 9: a. This field should clearly state the amount of remuneration paid to general managers and assistant general managers from non-consolidated affiliates or parent company.
b. If the general manager or assistant general managers of the Company receive remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field E of the appropriate grade range, and the field name should be changed to "The parent company and all non-consolidated affiliates."
c. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the general manager and assistant general managers of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.
- * The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(V) Remuneration for management level - Top 5

Unit: NT\$Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a % of the net profit after tax (Note 6)		Remuneration from investee enterprises other than subsidiaries (Note 7)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Lidon Chen	51,845	51,845	0	0	0	0	20,815	0	20,815	0	6.13	6.13	None
Vice General Manager of Operations	Nester Huang													
Vice General Manager of Finance	Eve Yang													
Vice President	Po-Wen Hsiao													
Vice General Manager of Operations	Che-Pin Tseng													

Note 1: The "Five highest paid executives" refer to the Company's managers. Please refer to Tai-Cai-Zheng-San-Zi No. 0920001301 document published by the Securities and Futures Bureau, Financial Supervisory Commission on March 27, 2003 on the standards which define the scope of roles of managers. As for the calculation of the five highest amount in remuneration, it is the total of salary, retirement pensions, bonuses and allowances and employees' remuneration (that is, A + B + C + D) recorded on the consolidated financial reports received by the Company's managers, which are then ranked to show the managers who have the five highest figure in remuneration.

Note 2: Refers to the salary, differential pay for the job and severance of five highest paid managers in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of the five highest paid managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS 2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the five highest paid managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year and then fill out Table 1-3.

Note 5: The total amount of remunerations paid to the five highest paid managers of the Company by all companies (including the Company) shall be disclosed in the consolidated report.

Note 6: The net income after tax refers to the number in the standalone and individual financial reports.

Note 7: a. This field should clearly state the amount of remuneration paid to the five highest paid managers from non-consolidated affiliates or the parent company. (Please fill in "None," if there is none).

b. Remunerations refer to remuneration, compensation (including employee, director and supervisor compensation) and allowance for business operations received by the five highest paid managers of the Company who serve as directors, supervisors or managing executives of the other non-consolidated affiliates that are not subsidiaries or the parent company.

Note 8: Executive Vice President Vincent Tsai retired on April 15, 2021.

* The remunerations disclosed here in this Table are different from the incomes defined by the Income Tax Act. This Table is for the purpose of information disclosure and not for tax matters.

(VI) The name of the managerial officer in charge of the distribution of employee remuneration and the status of the distribution

March 31, 2022 Unit: NT\$Thousand

	Job title (Note 1)	Name (Note 1)	Stock	Cash	Total	Total as a percentage of net income (%)
Managers	General Manager	Lidon Chen	-	20,815	20,815	1.76
	Vice General Manager of Operations	Nester Huang				
	Vice General Manager of Finance	Eve Yang				
	Vice President	Po-Wen Hsiao				
	Vice General Manager of Operations	Che-Pin Tseng				

Note 1: Names and titles can be disclosed separately and the profit distribution can be summarized in an aggregate amount. Executive Vice President Vincent Tsai retired on April 15, 2021.

Note 2: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the executive managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year. The net income after tax refers to the number in the standalone financial report.

Note 3: The applicability for managers is based on Document No. 0920001301 of Tai-Cai-Zheng-San-Zi No. announced by the Financial Supervisory Commission on March 27, 2003.

(1) General manager and the equivalent position levels (2) Assistant general manager and the equivalent position levels (3) Department directors and the equivalent position levels (4) Head of the Finance Department (5) Head of the Accounting Department (6) Other people who manage matters for and sign on behalf of the Company.

Note 4: For the directors, general manager and assistant general managers who receive employee remuneration (including stocks and cash), this Table will be filled out.

(VII) Analysis of the total remuneration paid, as a percentage of net income in the standalone financial report, to the Company's board directors, supervisors, the general manager and assistant general managers during the most recent two years by the Company and all companies included in consolidated statements

Unit: NTD in thousands; %

Year	Items	Total compensation for directors		Total compensation for President and vice presidents		Total compensation		Proportion of total amount out of net income from the standalone financial report	
		The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
2020		16,300	16,300	43,551	43,551	59,851	59,851	8.75	8.75
2021		18,255	18,255	74,224	74,224	92,479	92,479	7.80	7.80

The remuneration policies, standards and packages, the procedure for determining remuneration and its linkage to the Company's operating performance and future risks:

-
1. Remuneration payment policy for the Company's directors: According to the Company Charter Article 23, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director and supervisor remuneration. However, profits must first be taken to offset against cumulative losses, if any.
Employee remuneration, as mentioned above, can be paid in cash or in shares. Qualified employees of subsidiaries are also included in the payment.
Current year profit situation as mentioned in the first paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and director and supervisor remuneration.
The distribution of employee and director and supervisor remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
 2. Standards and packages, procedures for determining remuneration: The Company's general manager and vice general managers' compensation shall be resolved by the Board of Directors according to Article 29 of the Company Act. According to Article 23-1 of the Company Charter, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
 3. Relevance to operating performance and future risks: In 2021, the Company improved production efficiency, capacity utilization, and product gross profit margin. Therefore, the net profit after tax in 2021 increased over 2020. According to the Company Charter, the Company shall distribute not more than 2% of the current year's profit situation for director remuneration. The proportion distributed by the Company is reasonable, in accordance to the Charter.

IV. Implementation status of corporate governance

(I) Operation of the Board of Directors

The Board of Directors met nine times in 2021 and the attendance of directors was as follows.

Job title	Name	Actual Attendance in Person (B)	Number of proxy attendants	Actual Attendance in Person (%), (B/A)	Note
Chairperson	Cheng-Hsiang Chen	9	0	100	Chairperson Michael Tsai retired on March 18, 2021 and was replaced by Chairperson Cheng-Hsiang Chen on the same day.
Director	Fushuo Investment Co., Ltd. Representative: Michael Tsai	-	-	-	
Director	Fushuo Investment Co., Ltd. Representative: Martin Chu	9	3	67	Reassigned by Fu Shuo Investment Co., Ltd. on November 4, 2020
Director	Lidon Chen	9	9	100	
Director	Chao-Yi Wu	9	8	89	
Independent Director	Yu-Chiun Wu	8	8	100	Yu-Chiun Wu resigned on September 6, 2021 for personal reasons.
Independent Director	Hsin Chen	1	1	100	Mr. Hsin Chen passed away on March 13, 2021
Independent Director	WANG, WEI-CHEN	3	3	100	
Independent Director	CHENG, HUAN-KUEI	3	3	100	

Other matters that shall be recorded:

I. If the Board of Directors operations encounter any of the following situations, it shall state clearly the Board meeting date, term, proposal content, all of the independent directors' opinion, and the Company's handling of the opinion of the independent director:

1. Items listed in Article 14-3 of the Securities and Exchange Act:

Meeting date	Content of proposal	Opinion of Independent Director	Company's handling of the opinion of the independent director	Resolution outcome
2021/03/15 (2nd time in 2021)	(1) Rules of distribution of quarterly bonuses for managerial officers	Approved by all directors	Not applicable.	Approved
	(2) The Company proposed to raise and issue its third domestic unsecured convertible corporate bonds			
	(3) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD.			
2021/08/04 (8th time in 2021)	(1) Acquisition of marketable securities	Approved by all directors	Not applicable.	Approved
	(2) Acquisition of right-of-use assets in the Tongke section of the Tongluo Science Park			
2021/11/3 (9th time in 2021)	(1) Acquisition of marketable securities	Approved by all directors	Not applicable.	Approved
	(2) Acquisition of marketable securities			
	(3) Remuneration for directors, supervisors and managerial officers of subsidiaries			

2. Besides the above mentioned items, other resolution/s passed by the Board which an independent director expresses objections or reservation of opinion that has been included in records or prepared as a written declaration:

Meeting date	Content of proposal	Opinion of Independent Director	Company's handling of the opinion of the independent director	Resolution outcome
2021/02/03 (1st time in 2021)	The Company proposed to implement the 27 th repurchase of treasury stocks	1. The Company's financial position and liquidity funds should be considered when implementing treasury stocks repurchase. 2. The Company shall propose a specific plan to attract talents for its long-term development plan. 3. If it is urgent, the 3,000,000 shares in the previous	Respect the opinion of Independent Director	Approved

			proposal can be considered. 4. If the proposal still needs to be passed, it is recommended to delete "Part-time employees and consultants" and the related content in Article 4 of the transfer measures to reduce disputes.		
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II. When there is avoidance of conflicts of interest by a director, state the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director: At the Board meeting on March 15, 2021: (1) The rules of distribution of quarterly bonuses for managerial officers were approved by the Board of Directors, except for the directors, Lidon Chen and Eve Yang, who did not participate in the discussion and voted on the proposal due to conflict of interest and the proposal was passed as presented.

III. Self-assessment by the Board of Directors, its evaluation cycle, scope of assessment, method, and assessment contents:
 Evaluation cycle and duration: The Company shall hold the Board of Directors performance evaluation at least once a year, current year performance evaluation shall be carried out at the end of the year as the evaluation cycle based on the evaluation procedures and indicator. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.
 Scope of assessment, method: The scope of the Company's Board of Directors' performance evaluation includes performance evaluation for overall Board of Directors, and individual board members. Methods can be internal self-assessment by the board, self-evaluation by board members or other appropriate methods to conduct performance evaluation.
 Evaluation contents:
 (1) Board performance evaluation: Includes the level of participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.
 (2) Individual board member performance evaluation: Includes the alignment of the goals and missions of the Company, awareness of the duties of a director, level of participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.

IV. Targets and implementation status evaluation of strengthening the functional competence of the Board of Directors in current year and the most recent fiscal year:
 The Company currently has three independent directors out of seven directors. The number of independent directors stands at two-fifths of the overall number of directors.
 The Company's Chairperson does not hold concurrent manager-level position of the company.
 The Company's Board of Directors authorized the Audit Committee and Remuneration Committee under it, to support the Board to implement its duties for monitoring. Each committee regularly reports to the Board on other activities and resolutions, supporting the Board in decision-making with its professionalism under this work dividing arrangement and its independent position.

(II) Implementation of 2021 Board of Directors' performance evaluation

Evaluation cycle	Assessment duration	Scope of assessment	Assessment methods	Assessment contents	Assessment result
Conduct once a year	2021/01/01-2021/12/31	Board of Directors as a whole	Internal self-evaluation of the Board of Directors	Board performance evaluation: Includes the level of participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.	Self-evaluation by the board: An average score of 4.97, the result is considered excellent, in line with the corporate governance requirements.
	2021/01/01-2021/12/31	Each individual director	Self-evaluation of directors	Individual board member performance evaluation: Includes the alignment of the goals and missions of the Company, awareness of the duties of a director, level of participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.	Self-evaluation by the Board members (self- or peer-evaluation): An average score of 4.9, the result is considered excellent, in line with the corporate governance requirements.
	2021/01/01-2021/12/31	Each functional committee	Self-evaluation of committee member	Functional committee performance appraisal: The participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and internal control.	1. Self-evaluation of the Audit Committee: An average of 5. 2. Self-evaluation of Remuneration Committee: An average of 4.98. The results are considered excellent, in line with corporate governance requirements.

Conduct once every 3 years	2021/01/01~2021/12/31	Board of Directors	Appointment of external professional institution to evaluate	<ol style="list-style-type: none"> 1. Professional competencies of the Board of Directors (composition and structure of the Board, election of directors and continuing education). 2. Effectiveness of the Board of Directors' decision making (participation in the operation of the Company, improvement of the quality of the Board of Directors' decision making). 3. The importance that the Board places on internal control and monitoring 4. Attitude of the Board of Directors towards corporate responsibility. 	Board of Directors' professional competencies: (4.78 points); effectiveness of decision making (4.89 points); supervision of internal control (4.94 points); and attitude toward sustainable development (4.94 points), with Board members reaching above the industry average on the above components.
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(III) Operations of the Audit Committee

The 2nd Audit Committee held meetings 2 times (A) in 2021, and the attendance of independent directors is shown as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Actual rate of attendants (%) [B/A]	Note
Independent Director	Yu-Chiun Wu	2	0	100	
Independent Director	WANG, WEI-CHEN	2	0	100	
Independent Director	CHENG, HUAN-KUEI	2	0	100	

Other matters that shall be recorded:

I. If the Audit Committee operations encounter any of the following situations, it shall state clearly the Audit Committee meeting date, term, proposal content, resolution results of the Audit Committee meeting, and the Company's handling of the opinion of the Audit Committee:

1. Items listed in Article 14-5 of the Securities and Exchange Act:

Meeting date	Content of proposal	Opinion of Independent Director	Company's handling of the opinion of the independent director	Resolution outcome
2021/08/04	(1) Acquisition of marketable securities	Approved by all committee members	Not applicable.	Approved
2021/11/3	(1) Acquisition of right-of-use assets in the Tongke section of the Tongluo Science Park (2) Acquisition of marketable securities			

2. Besides the abovementioned items, resolutions that are passed by more than two-thirds of all of the directors but not passed by the Audit Committee: None of such situations.

II. For the recusal of independent directors due to conflicts of interests, please describe the name of the independent director, the proposal content, the reason for recusal and the participation in voting: There have been no occurrences of situations for the recusal of independent directors due to conflicts of interests, therefore, not applicable.

III. Communications situations among independent directors, internal audit officer and accountant (including communications on the company finance and business situation, the major events, method and results):

1. Important highlights of the communications between independent directors and internal audit officer

Date	Important highlights of the communications
2021/03/15	(1) Audit items and deficiency tracking improvement status report. (2) The Company's 2020 Internal Control System Validity Evaluation and Declaration of Internal Control System.
2021/08/04	Audit items and deficiency tracking improvement status report.
2021/11/03	Audit items and deficiency tracking improvement status report.
The Company's internal audit officer communicates the auditor's report results with the audit committee, and reports to the audit committee at the quarterly meetings. If special circumstances arise, the internal audit officer will report to the audit committee immediately. There are no occurrences of special circumstances in the year of 2021. Communications between the Company's Audit Committee and the Internal audit officer have been well.	

2. Important highlights of the communications between independent directors and accountant

Date	Important highlights of the communications
2021/03/15	The CPAs expressed opinions of the review results for the Company's 2020 Consolidated/Stand-alone Financial Statements, and discussed them with the independent directors.
2021/11/03	The CPAs expressed opinions of the review results for the Company's 2021 Quarter 3 Consolidated Financial Statements, and discussed them with the independent directors.
The Company's certified public accountants (CPA) will report the audit or review results of the current quarter's financial statement during the Audit Committee's quarterly meetings, and other communications items of requirements by related laws and regulations. If special circumstances arise, the CPA will report to the Audit Committee immediately. There are no occurrences of the abovementioned special circumstances for the year of 2021. Communications between the Company's Audit Committee and CPA have been well.	

(IV) Composition, job duties of Remuneration Committee and implementation status:

1. Information of the members of the Remuneration Committee

Identity	Criteria Name	Having more than 5 years' work experience and professional qualifications listed below			Compliance of independence (Note)										Number of listed companies that the members of the Remuneration Committee concurrently serve in	Note Note
		Lecturer (or above) of commerce, law and finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the Company's operations	1	2	3	4	5	6	7	8	9	10		
Independent Director	Yu-Chiun Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	WANG, WEI-CHEN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independent Director	CHENG, HUAN-KUEI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Others	Chi-Jen Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note: A "✓" is placed in the box if the members met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the company or any of its affiliates (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).
- (5) Not directly owning 5% or more of the Company's total issued shares or one of the top five shareholders in terms of the number of shares owned, and not a director, supervisor or employee of a corporate shareholder who is designated as the Company's director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with this regulations or with the laws of the country of the parent company or subsidiary.)
- (6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, general manager or equivalent position, or a spouse of these personnel, of the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)
- (8) A director, supervisor, manager or a shareholder with over 5% ownership of a company or institution which does not have financial or business dealings with the Company (The same does not apply, however, in cases where the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with this regulations or with the laws of the country of the parent company or subsidiary.)
- (9) Not a professional individual or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NT\$500,000 in accumulated remuneration over the most recent two years, to the company or to any affiliate of the company or a spouse thereof. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

2. Information on the operational status of the Remuneration Committee

(1) The Remuneration Committee has 3 members, and there are 3 incumbents as of the publication date of the annual report.

(2) The term of the current members: From May 6, 2020 to May 5, 2023. The Remuneration Committee convened 4 meetings in 2021 (A). The qualifications and attendance of the members are as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Actual rate of attendants (%) [B/A]	Note
Convener	CHENG, HUAN-KUEI	1	0	100%	Elected on July 5, 2021 and has been the convener of the Remuneration Committee since November 3, 2021
Convener	Yu-Chiun Wu	3	0	100%	Resigned on September 6, 2021
Committee member	Chi-Jen Chou	4	0	100%	
Committee member	WANG, WEI-CHEN	1	0	100%	Elected on July 5, 2021

Other matters that shall be recorded:

- I. If the board of directors does not adopt or revise the suggestions of the Remuneration Committee, the date, session, content of proposals, resolutions of the board of directors and the Company's handling of the opinions of the Remuneration Committee shall be stated (If the salary and remuneration approved by the Board of Directors is more than the recommended amount by the Remuneration Committee, explanation for the differences and reason are expected): None of such situations.
- II. The resolved matters by the Remuneration Committee about which a member expresses an objection or reservation that has been included in records or stated in writing shall state the date, session, content of proposals, all of the members' opinions and the handling of the opinions of the members: There have been no situations of objections or reservation of opinions by the committee members for each of the discussion.
- III. Proposals and resolution outcome of the Remuneration Committee meeting, and handling of the committee members' opinion by the company:

Meeting date	Term	Content of proposal	Committee members' opinions	Company's handling of the members' opinions	Resolution outcome
2021/3/15	6 th meeting of the 5 th term	1. Items and amount of remuneration paid to the new Vice Chairperson and Chief Strategy Officer and Chief Investment Officer of the subsidiary (Miracle Technology). 2. Rules of distribution of quarterly bonuses for managerial officers. 3. Distribution of employees and directors' remuneration for 2020. 4. The 27 th transfer of the Company's repurchased shares to managerial officers.	Approved by all committee members	Not applicable.	Approved
2021/5/5	7 th meeting of the 5 th term	1. Items and amount of remuneration paid to the new vice president of TMC. 2. Items and amount of remuneration paid to the new president of the subsidiary Xsense Technology Corporation. 3. Items and amount of remuneration paid to the vice chairperson of subsidiary Aptos Technology INC..	Approved by all committee members	Not applicable.	Approved
2021/7/5	8 th meeting of the 5 th term	1. Distribution of employee remuneration for managers 2020. 2. 2020 distribution of directors' remuneration.	Approved by all committee members	Not applicable.	Approved
2021/11/3	9 th meeting	1. Remuneration for directors, supervisors and managerial officers of the new subsidiaries,	Approved by all	Not applicable.	Approved

		of the 5 th term	Xsense Technology Corporation and DIGITAL-CAN TECH. CO., LTD. 2.Items and amount of remuneration paid to president Bing-Ming Du of subsidiary DIGITAL-CAN TECH. CO., LTD.	committee members			
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(3) Duty of the Salary and Compensation Committee

According to the Company’s Remuneration Committee Foundation Principles, the Committee shall have the loyalty and shall exercise the due care of a good administrator in conducting the following job responsibilities as listed in the Foundation Principles and submit the suggestions to the board of directors for discussion:

- (1) Establish and conduct regular review of directors’ and managers’ performance assessment and compensation policies, systems, standards and structures.
- (2) Conduct regular assessment of compensation for the Company’s directors and managers.

The committee member shall carry out the aforesaid duty based on the following principles:

- (1) The performance evaluation of the directors and managers and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company’s operations performance and future risks.
- (2) Shall not lead directors and managers to pursue salary and compensation, engaging in risky conducts that outstrip the company’s capacity to handle.
- (3) The bonus proportion of short-term performance for directors and senior level managers and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company’s business.

The remuneration in the above two subparagraphs, includes cash remuneration, stock warrants, employee stock bonus, retirement scheme or post-employment benefit, various allowance and other measures with substantial incentives; its scope shall be consistent with the directors and managers remunerations as mentioned in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

The Board of Directors will not adopt or revise the suggestions by this Committee, it shall be passed by the consent of more than half of the attending directors with more than two-thirds of all directors attending the meeting, and will, during the resolution, provide specific explanation of the remuneration proposal whether it is or it is not more than the amount as suggested by this committee based on overall consideration of the aforesaid items.

If the remuneration that the Board has passed is more than the amount suggested by this Committee, in addition to including the reasons for differences in records, the Company shall submit this information to the website designated by the competent authority within two days from the day the remuneration is passed.

For subsidiaries of the Company, based on its division of responsibilities, any matters to be resolved that require a decision by the Board of Directors, shall first be sent to this Committee for suggestions, followed by submission to the Board of Directors for discussion.

(V) The succession planning for the board members and important management executives

In response to the Group's development needs, it is necessary to recruit and nurture key talents immediately; in this regard, the Company has been continuously nurturing successors. In the succession planning, the successor must possess the common values of Integrity, Prompt Decision Making and Agility, Teamwork and Collaboration with customers, and Customer loyalty. The Company leverages the regular meetings with the managers of various departments convened by the president. Each department will report on its operations status and describe its short, medium term objective execution plan, and to find a common ground in order to achieve the targets set by the company. The Company also organizes production and sales meetings on a weekly basis convened by senior management, during which sales and related information, production line operations status, raw materials preparation status of the customer demands will be reported, so that decisions are made quickly through effective communications and discussions. In addition, the Company will organize educational training for senior management from time to time, so as to enhance the professional capabilities in management, professionalism and decision-making. In addition, the Company also actively builds an attractive and growth-oriented environment for all kinds of talents.

Succession planning for board members is due to the fact that the overall operations management is becoming more complex as the Group's operations are growing on a daily basis. The Board of Directors considers the requirements of the Group's long-term business development, invites industrial representatives with great work and education experience and moral character as the Company's director. Each of the directors is familiar with corporate governance, and each has their expertise area which can continue to provide the company operator management strategies and corporate governance advices, effectively monitors the company's management and operations outcomes. Directors attended timely training for related laws and regulations to fulfill the duties of the Board.

(VI) Continuing education of the directors and managers in the recent fiscal year

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Begin	End			
Chairperson	Cheng-Hsiang Chen	2021/10/27	2021/10/27	Securities and Futures Institute, R.O.C.	Briefing on Legal Compliance for Insiders	3
		2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3
Director and President	Lidon Chen	2021/05/07	2021/05/07	Securities and Futures Institute, R.O.C.	2021 Seminar on Prevention of Insider Trading	3
		2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3
Representative of legal entity director	Martin Chu	2022/01/14	2022/01/14	Accounting Research and Development Foundation	Analysis of Financial Misstatement Cases and How to See the Key Information in Financial Statements	3
		2020/09/08	2020/09/08	Accounting Research and Development Foundation	Legal Liability and Case Analysis of Dispute over Management Rights	3
Director	Chao-Yi Wu	2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3
		2021/11/09	2021/11/09	Securities and Futures Institute, R.O.C.	2021 Seminar on Prevention of Insider Trading	3
Independent Director	Yu-Chiun Wu	2021/05/04	2021/05/04	Taiwan Securities Association	Anti-Money Laundering and Counter-Terrorism Financing Practices and Cases	3
		2021/08/03	2021/08/03	Taiwan Securities Association	Information Security and Challenges and Countermeasures	3

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Begin	End			
Independent Director	WANG, WEI-CHEN	2021/04/14	2021/04/14	National Federation of CPA Associations of ROC	Questions and Answers on Profit-Seeking Enterprise Income Tax Returns	7
		2021/07/16	2021/07/16	National Federation of CPA Associations of ROC	Equity Interests Planning	3
		2021/09/07	2021/09/07	National Federation of CPA Associations of ROC	A New Chapter of Virtual Currency and Money Laundering Prevention	3
		2021/10/05	2021/10/05	National Federation of CPA Associations of ROC	Tax Planning for the Inheritance of Trust Assets	3
		2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3
		2021/12/16	2021/12/16	Taiwan Corporate Governance Association	ESG Investment and Financing for Corporate Sustainability Transformation	3
Independent Director	CHENG, HUAN-KUEI	2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3
		2021/11/09	2021/11/09	Taiwan Corporate Governance Association	How the Audit Committee Supervises the Effectiveness of Internal Control	3
		2021/12/22	2021/12/22	Taiwan Corporate Governance Association	ESG Investment and Financing for Corporate Sustainability Transformation	3

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Begin	End			
Vice President of Finance & Corporate Governance Officer	Eve Yang	2021/05/07	2021/05/07	Securities and Futures Institute, R.O.C.	2021 Seminar on Prevention of Insider Trading	3
		2021/05/28	2021/05/28	TIRI Taiwan Investor Relations Institute	Media Communication and Crisis Management Strategies	3
		2021/06/18	2021/06/18	TIRI Taiwan Investor Relations Institute	Corporate Information Warfare: Practical Analysis of Business Secrets Attack and Defense	3
		2021/11/03	2021/11/03	Securities and Futures Institute, R.O.C.	Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Executives ~ M&A Trends and Investment Holding Company Development in Taiwan	3

(VII) Status of corporate governance implementation and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Companies and the reasons

Assessment items	Operational status		Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons	
	Yes	no		Description
I. Does the Company stipulate and disclose the corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has adopted corporate governance best practice principles approved by the Board of Directors, and disclosed on the company’s website.	No significant differences
II. The shareholding structure of the Company and shareholders' rights and interests	V		(I) The Company has a spokesperson who can handle the suggestions, questions and disputes of shareholders. If there are any dispute matters, the Company’s legal team will take over for handling.	No significant differences
(II) Does the company stipulate internal operating procedures to process matters in regard to the shareholders’ recommendations, doubts, disputes and litigation, and conduct implementation based on these procedures?	V		(II) For a shareholding situation whereby there are directors, managers and main shareholders with over 10% shareholding, such information will be submitted and disclosed on the website of Market Observation Post System in a timely fashion according to legal requirements.	
(II) Does the Company have a list of major shareholders who actually control the company and a list of shareholders who ultimately control these major shareholders?	V		(III) The Company has formulated monitoring and governance procedures for subsidiaries, procedures for lending capital and endorsements/guarantees, asset acquisition and disposal procedures and so on related internal procedures, so as to establish appropriate risk management control and firewall. Audit personnel regularly monitor the implementation status.	
(III) Does the Company create and implement risk control and firewall mechanisms with its affiliates?	V		(IV) The Company has formulated Procedures for Handling Material Inside Information and policies to prevent insider trading.	
(IV) Does the Company stipulate internal regulations that prohibit insiders from buying and selling securities with the unpublished information on the market?	V			

<p>III. Composition and responsibilities of the board of directors</p>	<p>V</p>	<p>(I) The Company had re-elected directors at the 2020 shareholders' meeting. The Company's Board of Directors consists of seven members (including three independent directors), expertise covering industrial and finance, accounting. The Company has formulated a diversification policy for the composition of the board and has implemented accordingly, refer to Article 20 of the Company's Corporate Governance Code of Conduct for the diversification policy, which has been disclosed on the Company's website simultaneously.</p>	<p>No significant differences</p>
<p>(I) Does the board of directors stipulate and implement a diverse policy regarding the composition of the board members?</p>	<p>V</p>	<p>There are a total of seven members (including three independent directors) for the Company's 12th Boards of Directors members, expertise covering industrial and finance, accounting and business, fulfilling the diversification of Board members. Cheng-Hsiang Chen, Lidon Chen, Martin Chu, Chao-Yi Wu, all of whom are skilled in leadership, business judgment, management, crisis management, and have industry knowledge and international market perspectives; Yu-Chiun Wu, a former director of the Securities and Futures Commission, specializing in administrative management and financial affairs; Wei-Chen Wang, a certified public accountant with extensive experience in industry, accounting and finance; Huan-Kuei Cheng, a former university professor and director and supervisor of the National Chung-Shan Institute of Science and Technology with experience in industry and academia.</p>	
<p>(II) Other than the establishment of a Remuneration Committee and Audit Committee which are required by law, does the Company plan to set up other functional committees?</p>	<p>V</p>	<p>The specific management objectives of the diversity policy and the current status of achievement: The Board of Directors of the Company conducted a by-election of two independent directors at the regular shareholders' meeting on July 5, 2021, and the current Board members are younger and more diverse.</p>	
<p>(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors' salary and nomination of reappointment?</p>	<p>V</p>	<p>(II) Besides the establishment of a Remuneration Committee and Audit Committee, the Company will establish other functional committees in the future based on the considerations of the company's operational requirements.</p>	
<p>(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors' salary and nomination of reappointment?</p>	<p>V</p>	<p>(III) The Company had already on March 20, 2019 formulated procedures for Board of Directors performance evaluation, and at the end of each year, hold the Board of Directors performance evaluation for the current year based on the evaluation procedures and indicators as written in the rules. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.</p> <p>The Company shall consider the company situation and requirements to formulate the measurement items of the board of directors performance evaluation, and shall cover the following five aspects:</p> <ol style="list-style-type: none"> I. Level of participation in business operations of the Company. II. Improve the decision-making quality of the board of directors. III. Composition and structure of the board of directors. IV. Election and continuing education of the directors. V. Internal control. <p>Measurement items of the directors' performance assessment to include six major aspects as below:</p> <ol style="list-style-type: none"> I. Understand the objectives and mission of the Company. II. Understanding of directors' job responsibilities. 	

<p>(IV) Does the company regularly evaluate its certified public accountant's independence?</p>	<p>V</p>	<p>III. Level of participation in business operations of the Company. IV. Internal relationship management and communication. V. Professionalism and continuous education of directors. VI. Internal control.</p> <p>At the end of each fiscal year, the executing unit shall collect related information for the board of directors, individual board members, and distribute the "Internal self evaluation survey for board of directors" and "Self evaluation survey for board member" to fill in. Lastly, after the executing unit collects the information, shall assign ratings based on the evaluation indicators, include the evaluation results in records and submit a report to the board of directors.</p> <p>The Company had completed 2021 Board of Directors performance evaluation at the beginning of 2022, and had reported the evaluation results to the Board meeting on March 15, 2022. The results will be used as a reference for individual director's remuneration and nomination/reappointment later. In addition to the self-evaluation, an external professional organization was appointed to evaluate the performance of the Board of Directors in 2021, and the evaluation result was excellent and met the requirements of corporate governance.</p> <p>(IV) The company regularly conducts a review of the CPA's independence based on Certified Public Accountant Act and The Norm of Professional Ethics for Certified Public Accountant.</p> <p>The Company conducts review of the CPA's independence and competency at least once a year against indicators for accounting firms, requesting CPAs and the firm that he/she works for to provide related information and declarations. The assessment is carried out by the Company's finance unit, assessment results for 2021 were reported to the Audit Committee on November 3, 2021, and submitted to the Board of Directors for deliberation on the same day.</p>																																											
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		5	The independence of accountants is not affected by self-interest, self-assessment, defense, familiarity and coercion.	V			
		6	Independence being affected by self-interest means obtaining financial benefits through the Company, or conflicts of interest with the Company due to other interest relationships. No circumstances shown as follows: (6.1~6.6 below)				
		6.1	Have a direct or significant indirect financial interest relationship with the Company.	V			
		6.2	Have financing or guarantee activities with the Company or its directors and supervisors.	V			
		6.3	Consider the possibility of losing the Company as a client.	V			
		6.4	Have a close business relationship with the Company.	V			
		6.5	There is a potential employment relationship with the Company.	V			
		6.6	Contingent fees related to the Company's audit case.	V			
		7	In terms of the independence being affected by self-assessment, reports or judgments made by accountants in non-audit service cases are used as an important basis for audit conclusions in the process of auditing or reviewing financial information; or that members of the audit service team have served as the Company's directors and supervisors, or may hold positions that directly and significantly influence the audit. No circumstances shown as follows: (7.1~7.2 below)				
		7.1	Members of the audit service team are currently serving or have served in the last two years as the Company's directors, supervisors or managers, or the positions that directly and significantly influence the audit.	V			
		7.2	The non-audit services provided to the Company directly affect the key matters of audit.	V			
		8	Independence being affected by defense refers to that members of the audit service team become the defenders of the audit client's position or opinions, causing their objectivity to be questioned. No circumstances shown as follows: (8.1~8.2 below)				
		8.1	Promote or mediate the trading of stocks or other securities issued by the Company.	V			
		8.2	The accountant has acted as counsel of the Company or represented the Company in coordinating matters relating to conflicts with a third party.	V			
		9	Independence being affected by familiarity refers to the close relationship with the board of directors, supervisors, and managers of the Company, which makes accountants or audit service team members overly concerned with or sympathetic to the interests of audit clients. No circumstances shown as follows: (9.1~9.3 below)				
		9.1	Have a family relationship with the Company's directors, supervisors, managers, or persons who have significant influence on the audit.	V			
		9.2	A certified public accountant from the joint CPA firm, within one year after retirement, serves as the Company's director, supervisor, manager or position that has a significant influence on the audit.	V			
		9.3	Accept valuable gifts or gratuity from the Company or its directors, supervisors, and managers.	V			
		10	The impact of coercion on independence refers to that the members of the audit service team bear or feel intimidation from the Company that prevents them from maintaining objectivity and clarifying professional suspicions. No circumstances shown as follows: (10.1~10.2 below)				
		10.1	Accountants are requested to accept improper choices made by the management in accounting policies or improper disclosures in financial statements.	V			
		10.2	In order to lower audit expenses, pressure is applied on accountants to improperly reduce the audit work that should be performed.	V			

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<p data-bbox="78 1077 651 1246">IV. Does the listed or OTC company have qualified and suitable number of corporate governance personnel, and does the company appoint a corporate governance officer</p> <p data-bbox="78 1251 651 1482">to be responsible for matters regarding corporate governance (including but not limited to providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and preparing meeting minutes for the board of</p>	V	<p data-bbox="725 1077 1933 1177">The Company currently has established internal units to handle meeting related matters for the Board of Directors and shareholder's meetings, to process company registration and registration of alteration, prepare meeting minutes for Board of Directors' and shareholders' meetings.</p> <p data-bbox="725 1182 1933 1482">The Company's vice president of finance is concurrently responsible for corporate governance-related issues in order to protect shareholders' rights and interests and strengthen the functions of the board. Vice President of Finance Ms. Eve Yang has several years of experience in accounting and other managerial work in publicly traded companies, and she also adheres to the philosophy of corporate governance and continues to carry out tasks required for the position. The main duties of the Company's corporate governance personnel consist of providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and handling related matters for the board of directors meeting and shareholders meeting according to the laws and regulations, and so on.</p>	<p data-bbox="1933 1114 2152 1177">No significant differences</p>																																								

<p>directors meeting, shareholders meeting and so on)?</p>		<p>2021 Business implementation status:</p> <ol style="list-style-type: none"> 1. Assists independent directors and directors to implement business operations, provides necessary information and arranges continuous learning for directors: <ol style="list-style-type: none"> (1) Regularly notifies the Board members on the latest revisions to laws and regulations and its development relating to the company's area of operations and corporate governance. (2) Monitors the confidential level of related information and provides the directors the required company information, maintaining communications among directors and every business head ensuring smooth exchanges. (3) Assists independent directors and directors to formulate annual continuing education plans and course arrangements according to the company's industrial characteristics and the director's experiences and background. 2. Assists in the procedures for meetings of Board of Directors and Shareholders and resolutions matters, in compliance to laws and regulations: <ol style="list-style-type: none"> (1) Reports to the Board of Directors, independent directors, Audit Committee on corporate governance implementation status, confirms whether the Shareholders meeting and Board of Directors meetings are convened according to the laws and regulations and the corporate governance best practice principles. (2) Assists in reminding directors the related laws and regulations for executing businesses or for making official resolutions to the Board of Directors. (3) Responsible for checking on matters relating to announcing material information of important resolutions by the Board of Directors to ensure the legality and accuracy of the material information in guaranteeing fairness on investors trading information. 3. Maintaining investor relationships: Make arrangements for directors and major shareholders, institutional investors or general shareholders for exchanges and communications when the need arises, to ensure investors obtain sufficient information to assess and decide the reasonableness of the corporate capital market value, so as to allow shareholders rights and interests are well maintained. 4. Informing directors of the formulated Board meeting agenda seven days prior to the meeting, convening board meetings and providing meeting information, providing reminders beforehand where recusal of directors due to conflicts of interests is required for any topic discussion, and to complete board meeting records within 20 days of the meeting. 5. Registering the date of shareholders meeting in prior according to the laws and regulations, preparing meeting notice, meeting handout, and meeting records within the legal deadline, and carry out registration matters relating to revisions to Charter or re-election of directors. <p>Continuing education status for 2021: Vice President of Finance Ms. Eve Yang completed an 12-hour professional training course on corporate governance in 2021. Please refer to "Continuing education of the directors and managers in the recent fiscal year" for details.</p>	
<p>V. Has the Company established communication channels with stakeholders (including, but</p>	<p>V</p>	<p>The Company has created a website as a communications channel with the stakeholders, to provide contact methods and a designated section for stakeholders has been created, making appropriate</p>	<p>No significant differences</p>

<p>not limited to, shareholders, employees, customers and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to sustainable development issues that stakeholders consider important?</p>		<p>responses to important sustainable development issues that are of concerns to the stakeholders.</p> <p>1. Types of stakeholders The Company’s definition of stakeholder is “Internal and external groups or individuals who can exert influences to TMC or are subject to influence by photomask companies.” Based on this definition, the stakeholders of the Company include shareholders, investors, employees, customers, suppliers, and governance agencies and so on.</p> <p>2. Topics of concerns by stakeholders After the identification of the stakeholders, various communications channels are set-up in accordance to their influences on the Company and their areas of concern. Through the well-established communications channels by the Company’s responsible units, corporate governance, economic, environment and social topics as concerned by the stakeholders are compiled. The key influences to the Company’s sustainable development as defined by the assessment of major topics of concern are “Business ethics and business integrity,” “Reducing operations impacts to the environment,” “Improving customer service satisfaction” and “Social welfare and caring.”</p> <p>3. Communication channels with stakeholders</p> <table border="1" data-bbox="730 655 1536 1313"> <thead> <tr> <th>Contact channels</th> <th>Contact method</th> </tr> </thead> <tbody> <tr> <td>Relationship of shareholder and investor</td> <td>Company Spokesperson: Vice President Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw</td> </tr> <tr> <td>Dedicated Customer Service Section</td> <td>Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw</td> </tr> <tr> <td>Supplier service section</td> <td>Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw</td> </tr> <tr> <td>Employee relationship</td> <td>Employee relationship contact - Vice Division Head Ya-Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw</td> </tr> </tbody> </table>	Contact channels	Contact method	Relationship of shareholder and investor	Company Spokesperson: Vice President Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw	Dedicated Customer Service Section	Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw	Supplier service section	Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw	Employee relationship	Employee relationship contact - Vice Division Head Ya-Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw	
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<p>VI. Does the Company entrust a professional shareholder services agency to conduct matters regarding the shareholders meeting?</p>	<p>V</p>	<p>The Company has appointed Grand Fortune Securities to handle the Company’s shareholders meeting matters.</p>	<p>No significant differences</p>										

<p>VII. Information disclosure</p> <p>(I) Does the Company create a website to disclose information regarding its finance, business operations and corporate governance?</p> <p>(II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company's information, implementing the spokesperson system, and uploading videos of the investor conferences on the company's website)?</p> <p>(III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The Company's website has a dedicated page to disclose information regarding its finance, business operations and corporate governance.</p> <p>(II) The Company has designated a personnel responsible for disclosing related information on the Market Observation Post System website on a regular basis and from time to time, has continued to monitor various outside reports and information and established the spokesperson system, all of the above based on the regulations of the Taiwan Stock Exchange. The company website is updated based on the investor conference processes.</p> <p>(III) The Company has not yet announced and reported its annual financial statements within two months after the end of the fiscal year, and the first, second and third quarterly financial statements and monthly operations are announced earlier than the deadline.</p>	<p>There are no significant differences with the other matters except this part where the company has not yet published and reported its annual financial report within two months after the end of the fiscal year at this moment.</p>
<p>VIII. Does the Company have other important information that can help people to understand the operations of corporate governance (including but not limited to the employees' rights, employee care, Investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the Company and so on)?</p>	<p>V</p>	<p>(I) Status of employee rights and caring for employees: Please refer to the annual report section on "Labor relations information."</p> <p>(II) Status of rights and interests of the relationships with the investors, suppliers and stakeholders: Please refer to this annual report for the section on "Fulfillment of sustainable development" and the Company's website on the "page dedicated to the stakeholders."</p> <p>(III) Status of continuing education for directors: Please refer to this annual report section on "Continuing education of the directors and managers."</p> <p>(IV) Status of risk management policy and risk measurement standards: Please refer to this annual report section on "Analysis and assessment of risks."</p> <p>(V) The company purchases liability insurance for all of the directors each year, and had on November 3, 2021 reported to the Board of Directors on the status of the insurance purchase for the most recent fiscal year.</p>	<p>No significant differences</p>
<p>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:</p> <p>The Company has undergone corporate governance evaluation in accordance with the regulations of the competent authorities. In the latest (7th) Taiwan Stock Exchange governance evaluation, the Company placed in the first 36%-50% of companies and has followed and gradually improved the corporate governance indicators issued by the Corporate Governance Center. It will review and prepare improvement plans for the items that have not yet met corporate governance standards.</p>			

(VIII) Fulfillment of sustainable development and differences from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons for discrepancies
The Company fulfills its sustainable development based on the following principles:

Implementation of corporate governance

The Company's Board of Directors shall exercise the duty of care as prudent managers to supervise the Company in fulfilling its sustainable development duties, and constantly reviewing performance to ensure ongoing improvement and sound execution of the sustainable development policy.

The Company's Board of Directors ensure fulfillment of sustainable development duties from the following aspects:

1. Incorporate sustainable development into the Company's operational activities and development direction, and approve specific plans for the promotion of sustainable development.
2. Propose a mission (or vision or value) for sustainable development and formulate policies or management guidelines for sustainable development.
3. Ensure that information related to sustainable development is disclosed in a timely and accurate manner.

Development of sustainable environment

The Company abides by the environmental related laws and regulations and by international standards and regulations, appropriately protects the natural environment, and executes its business activities upholding sustainable environment targets. The Company is committed to improving various resource utilization efficiency and the use of renewable materials with low environmental impact, so that the earth's resources can be utilized sustainably.

The Company considers impacts to ecology, promotes and educates consumers on sustainable consumption concepts, and carries out its operations activities such as R&D, production and service, in accordance to the following principles, to lower the impacts of company operations to the natural environment:

1. Reduce exhaustion of resources and energy in its products and services.
2. Reduce the release of pollutants, toxic and wastes, and shall carry out proper handling of wastes.
3. Increase recyclability and reusability of raw materials or products.
4. Optimize sustainable use of renewable resources to the maximum.
5. Extend the durability of products.
6. Increase efficacy of products and services.

In order to increase the utilization rate of water resources, the Company will appropriately handle sustainable utilization of water resources, shall avoid pollution of water, air and land from occurring; If it is unavoidable, shall consider cost-benefit efficiency and technology within its financial capability, adopts measures with the best possible pollution prevention and control technology asserting greatest efforts to reduce negative impacts to human health and environment.

The Company should monitor how climate change affects business activities and, based on current operations and greenhouse gas survey, develop energy/carbon reduction and greenhouse gas reduction strategies, incorporate carbon credit as part of the Company's carbon reduction strategies and enforce accordingly to reduce impacts of the company's business activities on the natural environment.

Promotion of social welfare

The Company complies with relevant laws and regulations and international human rights conventions, and does not endanger the basic rights of workers. The Company's human resource policy shall abide by basic labor rights protection principles, establish appropriate management methods and procedures.

The Company provides a working environment that is safe and healthy for labor, including necessary health and emergency facilities, and is committed to reducing harmful factors to the employees' safety and health, in order to prevent occupational hazards. At the same time, the Company should conduct regular educational training on safety and health to its employees, provide employees with a work environment that facilitates career development, and implement effective training programs to help develop the skills needed for career advancement.

The Company shall provide a transparent and effective consumer complaint procedures for its products and services, handling consumer appeals in a fair and timely manner, and shall abide by related laws and regulations to ensure respecting consumer privacy rights, protecting the personal information provided by the consumer.

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
	Yes	no	Description													
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors?	V		<p>II. The Company wants to ensure that the work environment is safe and that the employee rights are protected and respected, so as to fulfill sustainable development responsibilities, has engaged various functional departments to be responsible for management as assigned according to its business nature, which the managers will conduct reviews of the implementation results on a regular basis. Each operation meets the commitments made by the company. Promotion of sustainable development is executed by the Company's Group Environmental Safety Construction Division as a concurrent role, and has reported the implementation plans and results to the Board of Directors. The Company continues to drive sustainable development activities in the future.</p> <table border="1"> <thead> <tr> <th></th> <th>Members</th> <th>Work duties</th> </tr> </thead> <tbody> <tr> <td>Corporate governance</td> <td>Finance organization</td> <td>Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.</td> </tr> <tr> <td>Social welfare</td> <td>Finance organization</td> <td>The finance organization as the coordinating unit in conjunction with Taiwan Mask Charity Foundation, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.</td> </tr> <tr> <td>Environmental sustainability</td> <td>Operations organization II Operations organization I</td> <td>Production processes management of photomask. Maintenance of production equipment, improvements, planning of new factories. Manufacturing related work, including hazardous substances management, resources. Integrate and promote company environmental protection, pollution prevention, safety and health, resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. Research and development of photomask, fixing abnormality of manufacturing processes, photomask finished product quality assurance, research and development of new products; related testing and certification</td> </tr> </tbody> </table>		Members	Work duties	Corporate governance	Finance organization	Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.	Social welfare	Finance organization	The finance organization as the coordinating unit in conjunction with Taiwan Mask Charity Foundation, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.	Environmental sustainability	Operations organization II Operations organization I	Production processes management of photomask. Maintenance of production equipment, improvements, planning of new factories. Manufacturing related work, including hazardous substances management, resources. Integrate and promote company environmental protection, pollution prevention, safety and health, resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. Research and development of photomask, fixing abnormality of manufacturing processes, photomask finished product quality assurance, research and development of new products; related testing and certification	No significant differences
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II. Does the Company conduct risk assessment on environmental, social and corporate governance issues that are relevant to its operations and stipulate risk management policies or strategies based on principles of materiality?	V		<p>(I) The Company has a vision of corporate development and sustainable development and understands that various risks will affect the achievement of business and operational goals. Therefore, the Company reviewed and established a risk management mechanism this year to manage various risks of the Company to ensure sustainable and stable growth and the pursuit of sustainable business goals.</p> <p>The Company established a "Risk Management Steering Committee" to review and implement measures to address potential strategic, operational, financial, and hazardous risks. The Risk Management Steering Committee meets quarterly, and its members consist of the president & function head. The committee uses the Risk Map to evaluate the probability of risk events and the severity of impact on the company's operations, define the risk level and the priority of risk control, and take corresponding risk management actions. Report annually to the Audit Committee and the Board of Directors on the Company's risk environment, risk management priorities, risk assessment and countermeasures.</p> <p>(II) The Company evaluates and manages risks based on materiality, including possible and potential risks in four major areas: strategic, operational, financial, and hazard.</p>	No significant differences									

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons								
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<p>III. Environmental issues</p> <p>(I) Has the Company set up an environmental management system designed to industry characteristics?</p> <p>(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(III) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues?</p>	V		<p>(I) Implementation of the Company’s environmental management system</p> <ol style="list-style-type: none"> 1. Water resources management: Committed to raising water resources utilization, and to set short, medium and long term goals, to pursue water resources sustainable reuse as the goal. 2. Waste management: “Reducing manufacturing quantity, resource recycling” as core theme, recycling and reuse is the priority option in waste management. <p>(II) The Company is committed to increasing various resource utility rate for the long term, such as obtaining ISO9001 manufacturing system certification and research and set energy savings target plan each year, and through regular meetings reviews and follow-up, it is expected to reach highest efficiency for various energy and resource usage, reducing wastage and carbon. Adopts the commitments the company has made for its environment health and safety policy, uses raw materials that will reduce burden to the environment, recycle wastes, reduce and reuse.</p> <p>(III) The Company has conducted assessment of current and future potential risks and opportunities arising from climate change to the enterprise, and adopts it into risk management, actively driving energy efficiency and carbon reduction.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Potential risks</th> <th style="width: 50%;">Potential opportunity</th> </tr> </thead> <tbody> <tr> <td>Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.</td> <td>In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.</td> </tr> <tr> <td>Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.</td> <td>Control related amounts of raw materials to avoid simultaneous concentration of goods.</td> </tr> <tr> <td>Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.</td> <td>Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the old equipment, as a countermeasure to equipment with</td> </tr> </tbody> </table>	Potential risks	Potential opportunity	Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.	In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.	Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.	Control related amounts of raw materials to avoid simultaneous concentration of goods.	Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.	Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the old equipment, as a countermeasure to equipment with	No significant differences
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(IV) Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste in the past two years and established management policies for energy saving and reduction of greenhouse gas emission, water consumption and other wastes?	V		<div style="border: 1px solid black; padding: 2px;">increased carbon emissions and reduced efficiency.</div> <p>The Company is committed to environmental protection, in response to green and clean production. Through executing Process Safety Management (PSM) and systemized PDCA management cycle, has effectively reduced pollution emissions and impacts to the environment; at the same time, will formulate implementing plans and programs each year, regularly trace and review progress for each item, to ensure achieving the targets.</p> <p>The Company has passed ISO 14001 management system certification, the General Affairs department regularly conducts inspection and tracing, to realize hazards prevention and pollution prevention, at the same time, abides by RoHS regulation of European Union, strict adherence to the restriction of hazardous substances requirements. Maintained environmental management quality and fulfilling pollution prevention and responsibilities to the society through ISO14001 environmental management system certification and SGS testing and verification system build up.</p> <p>In response to energy saving and carbon reduction global trends in recent years, the Company has actively conducted sorting and organization, industrial waste reduction, series of measures on treasuring resources, such as changing to energy saving lightings in offices, enhance management of air-condition, actively promotes e-processes to reduce the usage of paper, a switch to reusable chopsticks from single use, embed the concept of energy saving and carbon reduction to employees from the work environment, continue to implement waste reduction to achieve the target of zero environmental pollution. Also promotes environmental policy to suppliers, contractors and carriers, with the expectation of working together towards environmental protection.</p> <p>(IV) Since the establishment of Taiwan Mask Corporation (TMC), the Company is committed to protecting the earth's environment and the pursuit of sustainable development. Persistence in its management philosophy of equal importance between environmental protection and economy, ongoing enhancement of its pollution prevention work and continue working on energy savings improvements, formulated environmental policy covering four major directions in "Energy saving and carbon reduction, pollution prevention, legal compliance, and continuous improvement," promoting related work in environmental protection and implementation details. The Company's three facilities had successfully passed the ISO14001 management system and ISO9001 quality management system certifications. Adopting the plan-do-check-</p>	

Assessment items	Operational status		Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
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			<p>act model in combination with the company's internal audit, continue to promote environmental work. TMC has actively participated in environmental protection missions, implementing The Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive, RoHS, effectively implemented RoHS Directive and REACH_SVHC within the enterprise, with its products regularly sent to SGS for inspections and to obtain compliance status reports.</p> <p>Environmental policy</p> <p>1. Energy saving and waste reduction</p> <p>Continue to track various energy exhaustion situations, adjust parameters or add new inverters, replace equipment to achieve energy saving effects. Establish water usage records for each system, analyze wastewater quality of each system, after treatment of reusable wastewater and recycle back to manufacturing or supply to water cooling tanks or wash towers for use, reducing replenished water use from municipality. Top priority is for waste to be recycled and reused, followed by treatment by an incinerator. For waste not suitable for the first two options, are sent for landfill. Promote waste recycling and separation to increase resource recycling rate, and through educational training and company systems to raise employees' environmental protection concept. The office promotes paperless operations using electronic signature systems as replacement, other paper information is requested for double sided printing to reduce paper use.</p> <p>Water saving (2021)</p> <p>The recycling of pure water from the production line of Plat 3 wet process machine and weak acid-alkaline wastewater can save more than 14,600 tonnes of tap water and reduce the amount of wastewater each year.</p> <p>Electricity saving (2021)</p> <p>CDA system dryers in Plants 1 and 2 are renewed from traditional adsorption type to heat regeneration adsorption dryers, traditional adsorption dryers consume 75m³/h and consume about 20% of air, and 2 sets consume about 40%, and one air compressor consumes power about 55kw of air. (55kw*40%(air consumption))*24hr*365day=192,720kw. The regeneration molecular sieve consumption of 1 heat regeneration adsorption dryer is 1.7kw/hr, (55kw-1.7kw)*24hr*365day = 466,908kw savings calculation: 466,908kw-192,720kw=274,188kw Electricity saving: 274,188kw/year* \$2.6 = \$713,000/year.</p> <p>Clean room air conditioner box with inverter power from 23kw _ 5kw, [23kw-(5kw*2 units)*24hr(open hours)*365day=113,880kw, annual saving=113,880KW* \$2.6 = \$296,000/year, etc.</p>	

Assessment items	Operational status		Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no		
			<p>2. Pollution prevention</p> <p>To avoid polluting the environment, effectively adopt preventive measures to prevent raw materials or manufacturing processes from generating wastes and harmful substances, leaks of untreated wastes into the surrounding environment, resulting in environmental pollution.</p> <p>Set-up leakage detection equipment for early detection to avoid resulting in pollution to spread, affecting personnel, equipment, and safety of the environment.</p> <p>Preventive equipment's maintenance and improvement, wastewater, air emissions and wastes generated from manufacturing operations can be treated appropriately, important parameters of various equipment are connected to the central monitoring system for instant monitoring.</p> <p>(1) Water pollution preventive system and recycling and reuse</p> <p>Wastewater system control parameters are connected to the Siemens monitoring system for wastes, enabling instant monitoring of system operations situations. Adopts onsite second time prevention setup with overflow tank and detection equipment setup, to avoid incidents such as wastewater leakage or returning water from the release pond with abnormal water quality during system malfunction or tank damage resulting in environmental pollution. To avoid release of wastewater that does not qualify for the standards, carry out regular maintenance, raise treatment efficiency to achieve lowering added drug dosage and raise the capability for appropriate handling, early detection of abnormality and treatment to maintain normal operations of systems. Results from regular testing every half year shows that they are lower than discharge standards.</p> <p>(2) Air pollution prevention</p> <p>Wash tower undergoes routine maintenance changing raschig ring and nozzle to guarantee prevention performance, elevating equipment stability, to ensure gas releases meets legal requirements. Important parameters are connected to Siemens monitoring system for instant monitoring of operations situations. Regular testing results show that various pollutants density is lower than legal limits.</p> <p>(3) Waste management</p> <p>The waste storage area meets legal requirements, avoids open air storage, and ensures that packaging does not scatter around. Qualified waste service providers are commissioned for waste cleanup, controlling flow volume according to laws and regulations, requesting the service providers to provide necessary documents of appropriate handling.</p> <p>3. Complying with laws and regulations</p>	

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
	Yes	no	Description													
			<p>Truly understand the government’s request relating to environmental laws and regulations, prepare analysis of the registration form of the regulations and the company’s legality, actively participate in various regulatory briefings held by government units. Regular inspection and testing in accordance to laws and regulations to ensure meeting environmental legal standards, and promote the government’s environmental policies to employees, increasing their environmental protection and legal requirements knowledge, ensuring effective implementation of the company’s environmental protection policies.</p> <p>4. Continuous improvements Formulate annual environmental protection targets and key implementation items. Review and audit implementation outcomes each year to ensure effective implementation of continuous improvements of the policies raising environmental quality.</p> <p>The Company’s greenhouse gas emissions, water consumption volume and total weight of wastes generated over the past two years.</p> <table border="1"> <thead> <tr> <th>Items</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Water consumption (tonnes)</td> <td>232,115</td> <td>186,674</td> </tr> <tr> <td>Total waste weight (tonnes)</td> <td>28.40</td> <td>29.40</td> </tr> <tr> <td>Greenhouse gas emissions volume (kilograms CO₂e)</td> <td>10,793,956</td> <td>10,844,059</td> </tr> </tbody> </table>	Items	2020	2021	Water consumption (tonnes)	232,115	186,674	Total waste weight (tonnes)	28.40	29.40	Greenhouse gas emissions volume (kilograms CO ₂ e)	10,793,956	10,844,059	
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<p>IV. Social Issues</p> <p>(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures (including</p>	<p>V</p> <p>V</p>		<p>(I) To fulfill sustainable development, protect all of the employees’, customers’ and stakeholders’ basic human rights, abides by the principles as laid out in the various international human rights conventions such as the “United Nations Universal Declaration of Human Rights,” “United Nations Guiding Principles,” “United Nations Guiding Principles on Business and Human Rights,” “The United Nations Global Compact,” and “International Labor Organization,” formulates and discloses human rights policy, disclosing related information on the company’s website simultaneously.</p>	No significant differences												

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
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<p>remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?</p> <p>(III) Does the Company provide employees with a safe and healthy working environment and regularly conduct safety and health training?</p>	V		<p>(II) The Company has formulated and implemented reasonable employee benefit measures, values employees' rights and fulfill its sustainable development responsibilities. Therefore, the remuneration policy of the Company is based on the correlations of the individual's capability, his/her contribution to the company, performance, and operations performance, appropriately reflect business performance or outcome in employees' remunerations to facilitate recruitment, retention and inspiration of human resources, and thereby accomplish the Company's goals toward sustainability. The Company's actual average employee salary for 2021 was adjusted to 0-10%.</p> <p>Status of the Company's employee benefit measures, continuing education and trainings: [Salary and motivation system] Salary and multiple rewards system (Dragon Boat Festival, Mid-Autumn Festival and year-end bonus), additional performance bonus, quarterly bonus and allocation of earnings, production bonus, station allowance; flexible salary adjustment for individuals; employee bonus, employee stock option. [Life care and protection] Enjoy complete group insurance (free life insurance/accident insurance/hospitalization medical treatment/accident medical treatment/occupational hazard); cash gifts and subsidies for child birth, weddings, death in the family; birthdays/occasions gift vouchers; free annual employee health check-ups; appointed store; welfare committee to regularly organize travels and various sporting events and domestic and overseas travel subsidies; employee health care, regular visits by doctors and nurses providing on-site care, professional consultation sessions and suggestions for employees; Christmas party. [Convenient facilities] Provides complete indoor employee parking spaces; gym, indoor badminton court, tennis court, table tennis and so on leisure facilities; established lactation room, complete facility for use by female employees; established employee canteen to offer meals, provides free coffee, tea</p>	

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
<p>(IV) Has the Company established effective career development training plans?</p> <p>(V) Has the Company complied with the relevant regulations and international standards and formulated policies for consumer protection and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?</p> <p>(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights and reported the implementation?</p>	V		<p>beverages, and 180-inch large screen viewing; provides accommodation for job candidates from other cities.</p> <p>[Training]</p> <p>Provides new employee educational training; conducts work training based on the employee's work requirements; provides external training to employees for self-learning and growth.</p> <p>(III) The Company has established an employee welfare committee according to laws and regulations, and has organized various employee activities and health check-ups from time to time, to protect the well-being and health of the employees.</p> <p>The Company's healthy work environment and employee safety protection measures are as below:</p> <ol style="list-style-type: none"> 1. Environmental safety <ul style="list-style-type: none"> (1) Regularly check on, test and maintain the fire safety equipment and various public facilities, cooperate with the government regulation prohibiting smoking within the factory. (2) Engage professional office cleaning and disinfection companies regularly once a year, to ensure a safe and comfortable work environment. 2. Fire safety aspects: Established a complete fire safety system according to the Fire Services Act. 3. Employee health care: Regularly organize the end of year comprehensive employee health check-up. 4. Regularly review and promote labor safety and health items every month. <p>(IV) The Company has set-up comprehensive educational training, to assist employees with diverse career development.</p> <p>(V) The Company has set-up a professional and dedicated customer service team responsible for handling demands and complaints from customers. Abides by the environmental protection requirements of the EU RoHS Directive with suppliers. The Company follows related laws and regulations and international standards in the marketing and labelling of its products and services, and marked with obvious labelling.</p> <p>(VI) The Company requests its suppliers to abide by sustainable development responsibilities and has built up an internal supplier management policy, requesting suppliers to provide hazardous substance free declaration, environmental management system certification and safety data sheet.</p>	

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
			The Company conducts regular audit inspections with major suppliers, its contents include various laws and regulations and standards. If there are occurrences of violations and obvious harm to the environment and society, the supplier cannot pass the audit and any dealings with the supplier has to be terminated anytime.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainable development reports and other reports which disclose the Company's non-financial information? Does the preceding report obtain verification or opinions from a third-party authentication unit?		V	The Company has not yet prepared its sustainable development report, but has disclosed relevant and reliable sustainability information on its website, strengthening its stakeholders communications. Has already disclosed each of the related information on the Market Observation Post System website as required by regulations.	The Company has not prepared a sustainable development report.
VI. If the Company has established its corporate sustainable development best practice principles in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the operations and differences: The Company has established its "Corporate Sustainable Development Best Practice Principles" and there are no significant differences from the actual operations and the Principles for Listed Companies.				
VII. Other important information that can help others to understand the operations of the corporate sustainable development: This is a dedicated page on the Company's website to disclose corporate sustainable development operations and stakeholders, sustainability-related operations are regularly updated helping others to understand the status of the sustainability operations.				

Note:

1. For a company who has already prepared its sustainable development report, a note is required for the operational status stating the method to search the sustainable development report and the index entries substitution: The Company has not yet prepared its sustainable development report.
2. Principles of materiality refers to major impacts to the Company's investors and other stakeholders as a result of environmental, social and corporate governance issues.

(IX) Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies

Assessment items	Operational status		Description	Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
<p>I. Stipulate ethical management policies and plans</p> <p>(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(III) Has the Company defined operating procedures, conduct guidelines, disciplinary penalties and grievance process in the</p>	V	V	<p>(I) The Company's "Ethical Corporate Management Best Practice Principles" was established on August 6, 2015, and some amendments were approved by the Board of Directors on November 4, 2020. There is no difference between the actual operation and the approved "Ethical Corporate Management Best Practice Principles". The Company is in compliance with the laws and regulations. The Board of Directors was eager to and had duly approved the Corporate Social Responsibility Code of Conduct policy, and in the document, details of the policy and active commitments by the Board of Directors and management level to implement it can be found.</p> <p>(II) The Company has established a risk management organization to identify, evaluate and manage potential risks of the Company, and has evaluated that the acts described in Paragraph 2 of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies are included in the scope of risk identification, evaluation and management, and has taken appropriate preventive measures. In addition, the Company has set-up a regular and random audit of the implementation situation by the audit personnel and CPA for active response of any potential conflicts of interests within the company.</p> <p>(III) For promoting and educating on ethical conducts, the Company's Corporate Social Responsibility Code of Conduct is published on the company website for reference by its personnel anytime as a basis for individual behavior. A unit to handle unethical behavior reporting is also established. If there are discovery of any major events of violations or major damages to the company, the unit will prepare a report immediately and report to the independent directors so as to fulfill the implementation of unethical behavior</p>	No significant differences

Assessment items	Operational status		Description	Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
program preventing unethical conduct and put them in practice and regularly reviewed and amended the program?			handling. The company emphasizes its determination to combat dishonest practices through internal control system, work rules, new employee orientation education training, regular campaigns, and monitoring via accounting system, requesting its employees to adhere to the principle of conflict of interests avoidance, and promotes the company's policy to its suppliers.	
<p>II. Fulfillment of ethical management</p> <p>(I) Does the Company evaluate the ethical record of the counterparties and clearly stipulate the ethical behavior clause in the contract signed with the counterparties?</p> <p>(II) Has the Company established a full- (or part-) time specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?</p>	V	V	<p>(I) Before the Company enters into any business activity, will first conduct assessment of the counterparty for its legality, ethics and prudence, so as to ensure both parties engage in a fair and transparent trading conduct, create a fair environment for competition, maintaining the company's competitiveness.</p> <p>(II) Honesty and faithfulness have always been an important management philosophy of the Company, ethics has been promoted from various aspects in full efforts from the Board of Directors to each of the department management, to which all of the employees should adhere to the Ethical Corporate Management Best Practice Principles. The Company has also established an Audit Committee and internal control system to monitor the company in abiding by the laws and regulations. The Company assigned the Human Resources Department as the accountable unit, ensuring the fulfillment of Ethical Corporate Management Best Practice Principles based on each unit's work duties and scope, and the accountable unit will report to the Board of Directors on a regular basis on the</p>	No significant differences

Assessment items	Operational status		Description	Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
<p>(III) Does the company stipulate a policy to prevent conflicts of interest and provide a proper channel for communication, and practically implement the policy?</p> <p>(IV) Does the company establish an effective accounting system and internal control system for practical implementation of ethical corporate management, and is the system regularly audited by the internal auditing unit, and does the unit propose relevant audit plans based on the assessment results of the risk of misconduct for auditing the implementation status of the prevention plan for misconduct, or entrusted to an accountant for auditing?</p> <p>(V) Does the Company regularly conduct internal and external education and training for ethical management?</p>	V	V	<p>implementation status. Implementation status of the Company's 2021 Ethical Corporate Management has been reported to the Board on November 3, 2021.</p> <p>(III) The Company has established Ethical Operations Management Best Practice Principles to prevent conflicts of interest and provide a proper channel for communication. The Company conducts its business activities in a fair and transparent way based on the principles of ethical operations management. In addition, the company has already formulated the whistleblowing system procedures to report on illegal (including corruption) and unethical behaviors.</p> <p>(IV) The Company's accounting system and internal control system are formulated based on related laws and regulations. The internal audit unit prepares the draft work report and audit report based on the audit results, submit them to the Board of Directors, and hold regular and random audits with the CPA.</p> <p>(V) The Ethical Corporate Management Best Practice Principles have been announced on the Company's website and communicated with employees at monthly management meetings. In 2020, it was promoted through the corporate website and on various occasions to educate employees about adhering to work philosophy and attitude of integrity, fairness, transparency, and self-discipline. In addition, the Company dispatched 3 people to receive a total of 36 hours of external training in 2021.</p>	
<p>III. Operational status of the whistleblowing system of the Company</p> <p>(I) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel and assign appropriate and dedicated personnel</p>	V		<p>(I) For whistleblowing/complaints matters of any possible violations of laws and regulations or the code of conduct, the Company may report to the Company's audit office. The Company establishes standard operating procedures for investigating the complaints received and protects the informant's identity by establishing confidentiality mechanisms.</p>	No significant differences

Assessment items	Operational status		Description	Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
<p>to deal with the respondent?</p> <p>(II) Does the company stipulate the standard operating procedures, the follow-up measures should be taken after the investigation and relevant confidentiality mechanism for the reported matters?</p> <p>(III) Does the company take preventive measures to protect the whistleblower from improper treatment due to the report?</p>	V	V	<p>(II) The Company formulates complaint procedures, set-up responsible units to handle the cases and set-up the handling procedures, abides by privacy data laws and strictly prohibits retaliation conducted against the informant. The Company's "Ethical Operations Management Best Practice Principles" has stipulated standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner.</p> <p>(III) The Company's "Ethical Operations Management Best Practice Principles" has stipulated items in the investigation of the complaints received, protection of informant's identity and details of reported misconduct, proper measures to shield a complainant from retaliation for filing complaints.</p>	
<p>IV. Reinforcement of information disclosure</p> <p>(I) Does the company reveal the content of Ethical Corporate Management Best Practice Principles and the implementation results on its website and on the website of the Market Observation Post System?</p>	V		<p>The Company has disclosed its ethical operations management information on its website which has a designated page for corporate governance in addition to disclosing in its annual report.</p>	No significant differences
<p>V. If the Company has stipulated its Ethical Corporate Management Best Practice Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operations and the stipulated principles: The Company's "Ethical Corporate Management Best Practice Principles" had been approved by the Board of Directors on August 6, 2015. There are no differences between actual operations and the Principles.</p> <p>(I) Regular advocacy on ethical operations management concept and advocated to all of the employees on a regular basis during educational trainings: Ethical Operations Management Best Practice Principles have been announced on the Company's website, and are promoted to the employees during monthly management meetings.</p> <p>(II) Ethical conduct is listed as one of the terms and conditions in contracts with counterparties.</p> <p>(III) Internal independent grievance reporting mailbox and dedicated line has been established and announced on the Company's website and on the internal website: No whistleblowing cases on ethics have been received in 2021.</p>				
<p>VI. Other important information that helps to understand the implementation status of the company's ethics management (such as situation of the company conducting review and revision of its Ethical Corporate Management Best Practice Principles): In order to fulfill corporate governance, the responsible unit for ethical management has been established. Revisions to partial articles of the "Ethical Corporation Management Best Practice Principles" have been approved by the Board of Directors on November 4,</p>				

Assessment items	Operational status		Description	Status of the Company's practice of ethical management and differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	no		
2020.				

(X) The Company formulates governance principles and related regulations

The Company's website has a dedicated page to corporate governance for investors to search and download related corporate governance regulations, please refer to the Company's website. <https://www.tmcnet.com.tw/Governance.aspx>

1. Articles of Incorporation
2. Procedures for Lending Funds to Others
3. Asset Acquisition and Disposal Procedures
4. Policies and Procedures for Preventing Insider Trading
5. Procedures for Handling Material Inside Information
6. Audit Committee Foundation Principles
7. Remuneration Committee Foundation Principles
8. Ethical Operations Management Best Practice Principles
9. Corporate Sustainable Development Best Practice Principles
10. Ethical Behavior Code of Conduct

Regarding the corporate governance-related situation of the Company, please refer to this annual report for the section on "The governance status of the Company, and the differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons."

(XI) Policies and Procedures for Preventing Insider Trading and Procedures for Handling Material Inside Information

To establish a sound material inside information handling and disclosure mechanism, for avoiding improper divulgence of information and to ensure consistency and accuracy of information announced by the Company to outside, and to strengthen the prevention of insider trading, the regulation is specially formulated and hereby provided to all directors, managers and company employees to abide by and for timely education and advocacy purpose. Refer to the Company's website for related information.

<https://www.tmcnet.com.tw/Governance.aspx>

(XII) Implementation status of internal control system

1. Statement on Internal Control

Taiwan Mask Corporation
Statement on Internal Control

Date: March 4, 2022

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year of 2021:

- I. The Company's board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. We evaluate the design and operating effectiveness of the internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein blow, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Regulations for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2021. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's operational results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment or other illegalities in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board in the meeting held on March 4, 2022, all of the attending directors affirm to the content of this Statement.

Taiwan Mask Corporation



Chairman: Sean Chen



General Manager: Lidon Chen



2. Where a CPA has to be hired to carry out a special audit of the internal control system, furnish the CPA audit report: None of such situations.

(XIII) For the year 2021 or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system, and the penalties which may have a significant impact on shareholders' equity or the price of securities, and list the content of penalties, principal deficiencies, and the state any efforts to make improvements: No such situation.

(XIV) Material resolutions of a shareholders meeting or a Board of Directors meeting during the year of 2021 and during the current fiscal year up to the date of publication of the annual report:

1. Material resolutions of a shareholders meeting

Key resolutions from the Company's shareholders' meeting 2021 and their implementation listed as below:

(1) Ratification of the Company's 2020 business report and financial statements.

Implementation outcome: Resolution approved. Ratification of 2020 Business Report and Financial Statements, of which the consolidated revenue for the whole year is NT\$ 4,666,756 thousand, net profit after tax is approximately NT\$ 486,307 thousand, basic earnings per share is NT\$3.34.

(2) Ratification of 2020 earnings distribution proposal.

Implementation outcome: Resolution approved. Resolution approved for distributing NT\$1.5 per share, ex-dividend base date was set as August 2, 2021 as approved by the Board of Directors resolution on July 5, 2021, and cash dividends were distributed on August 24, 2021.

(3) Amendments to the provisions of the "Procedures for Election of Directors".

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

(4) Amendments to the provisions of the "Rules of Procedures for Shareholders' Meetings"

Implementation outcome: Resolution approved. The Procedures are disclosed on the Company's website.

(5) By-election of two independent directors.

Implementation status: By-election completed. The registration was approved by authority with approval document number Zhu-Guan-Ji-Guan-Zhu-Shang-Zi No. 1100020144 issued on July 9, 2021.

(6) Agreement on the non-compete clause for representatives of newly-elected directors

Implementation outcome: Resolution approved.

2. Key resolutions from the board meeting

Key resolutions by the Company's Board of Directors since January 1, 2021 until the publication date of the annual report are as follows:

Date	Term	Key resolutions
2021.02.03	8 th meeting of the 12 th term	(1) The Company proposal for the transfer of treasury stocks for employee share subscription (2) The Company proposal to implement the 27 th repurchase of treasury stocks
2021.03.15	9 th meeting of the 12 th term	(1) Distribution of employees and directors' remuneration for 2020 (2) 2020 Business Report and Financial Statements (3) 2020 earnings distribution proposal (4) The Company's 2020 Internal Control System Validity Evaluation and Declaration of Internal Control System. (5) Capital expenditure for the Company's machine equipment and clean room (6) The Company proposed to participate in the capital increase of Innova Vision (7) The Company proposed transfer of treasury stocks for employee share subscription (8) The Company proposed to raise and issue its third domestic unsecured convertible corporate bonds (9) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD. (10) Personnel arrangement for directors, supervisors and managerial officers of subsidiaries (11) Amendments to the provisions of the "Rules of Procedures for Shareholders' Meetings" (12) By-election of one seat of independent director and acceptance of nomination of independent director candidates (13) List and qualifications of candidates for independent directors nominated by the board (14) Agreement on the non-compete clause for representatives of newly-elected directors (15) Holding of the 2021 regular shareholders' meeting (16) Acceptance of the shareholders' proposal rights for the 2021 regular shareholders' meeting. (17). Rules of distribution of quarterly bonuses for managerial officers (18) Proposal for the Company to establish and expand its credit facilities with banks
2021.04.29	10 th meeting of the 12 th term	(1) Addition to the causes and subjects of 2021 regular shareholders' meeting (2) Update to the matters for the establishment of the Taiwan Mask Charity Foundation (3) The Company proposal to raise and issue its third domestic unsecured convertible bonds (supplementary explanation)
2021.05.05	11 th meeting of the 12 th term	(1) Personnel change of the Company and its subsidiaries (2) The Company's capital expenditure (3) Acquisition of marketable securities of subsidiary Youe Chung Capital (4) Proposal for the Company to establish and expand its credit facilities with banks

Date	Term	Key resolutions
2021.05.20	12 th meeting of the 12 th term	(1) Change of location for the 2021 regular shareholders' meeting of the Company
2021.06.10	13 th meeting of the 12 th term	(2) Proposal to set the date and location of the Company's 2021 regular shareholders' meeting after postponement
2021.07.05	14 th meeting of the 12 th term	(1) Proposal to set the date and location of the Company's 2021 regular shareholders' meeting after postponement
2021.08.04	15 th meeting of the 12 th term	(1) Capital expenditure (2) Acquisition of marketable securities (3) Appointment of directors and supervisors of subsidiaries (4) Proposal for the Company to establish and expand its credit facilities with banks
2021.11.03	12 th Term 16 th Meeting	(1) 2022 business plan and budget (2) Capital expenditure (3) Acquisition of right-of-use assets in the Tongke section of the Tongluo Science Park (4) Acquisition of marketable securities (5) The Company proposed to implement the 28 th repurchase of treasury stocks (6) Assignment of personnel of subsidiaries (7) Remuneration for directors, supervisors and managerial officers of subsidiaries (8) The Company's 2022 Audit Plan for Internal Control System (9) Amendment of management measures and financial statement preparation process management measures (10) Assessment of the independence and competency of attesting certified public accountants (11) Proposal for the Company to establish and expand its credit facilities with banks
2022.01.21	17 th meeting of the 12 th term	(1) Capital expenditure (2) Acquisition and disposal of marketable securities (3) Proposal to setting the base date for the Company's common stock capital increase from the third domestic unsecured convertible bonds (4) The Company proposal for the transfer of treasury stocks for employee share subscription (5) Assignment of personnel of subsidiaries (6) Proposal for the Company to establish and expand its credit facilities with banks
2022.03.04	18 th meeting of the 12 th term	(1) Change of capital expenditure budget for testing machines (2) Shelf registration for issuance of new shares (3) Shelf registration for the issuance of new shares of common stock for 2022 (4) Distribution of employees and directors' remuneration for 2021

Date	Term	Key resolutions
		<p>(5) 2021 Business Report and Financial Statements</p> <p>(6) 2021 earnings distribution proposal</p> <p>(7) Distribution of cash from capital surplus</p> <p>(8) The Company's 2021 Internal Control System Validity Evaluation and Declaration of Internal Control System.</p> <p>(9) Amendments to certain provisions of the Company's "Articles of Incorporation."</p> <p>(10) Partial amendments to the Company's "Corporate Social Responsibility Best Practice Principles"</p> <p>(11) Amendments to certain provisions of the Company's "Procedures for Acquisition or Disposal of Assets"</p> <p>(12) By-election of independent directors</p> <p>(13) List and qualifications of candidates for independent directors nominated by the board</p> <p>(14) Consent for directors to compete for business</p> <p>(15) Holding of the Company's 2022 regular shareholders' meeting</p> <p>(16) Personnel arrangement of the Company and its subsidiaries</p> <p>(17) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD.</p> <p>(18) Proposal for the Company to establish and expand its credit facilities with banks</p>

(XV) Where, during 2021 or during the current fiscal year up to the date of publication of the annual report, a director or independent director has expressed a dissenting opinion with respect to a key resolution passed by the board, and the dissenting opinion has been recorded or prepared as a written declaration:

At the board meeting held on February 3, 2021, independent director Yu-Chiun Wu expressed his objection or reservation regarding the Company's proposal to implement the 27th repurchase of treasury stocks.

(1) The Company's financial position and liquidity funds should be considered when implementing treasury stocks repurchase.

(2) The Company shall propose a specific plan to attract talents for its long-term development plan. (3) If it is urgent, the 3,000,000 shares in the previous proposal can be considered.

(4) If the proposal still needs to be passed, it is recommended to delete "Part-time employees and consultants" and the related content in Article 4 of the transfer measures to reduce disputes.

The Company's corresponding measures: The Company's current financial position and liquidity are not concerning. The Company will propose specific solutions when implementing transfer of treasury stocks to attract talents who can be part of the Company's long-term development.

(XVII) A summary of resignations and dismissals, during 2021 or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairperson, president, principal accounting officer, principal financial officer, chief internal auditor, principal corporate governance officer and principal research and development officer: No such situation.

V. Information on professional fee of accountant

(I) Audit fee of independent auditors

Name of Accounting Firm	Accountant		Date of the audit
PricewaterhouseCoopers, Taiwan Name of CPA Firm	Tien-I Li	Ya-Hui Cheng	2021.01.01~2021.12.31

Unit: NT\$Thousand

Fee Bracket		Type of Fee	Professional audit fee	Non-professional audit fee	Total
1	Below NT\$ 2,000 thousand				
2	NT\$ 2,000 thousand (inclusive) ~ NT\$ 4,000 thousand			1,541	1,541
3	NT\$ 4,000 thousand (inclusive) ~ NT\$ 6,000 thousand				
4	NT\$ 6,000 thousand (inclusive) ~ NT\$ 8,000 thousand				
5	NT\$ 8,000 thousand (inclusive) ~ NT\$ 10,000 thousand		8,340		8,340
6	NT\$ 10,000 thousand and above				

Name of Accounting Firm	Accountant	Audit Period	Professional audit fee	Non-professional audit fee	Total	Note
PricewaterhouseCoopers Taiwan	Tien-I Li Ya-Hui Cheng	2021/01/01- 2021/12/31	8,340	1,541	9,881	Note

Note: The above mentioned accounting fees are the professional audit fee and non-audit fee that is paid to the Company's Certified Public Accountant (CPA) and the affiliated company of the CPA's accounting firm.

(1) The Company: The professional audit fee is NT\$5,280 thousand; Non-professional audit fee is NT\$611 thousand (legal consultation, agenda review and others).

(2) Subsidiaries: The professional audit fee is NT\$3,060 thousand; Non-professional audit fee is NT\$930 thousand (company registration)

(II) If the non-professional audit fee paid to the certified accountant, the firm of the certified public accountant and its affiliated institution is more than a quarter of the professional audit fee: None of such situations: Not applicable.

(III) If the accounting firm is changed and the professional audit fee paid in the year of change is lower than in the previous year prior to the change, the amount and reason for the professional audit fee before and after the change: Not applicable.

(IV) If the professional audit fee has decreased by more than 10% compared with the previous year, the decreased amount, proportion and reason for the reduction of professional audit fee: None of such situations.

VI. Information on change of accountant: Not applicable.

VII. Information on the chairman, general manager, manager in charge of financial or accounting affairs of the Company who has worked in the accounting firm or an affiliated company of the certified accountant for the past one year: None of such situations.

VIII. Status of any equity transferred and changes in pledge of stock rights in recent years and until the publication date of the annual report by directors, independent directors, managers and shareholders with over 10% shares

(I) Changes to share ownership

Unit: Shares

Job title	Name	2021		2022 up to March 31, 2022	
		Increasing (decreasing) number of shares held	Increasing (decreasing) number of pledged shares held	No. of shares held Increase (decrease)	Number of shares pledged Increase (decrease)
Chairperson	Cheng-Hsiang Chen	0	1,610,000	0	0
Director and General Manager	Lidon Chen	1,000,000 (170,000)	1,000,000 (1,350,000)	0	0
Director	Chao-Yi Wu	1,000,000	4,850,000	0	0
Director	Fushuo Investment Co., Ltd.	(180,000)	0	0	0
	Representative: Martin Chu	0	0	0	0
Independent Director	Yu-Chiun Wu (resigned on 2021/9/6)	0	0	Not applicable.	Not applicable.
Independent Director	Wei-Chen Wang (assumed position on 2021/7/5)	0	0	0	0
Independent Director	Huan-Kuei Cheng (assumed position on 2021/7/5)	0	0	0	0
Chief Executive Officer	K.J. Wu	0	3,511,523 (2,000,523)	0	1,000,000 (1,000,000)
Vice General Manager of Operations	Nester Huang	1,000,000 (283,000)	1,055,000 (399,000)	(47,000)	(100,000)
Vice General Manager of Finance	Eve Yang	500,000 (185,000)	500,000 (500,000)	0	0
Vice President	Po-Wen Hsiao (assumed position on 2021/5/5)	500,000	0	(2,000)	0
Vice General Manager of Operations	Che-Pin Tseng (assumed position on 2021/11/15)	0	0	0	0
Major Shareholder	Youe Chung Capital Corporation	0	28,702,000	(350,000)	1,600,000 (1,032,000)

Note: Youe Chung Capital Corporation is top-10 major shareholder with over 10% of the Company's total shares.

(II) Information on share transfer:

Name	Reason for share transfer	Transaction date	Counterparty to the transaction	Relationship between the counterparty and the Company, its directors, supervisors, managerial officers and shareholders holding more than 10% of the shares	Number of shares	Transaction price
Youe Chung Capital Corporation	Donation	2022/01/11	Taiwan Mask Charity Foundation	Related party	350,000	-

(III) Equity pledge information: No equity pledge with a related party.

IX. Top ten shareholders by shareholding proportion and information of relationships among them

Unit: shares; %

Name	Shares owned by the person		Shares held by spouse, underage dependents		Shares Held in the Name of Others		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree		Note
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Youe Chung Capital Corporation	36,731,440	14.62%	-	-	-	-	-	-	-
Chao-Yi Wu	9,907,000	3.94%	418,000	0.16%	-	-	K.J. Wu	Father and daughter	-
K.J. Wu	5,311,523	2.12%	1,764,000	0.69%	-	-	Chao-Yi Wu	Father and daughter	-
Fushuo Investment Co., Ltd.	4,364,000	1.74%	-	-	-	-	-	-	-
Dedicated account for Fuh Hwa Securities Small & Medium Select Fund	3,200,000	1.27%	-	-	-	-	-	-	-
Dedicated account with CTBC Bank Trust Investment entrusted by Taiwan Life Insurance	3,100,000	1.23%	-	-	-	-	-	-	-
Lidon Chen	2,830,000	1.13%	-	-	-	-	-	-	-
Dedicated account for investment in Van Garde Group Emerging Markets Fund under the custody of Chase	2,701,272	1.08%	-	-	-	-	-	-	-
Vanguard Starlight Advanced Aggregate International Equity Index under the custody of Chase	2,390,000	0.95%	-	-	-	-	-	-	-
Dedicated account for Fu Hwa Taiwan Good Income Fund	2,275,000	0.91%	-	-	-	-	-	-	-

X. Company, company's directors, managers and businesses in direct or indirect control by the company, their number of shares of the reinvested businesses, and the consolidated calculation of the comprehensive shareholding ratio

December 31, 2021

Unit: shares; %

Reinvested businesses	Invested by the Company		Investments by directors, supervisors, managers and businesses in direct or indirect control		Total Ownership	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
SunnyLake Park International	3,120,000	100%	-	-	3,120,000	100%

Holdings, Inc.						
Youe Chung Capital Corporation	255,567,666	100%	-	-	255,567,666	100%
Miracle Technology CO., LTD.	22,955,033	100%	-	-	22,955,033	100%
Weida Hi-Tech Company	12,176,880	28.20%	-	-	12,176,880	28.20%
Advagene Biopharma Co., Ltd.	12,549,652	25.46%	2,613,223	5.30%	15,162,875	30.76%
Aptos Technology	-	-	33,732,108	38.16%	33,732,108	38.16%
Xsense Technology (BVI)	-	-	95,818,181	41.43%	95,818,181	41.43%
Innova Vision	36,793,136	91.53%	94,371	0.23%	36,887,507	91.76%
DIGITAL-CAN TECH. CO., LTD.	-	-	7,281,250	57.39%	7,281,250	57.39

Note: Investment by the company by using the equity method.

Four. Financing Activities

I. Capital and shares

(I) Source of capital

Unit: Shares: NTD

Year / Month	Issue Price	Authorized Share Capital		Paid-in Capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	Others
1988/10	\$10.00	35,000,000	\$350,000,000	8,750,000	\$87,500,000	Please refer to attached Note (1)		
1990/06	\$10.00	35,000,000	\$350,000,000	35,000,000	\$350,000,000	Please refer to attached Note (2)		
1991/05	\$10.00	50,000,000	\$500,000,000	40,250,000	\$402,500,000	Please refer to attached Note (3)		
1992/07	\$10.00	50,000,000	\$500,000,000	44,275,000	\$442,750,000	Please refer to attached Note (4)		
1995/06	\$10.00	70,000,000	\$700,000,000	55,883,750	\$558,837,500	Please refer to attached Note (5)		
1996/04	\$10.00	70,000,000	\$700,000,000	64,427,500	\$644,275,000	Please refer to attached Note (6)		
1996/06	\$10.00	100,000,000	\$1,000,000,000	88,077,125	\$880,771,250	Please refer to attached Note (7)		
1997/04	\$10.00	100,000,000	\$1,000,000,000	100,000,000	\$1,000,000,000	Please refer to attached Note (8)		
1997/06	\$10.00	250,000,000	\$2,500,000,000	146,700,000	\$1,467,000,000	Please refer to attached Note (9)		
1998/07	\$10.00	270,000,000	\$2,700,000,000	237,420,000	\$2,374,200,000	Please refer to attached Note (10)		
1999/08	\$10.00	389,000,000	\$3,891,000,000	267,287,969	\$2,672,879,690	Please refer to attached Note (11)		
1999/10	\$10.00	389,000,000	\$3,891,000,000	267,290,313	\$2,672,903,130	Please refer to attached Note (12)		
2000/08	\$10.00	389,000,000	\$3,891,000,000	294,037,400	\$2,940,374,000	Please refer to attached Note (13)		
2000/12	\$10.00	389,000,000	\$3,891,000,000	331,189,900	\$3,311,899,000	Please refer to attached Note (14)		
2001/07	\$10.00	450,000,000	\$4,500,000,000	374,784,587	\$3,747,845,870	Please refer to attached Note (15)		
2002/08	\$10.00	500,000,000	\$5,000,000,000	424,917,953	\$4,249,179,530	Please refer to attached Note (16)		
2003/06	\$10.00	500,000,000	\$5,000,000,000	398,093,953	\$3,980,939,530	Please refer to attached Note (17)		
2003/09	\$10.00	500,000,000	\$5,000,000,000	399,593,953	\$3,995,939,530	Please refer to attached Note (18)		
2003/11	\$10.00	500,000,000	\$5,000,000,000	398,181,953	\$3,981,819,530	Please refer to attached Note (19)		
2004/06	\$10.00	500,000,000	\$5,000,000,000	379,443,953	\$3,794,439,530	Please refer to attached Note (20)		
2004/08	\$10.00	500,000,000	\$5,000,000,000	369,443,953	\$3,694,439,530	Please refer to attached Note (21)		
2004/10	\$10.00	500,000,000	\$5,000,000,000	370,943,953	\$3,709,439,530	Please refer to attached Note (22)		
2004/12	\$10.00	500,000,000	\$5,000,000,000	361,963,953	\$3,619,639,530	Please refer to attached Note (23)		
2005/09	\$10.00	500,000,000	\$5,000,000,000	359,498,953	\$3,594,989,530	Please refer to		

						attached Note (24)	
2006/02	\$10.00	500,000,000	\$5,000,000,000	353,902,953	\$3,539,029,530	Please refer to attached Note (25)	
2008/05	\$10.00	500,000,000	\$5,000,000,000	351,072,953	\$3,510,729,530	Please refer to attached Note (26)	
2008/10	\$10.00	500,000,000	\$5,000,000,000	345,072,953	\$3,450,729,530	Please refer to attached Note (27)	
2009/01	\$10.00	500,000,000	\$5,000,000,000	335,072,953	\$3,350,729,530	Please refer to attached Note (28)	
2009/11	\$10.00	500,000,000	\$5,000,000,000	338,908,953	\$3,389,089,530	Please refer to attached Note (29)	
2010/09	\$10.00	500,000,000	\$5,000,000,000	288,072,611	\$2,880,726,110	Please refer to attached Note (30)	
2011/09	\$10.00	500,000,000	\$5,000,000,000	282,072,611	\$2,820,726,110	Please refer to attached Note (31)	
2011/11	\$10.00	500,000,000	\$5,000,000,000	277,871,611	\$2,778,716,110	Please refer to attached Note (32)	
2011/12	\$10.00	500,000,000	\$5,000,000,000	271,871,611	\$2,718,716,110	Please refer to attached Note (33)	
2012/08	\$10.00	500,000,000	\$5,000,000,000	270,090,611	\$2,700,906,110	Please refer to attached Note (34)	
2012/11	\$10.00	500,000,000	\$5,000,000,000	262,713,611	\$2,627,136,110	Please refer to attached Note (35)	
2015/10	\$10.00	500,000,000	\$5,000,000,000	252,713,611	\$2,527,136,110	Please refer to attached Note (36)	
2022/03	\$10.00	500,000,000	\$5,000,000,000	255,673,535	\$2,556,735,350	Please refer to attached Note (37)	

Notes:

01. On October 21, 1988, capital at time of establishment was NT\$87,500,000.
02. On March 16, 1990, the Company was approved for Initial Public Offering (IPO) and cash capital increase of NT\$262,500,000 by the Securities and Futures Commission, Ministry of Finance (1990), Approval Document Number: Tai-Tsai-Zheng (I) No. 000474.
03. On May 14, 1991, the Company was approved for re-capitalization of earnings at NT\$52,500,000 by the Securities and Futures Commission, Ministry of Finance (1991), Approval Document Number: Tai-Tsai-Zheng (I) No. 000999.
04. On July 20, 1992, the Company was approved for re-capitalization of earnings at NT\$40,250,000 by the Securities and Futures Commission, Ministry of Finance (1992), Approval Document Number: Tai-Cai-Zheng (I) No. 001738.
05. On June 30, 1995, the Company was approved for re-capitalization of earnings at NT\$116,087,500 by the Securities and Futures Commission, Ministry of Finance (1995), Approval Document Number: Tai-Cai-Zheng (I) No. 378708.
06. On January 5, 1996, the Company was approved for re-capitalization of earnings at NT\$85,437,500 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 64745.
07. On June 10, 1996, the Company was approved for re-capitalization of earnings at NT\$236,496,250 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 368278.
08. On December 21, 1996, the Company was approved for re-capitalization of earnings at NT\$119,228,750 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 71905.
09. On June 5, 1997, the Company was approved for re-capitalization of earnings at NT\$367,000,000 and re-capitalization of additional paid-in capital at NT\$100,000,000 by the Securities and Futures Commission, Ministry of Finance (1997), Approval Document Number: Tai-Cai-Zheng (I) No. 451508.
10. On July 8, 1998, the Company was approved for re-capitalization of earnings at NT\$628,470,000 and re-capitalization of additional paid-in capital at NT\$278,730,000 by the Securities and Futures Commission, Ministry of Finance (1998), Approval Document Number: Tai-Cai-Zheng (I) No. 57619.
11. On May 20, 1999, the Company was approved for re-capitalization of earnings at NT\$292,665,680 and corporate bonds for capital at NT\$6,014,010 by the Securities and Futures Commission, Ministry of Finance (1999), Approval Document Number: Tai-Cai-Zheng (I) No. 47567.
12. On October 1999, Corporate bonds for capital at NT\$23,440.
13. On June 29, 2000, the Company was approved for recapitalization of additional paid-in capital at NT\$267,290,310 and corporate bonds for capital at NT\$180,560 by the Securities and Futures Commission, Ministry of Finance (2000), Approval Document Number: Tai-Cai-Zheng (I) No. 56329.
14. On November 9, 2000, the Company was approved for capital increase by means of merger or acquisition of stock, at NT\$371,525,000 by the Securities and Futures Commission, Ministry of Finance (2000), Approval Document Number: Tai-Cai-Zheng (I) No. 90247.
15. On May 22, 2001, the Company was approved for re-capitalization of earnings at NT\$435,946,870 by the Securities and Futures Commission, Ministry of Finance (2001), Approval Document Number: Tai-Cai-Zheng (I) No. 131546.
16. On June 18, 2002, the Company was approved for capital increase by means of merger or acquisition of stock, at NT\$501,333,660 by the Securities and Futures Commission, Ministry of Finance (2002), Approval Document Number: Tai-Cai-Zheng (I) No. 0910132958.
17. According to Approval Document Number: Tai-Cai-Zheng (2002) No. 0910167268 dated December 19, 2002, Tai-Cai-Zheng (III) No. 0920106285 dated February 26, 2003 and Tai-Cai-Zheng (III) No. 0920126614 dated June 12, 2003, the Company was approved by the Securities and Futures Commission, Ministry of Finance for a repurchase of stocks for a capital reduction of NT\$268,240,000 to protect shareholders equity.
18. On July 17, 2003, the Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures

- Commission, Ministry of Finance (2003), Approval Document Number: Tai-Cai-Zheng (I) No. 0920131289.
19. On December 6, 2000, the Company was approved for buyback of the Company's shares for transfer to employees which are not yet transferred for more than 3 years as capital reduction at NT\$14,120,000 by the Securities and Futures Commission, Ministry of Finance (2000), Approval Document Number: Tai-Cai-Zheng (III) No. 98643.
 20. On June 3, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$187,380,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (2004), Approval Document Number: Tai-Cai-Zheng (III) No. 0930124885.
 21. On July 7, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930130255.
 22. On July 27, 2004, the Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Yi-Zi No. 0930133470.
 23. On September 1, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$89,800,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930139490.
 24. On June 14, 2005, the Company was approved for buyback of the Company's shares to reduce capital at NT\$24,650,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940124037.
 25. On December 28, 2005, the Company was approved for buyback of the Company's shares to reduce capital at NT\$55,960,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940159771.
 26. On April 9, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$28,300,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970015115.
 27. On September 18, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970026404.
 28. On December 16, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970035293.
 29. Employee warrants at capital increase of NT\$38,360,000.
 30. On July 29, 2010, the Company was approved capital reduction at NT\$508,363,420 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0990035554.
 31. On September 22, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000046532.
 32. On November 22, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$42,010,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000057786.
 33. On December 26, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000063425.
 34. On August 14, 2012, the Company was approved for buyback of the Company's shares to reduce capital at NT\$41,820,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010035989.
 35. On November 2, 2012, the Company was approved for buyback of the Company's shares to reduce capital at NT\$31,950,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010049862.
 36. On October 26, 2015, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Jiao-Zi No. 1040043244.
 37. On March 1, 2022, approved by the Hsinchu Science Park Administration, Ministry of Science and Technology, by letter Zhu-Zhang-Zi No. 1110006222 for the conversion of the Company's corporate bonds with issuance of new shares for additional capital of NT\$29,599,240.

(II) Type of Shares

March 31, 2022
Unit: Shares

Types of shares	Authorized Share Capital			Note
	Issued shares	Un-issued shares	Total	
Common Stock	255,673,535	244,326,465	500,000,000	Shares of listed company

Note: The aforementioned shares outstanding includes buying back treasury stock of 4,485,000 shares not yet transferred.

(III) Information on shelf registration:

On March 4, 2022, the 18th Board of Directors' meeting of the 12th term of the Company approved the issuance of additional common shares for cash, which will be reported in the form of shelf registration for the purpose of financing the construction of plants and the purchase of machinery and equipment. The amount and scheduled issuance period are described below, and the plan will be submitted to the competent authorities for approval before execution.

1. The total number of shares to be issued and the total amount: 75,000 thousand shares with a par value of NT\$10 per share for a total amount of NT\$6,000,000 thousand.
2. Scheduled issuance period: Within two years from the effective date for the reporting of the initial offering

(IV) Composition of shareholders:

March 31, 2022

Unit: shares; %

Composition of shareholders Quantity	Governmental agencies	Financial institutions	Other juridical person	Foreign institutions and foreign nationals	Domestic natural persons	Treasury shares	Total
Number of shareholders	1	24	219	120	58,300	1	58,665
No. of shares held	991,000	17,983,992	44,832,692	16,002,447	171,378,404	4,485,000	255,673,535
Ownership	0.39%	7.03%	17.54%	6.26%	67.03%	1.75%	100.00%

(V) Composition of Shareholders

1. Common Stock

March 31, 2022

Shareholder ownership	Number of Shareholders	No. of shares held	Ownership
1 to 999	23,099	2,897,624	1.13%
1,000 to 5,000	31,165	56,127,192	21.95%
5,001 to 10,000	2,573	20,126,901	7.87%
10,001 to 15,000	607	7,723,569	3.02%
15,001 to 20,000	386	7,108,759	2.78%
20,001 to 30,000	308	7,967,751	3.12%
30,001 to 40,000	141	5,095,997	1.99%
40,001 to 50,000	79	3,625,902	1.42%
50,001 to 100,000	145	10,594,051	4.14%
100,001 to 200,000	73	9,808,525	3.84%
200,001 to 400,000	40	11,134,191	4.36%
400,001 to 600,000	11	5,362,815	2.10%
600,001 to 800,000	8	5,632,378	2.20%
800,001 to 1,000,000	6	5,320,518	2.08%
1,000,001 or above	24	97,147,362	38.00%
Total	58,665	255,673,535	100.00%

2. Preferred shares: The Company has not issued preferred stocks.

(VI) List of main shareholders

March 31, 2022

Name of Main Shareholders	Shares	No. of shares held (shares)	Ownership (%)
Youe Chung Capital Corporation		36,731,440	14.62%
Chao-Yi Wu		9,907,000	3.94%
K.J. Wu		5,311,523	2.12%
Fushuo Investment Co., Ltd.		4,364,000	1.74%
Dedicated account for Fuh Hwa Securities Small & Medium Select Fund		3,200,000	1.27%
Dedicated account with CTBC Bank Trust Investment entrusted by Taiwan Life Insurance		3,100,000	1.23%
Lidon Chen		2,830,000	1.13%
Dedicated account for investment in Van Garde Group Emerging Markets Fund under the custody of Chase		2,701,272	1.08%
Vanguard Starlight Advanced Aggregate International Equity Index under the custody of Chase		2,390,000	0.95%
Dedicated account for Fu Hwa Taiwan Good Income Fund		2,275,000	0.91%

(VII) Market price, net worth, earnings (losses) and dividends per share and the related information for the most recent two years.

Unit: NTD/in

thousands of shares

Items		Year	2020	2021	The current year up to March 31, 2022 (Note 8)
		Market Price Per Share (Note 1)	Highest		47.8	117.00	110.5
Lowest			20.1	36.50	84.2
Average			33.05	82.08	99.38
Net worth per share (Note 2)	Before distribution		17.21	23.82	22.81
	After distribution		15.36	(Note 9)	(Note 10)
Earnings per share	Weighted average shares		204,801	209,770	214,403
	Earnings per share (Note 3)		3.34	5.65	(1.15)
Dividends per share	Cash dividends		1.5	(Note 9)	(Note 10)
	Bonus Share	-			
		-			
Accumulated Un-allocated Dividends (Note 4)			-	-	(Note 10)
Return on Investment	Price / Earnings Ratio (Note 5)		9.90	14.53	(Note 10)
	Price / Dividends Ratio (Note 6)		22.03	(Note 9)	(Note 10)
	Cash Dividends Yield (Note 7)		0.05	(Note 9)	(Note 10)

Note 1: Listing the highest and lowest market price of common shares for each year, and the average annual market price, which is calculated based on the actual transaction prices and volume for each year.

Note 2: This information is filled in based on the number of issued shares by end of the year and the distribution decision made in the following year's shareholders' meeting.

Note 3: If there is a need for retrospective adjustment due to issuance of bonus shares, shall list the earnings per share before and after the adjustment.

Note 4: If the terms and conditions for issuance of equity securities state that the dividends not distributed for the current fiscal year may be accumulated to the fiscal year with earnings for distribution, shall disclose separately the accumulated amount of unpaid dividends until the current fiscal year.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings Per Share of the year.

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share of the year.

Note 7: Cash Dividends Yield = Cash Dividends Per Share / Average Market Price of the year.

Note 8: Net Worth Per Share, Earnings per share shall be listed from the information audited (reviewed) by the accountant until the latest quarter of the annual report publication date; The remaining fields are listed for the current fiscal year until the annual report publication date.

Note 9: Waiting for resolution outcome at shareholders' meeting.

Note 10: Not applicable.

(VIII) Company's dividends policy and the implementation status

1. Dividends Policy

The Company adopts the policy for remaining dividends in response to the overall environment and industrial growth characteristics, and to the company's long term financial plan, steady operations development. Yearly capital requirement is measured based on the Company's future capital budget plan, capital required for retained earnings financing comes first, then the remaining earnings can be allocated based on the dividend method. The distribution steps are as follows:

(1) Decide on the best capital budget.

(2) Decide on the financing required for one of the capital budget items.

(3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).

(4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.

2. Proposed dividends distribution at this year's shareholders' meeting

The Company proposed 2021 earnings distribution to the Board of Directors meeting on March 4, 2022, distributing cash dividends for common stock at NT\$ 255,673,535, cash dividends per share at approximately NT\$ 1. Distribution of cash dividends adopts the calculation method of "round down to the nearest dollar," fractions that do not amount to a full NT\$1 shall be added and recognized by the Company as other income. While the distribution of earnings is kept at NT\$1 per share, if there are regulatory changes by the competent authority or changes to the Company's capital, such as implementation of stock repurchase, which affect the number of shares outstanding before the dividends record date, the Chairperson is authorized to make changes to the profit distribution schedule, dividends record date and payment date and other relevant matters. The proposal will be handled in accordance with relevant regulations after the resolution at the shareholders meeting on May 26, 2022 is approved.

3. Explanation on dividends policy expected to have major changes: None.

(IX) The impact of bonus shares proposed by the shareholders' meeting on the Company's operating performance and earnings per share

Not applicable, none is proposed this time.

(X) Employee, director remuneration

1. The Company Charter's employees, directors' remuneration amount or scope:

The Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of the current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any. Employee remuneration, as mentioned above, can be paid in cash or in shares. Qualified employees of subsidiaries are also included in the payment.

Current year profit situation as mentioned in the first paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and directors remuneration.

The distribution of employee and director remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The estimation of employee and director compensation is based on the Company Charter as a basis. If there are any differences between the actual distributed amount and the estimated figure, the differences will be listed as income (loss) in the following fiscal year.

3. Earnings of 2020 for distribution of employees' and directors' remuneration:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution approved by shareholders' meeting	Difference
I. Distribution Compensation for Directors and Supervisors	16,000,000	16,000,000	None

Employee Compensation in Cash	86,000,000	86,000,000	None
Employee Compensation in Stocks	-	-	None
II. Related information for earnings per share			
Original earnings per share	3.34	3.34	None
Calculated earnings per share	3.34	3.34	None
Note: There are no differences between actual distribution and recognized employee and director remuneration.			

4. Earnings of 2021 for distribution of employees' and directors' remuneration approved by the Board of Directors:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution approved by shareholders' meeting	Difference
I. Distribution			
Compensation for Directors and Supervisors	18,000,000	Note 1	Note 2
Employee Compensation in Cash	158,000,000	Note 1	Note 2
Employee Compensation in Stocks	-	-	
II. Related information for earnings per share			
Original earnings per share	5.65	Note 1	Note 2
Calculated earnings per share	5.65	Note 1	Note 2

Note:

1. Waiting for resolution outcome at shareholders' meeting on the actual distribution arrangement.
2. If there are differences between the distribution arrangement approved by the Board of Directors and the estimated yearly amount in the recognized fees, the difference in amount, reasons, and treatment shall be disclosed:

The directors' remuneration was estimated at NT\$30,800,000 and the employees' bonus was estimated at NT\$158,000,000. The actual directors' remuneration distributed after the Board approved the allocation ratio was NT\$18,000,000, and employees' bonus was NT\$158,000,000. Therefore, the directors' remuneration was less than the original estimate by NT\$12,800,000. The differences between the estimated amounts and the actual amounts allotted will be recognized as the 2022 expense adjustment.

(XI) Stock buybacks of the Company:

Session of share repurchase	The 27 th time	The 28 th time
Purpose of share repurchase	Transfer shares to employees	Transfer shares to employees
Period of share repurchase	2021.02.04-2021.02.18	2021.11.04-2021.11.08
Price range of re-purchase	NT\$26 to NT\$60	NT\$62 to NT\$110
Type and number of shares repurchased	Common stock of 10,000,000 shares	Common stock of 4,485,000 shares
Total amount of share repurchase	NT\$415,139,236	NT\$413,744,499
Average price per share of share repurchase	NT\$41.51	NT\$92.25
Percentage of volume repurchased over the estimated volume of share repurchase	100%	74.75%
Volume of shares with completed offset and transfer	10,000,000 shares	0 share
Accumulated number of shares held by the Company	0 share	4,485,000 shares
Percentage of accumulated number of shares held by the Company over the total number of issued shares	0%	1.75%

II. Handling situation of corporate bonds:

(I) Handling situation of corporate bonds

Type of Corporate Bond	The 3rd domestic unsecured convertible bonds	
Issuing (Processing) Date	2021/08/03	
Denomination	NT\$100,000	
Listing	Taipei Exchange	
Issue Price	Issued at 115.23% of par value	
Total Amount	NT\$2,304,532,020	
Coupon rate	The coupon rate is 0% per annum	
Term	5 years Maturity date: 2026/08/03	
Guarantor	None	
Trustee	Trust Department of Mega International Commercial Bank	
Underwriter	KGI Securities Co., Ltd.	
Legal Counsel	Attorney Ya-Wen Chiu of HANDSOME ATTORNEYS-AT-LAW	
Attesting CPA	Not applicable.	
Redemption Method	Convert to common shares of the Company pursuant to Article 10 of the Issue and Conversion Measures or exercise the right of sale in accordance with Article 19 of the Measures or redeem early in accordance with Article 18 of the Measures or the Company shall repay in cash the face value of the convertible bonds at maturity, unless the bonds are repurchased and retired by the Company from the securities dealer's office.	
Outstanding Principal	NT\$1,741,300,000 (as of 2022/03/31)	
Terms of redemption or early repayment	The Issue and Conversion Measures	
Restrictive clauses	The Issue and Conversion Measures	
Credit Rating Agency, Date of Rating, Corporate Bond Credit Rating	None	
Other Rights	The amount of converted common stock (exchange or warrants), global depository receipts or other securities as of March 31, 2022	Already converted 2,959,924 common shares NT\$29,599,240
	Measures for Issuance and Conversion (Exchange or Subscription)	See the issue and conversion measures for the Company's 3rd domestic unsecured convertible bonds
Issuance and conversion, exchange or subscription methods, issuance conditions, possible dilution of equity, and impact on existing shareholders' equity	Based on the current outstanding balance and conversion price, it is estimated that 19,923,340 common shares, representing approximately 7.8% of the total issued shares, may be converted.	
Custodian	None	

(II) Information on convertible bonds

Type of Corporate Bond		The 3rd domestic unsecured convertible bonds	
Year		2021	The current year up to March 31
Items			
Market price of convertible bonds	Highest	132.50	126.00
	Lowest	103.35	110.50
	Average	115.51	118.48
Conversion price		\$87.4 (Note 1)	
Issuance (transaction) date and conversion price at issuance		Date: August 3, 2021 Conversion price: \$88.8	
Method of fulfilling the conversion obligation		Issuance of new shares	

Note 1: The conversion price was adjusted from NT\$88.8 to NT\$87.4 effective August 4, 2021.

III. Preferred shares: None of such situations.

IV. Overseas depositary receipts: None of such situations.

V. Employee stock warrants and employee new restricted shares: None of such situations.

VI. Merger or acquisition, issue of new shares in connection with the acquisition of shares of another company: None of such situations.

VII. Financing plans and implementation

The Company's third domestic unsecured convertible bonds, which raised total capital of NT\$2,304,532 thousand, have been approved on record by Jin-Guan-Zheng-Fa-Zi No. 1100347382 on July 12, 2021, and the implementation of the capital utilization plan is as follows.

1. Enrich operating capital

The capital raising plan is expected to be used for enriching operating capital by NT\$264,532 thousand. As of the fourth quarter of 2021, the cumulative amount spent was NT\$264,532 thousand, and the cumulative progress of implementation was 100%, which was fully completed.

2. Purchase of Machinery and equipment

The capital raising plan is expected to be used for purchasing machinery and equipment by NT\$2,040,000. As of the fourth quarter of 2021, the cumulative amount spent was NT\$1,001,152 thousand, and the cumulative progress of implementation was 49.08%, which was fully completed.

Five. Overview of operations

I. Business Activities

(I) Scope of business

1. Main businesses operated and business proportions

- (1) Research and development, production, manufacturing and sales of photomask.
- (2) To provide technical assistance, consulting, testing and certification, maintenance and repair services relating to the aforesaid products.

The Company's main business is the production of photomasks for microfilming processes, of which semiconductors account for more than 90% of the total number of customers, while others are photomasks for liquid crystal displays (LCDs) and wafer-level chip packaging (WLCSPs).

2. Current commodities and services of the company

With the continuous evolution of IC fabs and production equipment in the semiconductor market, the Company's available photomask products are listed below.

Customer industry type	Customer's machine model	Photomask specification
IC	Stepper, Scanner	projection5X/4X/2.5X/2X Reticle(5"~6")
LCD	Nikon	masks up to 7"
CCD	Cannon	Chrome contact prints
Transistor	Projection Aligner	1X Reticle
Diode	Proximity Aligner	1X full field
LED	ASML	(4"~7")
-	Ultratech	Large area mask(8"~24")

3. Plans for new products and services development

In response to the diversification of semiconductor high-end product specifications, we will continue to develop diverse photomasks for ArF phase shift (PSM) and provide advanced optical peripheral lining (OPC) services to facilitate further cooperation with our customers in developing photomasks for deep submicron processes.

(II) Overview of the industry

1. Industry status and development

Photomasks play a key role in the IC industry chain, accounting for 13% of semiconductor manufacturing materials, and their product specifications are mainly developed in accordance with the IC technology blueprint. Due to the increasing demand for precision in the IC industry, the most advanced photomask technology has been developed and produced below 5nm, and the Company has invested in new equipment and developed the related process. Currently, the technology has been certified by the customers related to 65nm process and is in mass production.

In the LCD market, photomasks can be applied to the manufacturing of small and medium-sized panels with higher resolution, stitching several photomasks to meet the panel manufacturing process requirements. In addition, with advances in packaging and testing technology, processing gold bump and RDL on wafer also requires photomask for pattern transfer. The 9" photomasks (for 8" wafers) and 14" photomasks (for 12" wafers) provide a solution.

As wafer manufacturing technology advances, many high level lithography requires co-

solution to be identified by manufacturing processes, IC design and photomask craft. Therefore, world-class IDM and Foundry companies have set up their own photomask departments. Optical Proximity Correction Mask (OPC) and Phase Shift Mask (PSM) are widely used in 8" and 12" foundries. The self-built photomask departments accounts for about 65% of the global photomask market, while professional photomask manufacturing companies account for about 35%. In 2020, for example, the global annual production value of photomasks is about US\$4.4 billion, and will continue to grow in the future in response to the demand for new products.

2. Future industry development trend

However, as the process technology continues to evolve, the density of memory continues to increase and the capacity of the required equipment continues to rise, many memory manufacturers are converting their old equipment to foundry production equipment. Investments and technology baseline for photomask is not low, and these capacities switching to foundry require professional photomask factories to provide photomask manufacturing services. and with many consumer products in the market and the trend of green energy saving, mature middle level photomask demands continue on the rise. As a result, world-class IDM and Foundry companies emphasize on high-level photomask investments and manufacturing, and continue to outsource related photomask mature manufacturing technology. Therefore, for the Company, expectations for future industry developments and market prospects are worthwhile.

In addition, with the strong demand for advanced processors for networking, data centers, 5G smartphones, and other high-growth markets such as self-driving cars, driver assistance systems, artificial intelligence, machine learning, and image recognition, as well as the increasing use of third-generation semiconductor materials, demand for photomasks is also increasing. As the technology for handheld communication products, AI and IOT applications improves, it is becoming increasingly difficult to complete system integration chips on a single wafer fabrication process, and relying on packaging technology to integrate integrated circuits from different processes has become a key technology necessity. These new demands have also boosted the use of photomasks, which is what we are striving for.

3. Overall economy, industry development trends and product competitiveness

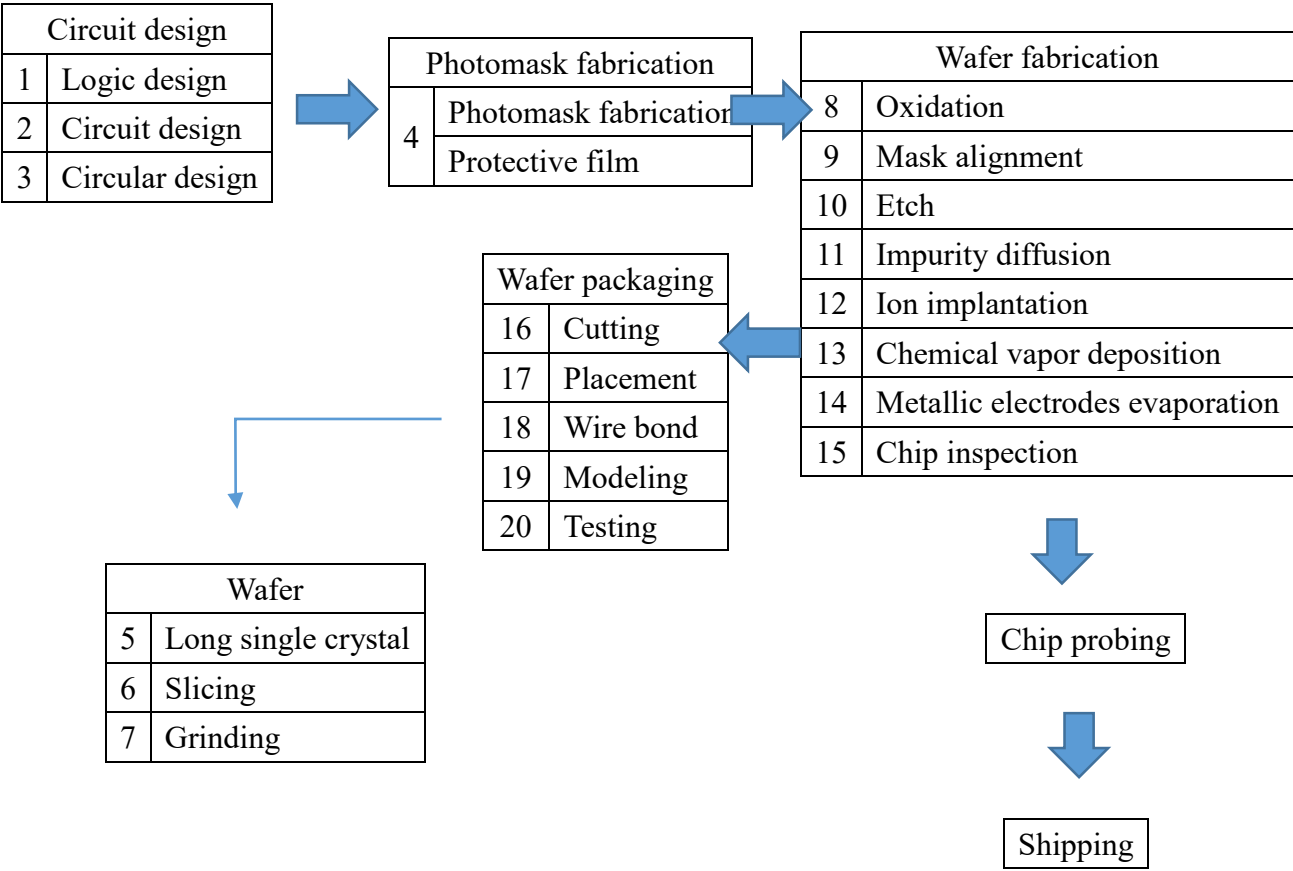
The impact of the US-China trade war in the past few years has changed the face of the world economy, especially the US ban on China's semiconductor-related supply chain, which has deeply affected the development of the electronics industry on both sides of the Taiwan Strait. In the short term, China is actively seeking to establish its own technology and investing heavily in semiconductor-related industries, but technology development cannot be achieved overnight, and relying on Taiwan's assistance and supply is becoming increasingly important. In the past few years, thousands of IC design companies have been established in China, and there are more than 20 12-inch fabs, which are new markets that we can explore.

COVID-19 is another impact and change, making international travel and business travel very difficult, and significantly reducing demand for certain consumer electronics. With this comes the need for quarantine technology, epidemic prevention facilities, as well as remote work, video conferencing, and other home economics. The accelerated digital transformation has, on the contrary, boosted the prosperity of the semiconductor industry instead of retreating, and has brought the Company growth in sales and the need to expand production

capacity. Of course, steady and gradual growth is the goal of the management team's dedicated efforts.

TMC was founded in 1988 and has 33 years of experience in manufacturing services and has accumulated more than 400 customers. It has certain advantages in production capacity, manufacturing quality and production cost of mature photomask. As the photomask market continues to develop, competing companies are entering the photomask manufacturing service market through investment or merger and acquisition. In the future, only by continuously improving operational performance and expanding 12-inch photomask manufacturing service capacity can we stand firm in the photomask manufacturing service field and gradually increase our market share.

4. Relationships of upstream, midstream and downstream of the industry



(III) Overview of technologies, research and development

In recent years and until the annual report publication date, invested research and development expenditure and successful development of technology or products.

Year	Research and development expenditure	Successful development of technology
2021	NT\$170,245 thousand	Developed 40/65 nm photomask mass production technology
1st Quarter of 2022	NT\$52,561 thousand	Developed 40/65 nm photomask mass production technology

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

1. Short-term plan: increase 65nm market share; expand the share of mature photomask manufacturing.
2. Intermediate-term plan: Introduced mass production of 28/40 nm photomasks.
3. Long-term plan: Continue to invest in advance photomask development, and research and develop new fabrication processes and expand new customer sources.

II. Status of the market and production/sales:

(I) Market analysis

1. Sales region of major products

The semiconductor industry in Taiwan is in a leading position globally, foundry market share accounts for more than half of the global market, IC design industry ranks second globally. TMC possesses geographical advantages, placing much effort in managing the domestic market, thus, domestic sales accounts for more than half of total sales as the previous years. In the past three years, we have been working hard to develop markets in China, Korea, and Southeast Asia, and have achieved good results. Asia market still stands for a larger proportion than other international markets. Since photomask customers demand for high quality photomask, rapid shipments, convenient communications, Europe and USA regions with greater time zone differences seem to present inconveniences for sales expansion into these regions, also long distance means a longer shipping time. Both years were dominated by domestic and Asian markets.

Unit: NT\$Thousand; %

Region \ Year		2020		2021	
		Amount	%	Amount	%
Domestic	Domestic	2,116,492	45.35	2,986,379	49.14
Overseas	Asia	2,532,492	54.27	3,084,232	50.75
	Others	17,772	0.38	6,751	0.11
Net sales		4,666,756	100.00	6,077,362	100.00

2. Expansion of high-end products

Since the new management team took over in 2017, some shutdown machines have been restored to expand production capacity. In order to develop more advanced photomask products, new equipment was purchased and new manufacturing processes were developed starting the end

of 2018. Newly purchased equipment were brought into the factory in 2019, 2020 and 2021, and the installation and process development were also completed. These efforts resulted in the substantial growth in revenue.

In the table below, we can clearly see that the sales of $\leq 0.13\mu\text{m}$ have grown significantly from NT\$384 million in 2020 to NT\$881 million in 2021, a growth rate of nearly 230%, and its share of overall performance has also increased from 18% in 2020 to 32% in 2021. The complete set of photomask technology certified by fabs has progressed from 90nm to 65nm, and the monolithic technology has also progressed from 65nm to 22nm.

Unit: In thousands of NTD

2020 Technology	Sales income	Percentage	2021 Technology	Sales income	Percentage
≤ 0.13	384,179	18%	≤ 0.13	881,093	32%

3. Future supply, demand and growth of the market

Under the continuous evolution of foundry processes, advanced process development is the main axle to enter the mainstream market with high return on investment and high growth, and to meet the growing demand for 5G, automotive and Internet of Things (IoT) devices that rely heavily on analog, power management and display driver integrated circuits (ICs), power components MOSFETs, microcontrollers (MCUs) and sensor technology, resulting in a supply shortage dilemma. TMC has sufficient production capacity in this part, coupled with the efforts of all colleagues in the past few years, both delivery and quality are well recognized by customers, and still has an advantage in the coming years.

However, as we all know, the advancement of semiconductor wafer fabrication process will not stop, if we only stick to our original technology and production, our business will gradually shrink and we will lose our competitiveness. Therefore, starting from 2019, the Company incrementally invested in new production equipment, developed new technology, allowing the business to extend to the 12-inch market beyond concentrating in the 6-inch and 8-inch market. Gradually cultivating towards new technology discipline with steady steps.

Looking into the future, the Company has accrued over 30 years of photomask technology experiences, and as mentioned previously, the Company has its unique way in special and large-size photomask manufacturing as its competitive advantage. By taking steady steps with its operation strategies and business expansion, great results can be expected. Especially after the merger and acquisition of Miracle Technology CO., LTD. in October 2017, the supplier relationship with the wafer plant has transitioned to a partner relationship between photomask supplier and wafer customer. The result from such a change is gradually reflected in the increasing photomask orders coming from wafer plants in Taiwan, Korea and so on. On the other hand, as Miracle Technology has three subsidiaries deeply cultivated in the Chinese mainland market, this has also assisted the Company in its business expansion in this market.

4. Competitive niche

(1) We have sufficient mature process capabilities and advanced development technologies, including 0.18 micron (and above), 0.15 micron, 0.13 micron, 0.11 micron and 90 nanometer, and even 65 nanometer, which has been developed for mass production, to provide satisfactory delivery services to our customers.

- (2) Mergers and acquisitions with Miracle Technology and Aptos Technology create a more complete service for IC design companies, from photomask manufacturing, foundry service to packaging and testing, providing customers total solutions service.
- (3) With advantages in professional photomask technology in addition to integration with Miracle Technology's professional manufacturing technology, assist customers to develop unique photomask or manufacturing technology heightening customer's competitiveness.

5. Factors favorable and unfavorable to the development, and countermeasures

(1) Favorable factors

- A. Taiwan, China and various countries in South East Asia are expansively building 8-inch and 12-inch foundries engaging in foundry service, this will comparatively increase demands for photomask.
- B. We have complete and mature photomask technology for 65nm (and above) for each process with the product service platforms the processes need.
- C. The production has reached the economic scale with high yield rate, and has the advantage of certain output value compared with other photomask factories.
- D. Good financial structure and timely investment in relevant production equipment in response to market demand.
- E. After merger and acquisition with Miracle Technology, is able to provide a more complete service for IC design companies.

(2) Unfavorable factors

- A. Changes in the division of profession in the global semiconductor supply chain outsourcing model.
- B. Insufficient domestic labor supply resulting in a surge in salaries.
- C. Lack of overseas layout and local production service.
- D. Late start of middle and high end process, still need to develop and obtain fab certification gradually.

(3) Company countermeasures

- A. Expedite information processing by purchasing fast computers to process customer's product design at a faster rate and shorten the delivery time.
- B. Systemized operations to raise work efficiency, reduce wastage, lower costs, and gradually reduce labor demand.
- C. Purchase new equipment models, expand production scale, supply various demand levels of photomask, balance profitability standards of various levels of photomask, to increase competition.
- D. Enhance expansion of overseas businesses, increase revenues and profits.
- E. Understand the needs of customers and develop the photomasks required for product applications to strengthen customer relationships.
- F. Collaborate with 12-inch foundries to develop photomask technology, gradually enter a high level market winning customers' recognition and trust.

(II) Key uses and production process of main products

Photomask is an irreplaceable mold in the integrated circuit manufacturing process. Basically, photomask is comparable to the film in developing photos, and possesses a similar function to the film, the only difference is its image is in the form of a circuit. Photomask material itself is a very flat glass, it could be quartz glass, soda lime glass or borosilicate glass, coated with an ultrathin layer of chromium. The manufacturing process of photomask involves the following: use the computer to accurately store the circuit patterns required in integrated circuit in a hard drive, followed by using the pattern generator to expose the circuit pattern onto the glass panel which is coated with photosensitive material, passing through

development and chemical etching processes to fixate the circuit pattern on the glass panel, then it is ready to pass on to chip manufacturing plant that fabricates wafers for usage.

(III) Supply status of main raw materials

1. The blank photomask raw materials that the Company uses are purchased from major producers in Japan and Korea. The protective film is partly supplied from domestic producers and the insufficient portion is purchased from major producers in Japan, USA and Korea. Photomask packaging boxes are partially supplied by domestic suppliers, and the rest are supplied by manufacturers in Japan, the US and Korea. Chemicals are purchased from Japan, the US and Germany, and some domestic manufacturers are capable of supplying the Company.
2. Raw materials can be supplied domestically.
3. As for parts and accessories, key machines are supplied by original equipment suppliers, and some machine parts and accessories are supplied by domestic manufacturers. The Company's equipment mainly comes from the US, Japan and Germany.

(IV) List of major suppliers and customers in the two most recent fiscal years

1. Major Suppliers in the two most recent fiscal years

Unit: NT\$Thousand

Items	2020				2021				2022 up to Quarter 1			
	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for 2022 up to 1st quarter (%)	Relationship with the issuer
1	Magna Chip	1,090,557	43	None	KEY FOUNDRY Co., Ltd.	1,373,922	43	None	KEY FOUNDRY Co., Ltd.	346,332-- -	43	None
2	Vanguard International Semiconductor Corporation	359,139	14	None					-	-	-	
3	Others	1,097,580	43		Others	1,818,840	57	None	Others	453,634	57	None
	Net Purchase	2,547,276	100		Net Purchase	3,192,762	100		Net Purchase	799,966	100	

Note: Reasons for changes in proportion of goods imported: Due to the differences in sales proportion of the products, resulting in differences in the imported materials and suppliers.

2. Major customers in the two most recent fiscal years

Unit: NT\$Thousand

Items	2020				2021				2022 up to Quarter 1			
	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for 2022 up to 1st quarter (%)	Relationship with the issuer
1	A	548,410	12	None	A	942,399	16	None	A	207,074	12	None
	Others	4,118,346	88		Others	5,134,964	84		Others	1,500,418	88	
	Net Sales	4,666,756	100		Net Sales	6,077,363	100		Net Sales	1,707,492	100	

Note: The Company's clientele is more divided. There was one customer with net sales for over 10% in 2020, and there are new customers with more than 10% net sales in 2020 Quarter 1. This is mainly due to the increase in customer demands for photomask purchase orders.

(V) Production volume and value in the past two years

Unit: 1000 pieces / NT\$Thousand

Production quantity and amount Main Products	Year	2020			2021		
		Production capacity	Volume	Value	Production capacity	Volume	Value
Photomask		69	62	1,281,755	68	65	1,454,152
Wafer Foundry Agency		-(Note 1)	-(Note 1)	1,810,493	-(Note 1)	-(Note 1)	1,898,802
Others		-(Note 2)	-(Note 2)	631,422	-(Note 2)	-(Note 2)	1,315,028
Total		-	-	3,723,670	-	-	4,667,982

Note 1: Not engaged in production and only received service revenue, therefore, no capacity and production.

Note 2: Due to the variety of products and different units, the quantities are not aggregated.

(VI) Sales volume and value in the past two years

Unit: 1000 pieces / NT\$Thousand

Sales quantity and amount Main Products (or department)	Year	2020				2021			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Photomask		41	1,395,286	21	737,662	44	1,870,393	21	902,946
Wafer Foundry Agency Services		4,764	414,976	37,946	1,648,582	-(Note 1)	695,418	-(Note 1)	1,352,358
Others		20,281	306,230	19,708	164,020	-(Note 2)	420,568	-(Note 2)	835,680
Total		25,086	2,116,492	57,675	2,550,264	-	2,986,379	-	3,090,984

Note 1: Not engaged in production and only received service revenue, therefore, no capacity and production.

Note 2: Due to the variety of products and different units, the quantities are not aggregated.

III. Employee information

Year		2020	2021	As of March 31, 2022
Number of Employees	Technical personnel (Engineering)	152	255	246
	Management and sales personnel	178	299	324
	Operation personnel	225	355	377
	Total	555	909	947
Average Age		40.81	40.42	42.84
Average Service Tenure		5.66	3.87	3.34
Distribution of Educational Background	Doctoral degree	1.93	2.09	2.11
	Master's degree	14.76	15.95	16.05
	University (College)	63.97	60.4	59.77
	Senior High School	18.10	19.8	20.38
	Below Senior High School	1.23	1.76	1.69

IV. Expenditures on environmental protection

(I) Any loss sustained as a result of environmental pollution in the most recent fiscal year and up to the date of the publication of the annual report: There have been no occurrences of pollution disputes and losses incurred from penalties for the Company.

(II) Future countermeasures and possible expenditures

- Countermeasures

The Company's products go through the processes of exposure, development, chemical etching, stripping, followed by rinsing them in strong acid for cleaning before packaging them. These processes use chemicals for treatment and the Company wants to avoid pollution from occurring, thus, set up a neutralizing treatment tank for treating wastewater containing acids and alkalis from these processes. Wastewater is treated and released controlled within the standards as regulated by laws and regulations on national level and of the science park management bureau. In the area of preventing pollution and environmental protection measures, the Company has the most advanced wastewater and air pollutant emissions treatment equipment. Specifically, for preventing long-term damage effects from the wastewater pond polluting underground water sources, the wastewater pond was designed "overhead", managing personnel can check for leakages anytime. This is the most advanced wastewater treatment equipment globally. Air emissions go through the active carbon adsorption tower and washing column processes before being released. After the wastewater goes through this first stage treatment to meet the standard of the Hsinchu Science Park Bureau for sewer connection, it will be released to the wastewater treatment center of the

Science Park for second time treatment.

The Company has placed environmental protection as first priority since establishment, thus, up till now, there have been no occurrences of environmental pollution.

The Company's products do not have direct or indirect relations to laws and regulations relating to overseas sales to Europe or EU's Restriction of Hazardous Substances (RoHS) Directive.

● **Expenditure for environmental protection**

1. Over the past one year

2021 Environmental protection related expenditures were NT\$12,129 thousand, related routine maintenance, cleaning and transportation, treatment and testing fees were NT\$4,919 thousand. The maintenance and renewal of treatment facilities amounted to NT\$7,210 thousand, mainly for the basic construction of waste acid recycling in the three plants, which amounted to NT\$4,000 thousand and the rest was for the renewal and improvement of air pollution control equipment and wastewater treatment system. Reduce noise and vibration pollution, improve the efficiency of wastewater discharge treatment, and add automatic control function for abnormal water quality return flow to meet the requirements of environmental regulations. The construction of the waste acid recycling infrastructure for the production line of Plant 3 has been started. The completion of the installation in the future will significantly reduce pollution emissions and is expected to recover more than 7 tons of waste sulfuric acid per month.

2. Future plans

2022 Environment protection targeted budget

In 2022, an additional NT\$15,000 thousand will be added to the environmental protection budget to enhance the efficiency of waste reduction and improve the efficiency and safety of related environmental protection (wastewater + air pollution) facilities, in order to enhance friendly corporate responsibility. In response to the increase in production capacity, general expenses for environmental protection, such as routine maintenance, cleaning, treatment, inspection and general maintenance of treatment facilities, will also increase in parallel.

- (1) Plant 3 will spend 4.5 million dollars to build a machine waste acid recycling facility, which will then be recycled by the factory. This will significantly reduce waste sulfuric acid and waste pool liquid alkali usage, saving an average of 2.56 million dollars/year, which will be beneficial to the environment and society, as well as enhancing the corporate image.
- (2) Plant 1, Plant 2 and Plant 3 will spend 1.2 million to modify 8 sets of air-conditioning box inverters, which will save 350,000KW of electricity per year and save electricity: $350,000\text{KW} * \$2.6 = 900,000/\text{year}$.
- (3) Plant 1 will replace the old MAU system of 30 years old with new MAU design, and change it to energy-saving motor + water washing type + heat pump to replace the old motor and high energy-consuming boiler type temperature/humidity control method, which can reduce energy consumption by about 700,000-900,000 KW of electricity per year * $\$2.6 = 1.82\text{-}2.34$ million a year.

V. Labor relations information

(I) Employee benefit plans, continuing education, training, retirement systems and the status of their implementation, as well as the status of labor-management agreements and measures for preserving employees' rights and interests.

1. Status of the Company's employee benefit measures, continuing education and trainings

[Salary and motivation system]

- Salary and multiple rewards system (Dragon Boat Festival, Mid-Autumn Festival and year-end bonus), additional performance bonus and allocation of earnings, production bonus, station allowance
- Flexible salary adjustment for individuals
- Employee bonus, employee stock option

[Life care and protection]

- Enjoy complete group insurance (free life insurance/accident insurance/hospitalization medical treatment/accident medical treatment/occupational hazard)
- Cash gifts and subsidies for child birth, weddings, death in the family
- Birthdays/occasions gift vouchers
- Free annual employee health check-ups
- Appointed store
- Welfare committee to regularly organize travels and various sporting events and domestic and overseas travel subsidies
- Employee health care, regular visits by doctors and nurses providing on-site care, professional consultation sessions and suggestions for employees
- Christmas party

[Convenient facilities]

- Provides complete indoor employee parking spaces
- Free gym with dedicated fitness trainer
- Indoor badminton court, tennis court, table tennis and so on leisure facilities
- Established lactation room, complete facility for use by female employees
- Established employee canteen provides free meals, coffee, tea beverages, and 180-inch large screen viewing
- Provides accommodation for job candidates from other cities

[Training]

- Provides new employee educational trainings
- Conducts work trainings based on the employee's work requirements
- Provides external trainings to employees for self-learning and growth

2. Retirement scheme

The Company has established a retirement plan with defined payment for formal employees based on the Labor Standards Act, making monthly payments to the retirement fund account with Bank of Taiwan. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with domestic citizenship. Under the New Plan, the Company contributes monthly an amount not less than 6% of the employees'

monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

3. Labor agreement and various employees' rights and interests' protection status

- Regularly hold labor-management meetings, allowing friendly communications between employees and company.
- Provide an internal web-based platform, sharing information and instant interactions with employees.

(II) Any loss sustained by the company as a result of labor disputes and the estimate of losses incurred to date or likely to be incurred in the future in the most recent fiscal year and up to the date of the publication of the annual report: None.

VI. Important contracts

The Company has not entered into any material contracts, except for general commercial transactions.

In addition, the Company's annual report for the current year is attached as Nine.

Attachment 2. The latest annual (2021) audited and attested consolidated financial statements also disclosed "significant contingent liabilities and unrecognized contractual commitments". (Page 64)

Six. Overview of Financial Status

I. Information on condensed balance sheets and statements of comprehensive income for the past five fiscal years

(I) Condensed balance sheets - IFRS (consolidated)

Unit: NT\$Thousand

Items	Year	Financial information for the past five fiscal years (Note 1)					Financial information as of March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Current assets		1,623,242	1,734,383	2,258,934	2,429,726	8,435,838	7,885,404
Property, plant and equipment		989,220	966,563	1,546,919	3,108,099	4,142,224	4,417,639
Intangible assets		38,291	112,544	126,776	173,724	387,866	384,219
Other assets		459,396	1,050,828	1,793,741	3,390,159	3,148,299	3,544,576
Total assets		3,110,149	3,864,318	5,726,370	9,101,708	16,114,227	16,231,838
Current liabilities	Before distribution	556,083	1,238,297	3,677,416	3,677,416	6,369,661	6,789,321
	After distribution	556,083	1,432,380	4,056,487	4,056,487	(Note 2)	(Note 2)
Non-current liabilities		74,926	52,210	886,506	1,975,859	4,874,387	4,849,365
Total Liabilities	Before distribution	631,009	1,290,507	5,653,275	5,653,275	11,244,048	11,638,686
	After distribution	631,009	1,484,590	6,032,346	6,032,346	(Note 2)	(Note 2)
Equity attributable to shareholders of the parent company		2,405,630	2,558,494	2,990,222	3,538,598	5,100,527	4,892,136
Capital		2,527,136	2,527,136	2,527,136	2,527,136	2,556,735	2,556,735
Capital surplus		212,948	169,431	322,777	439,898	1,315,828	1,332,539
Retained earnings	Before distribution	539,080	738,815	1,405,273	1,405,273	2,165,355	1,920,657
	After distribution	539,080	544,732	1,026,202	1,026,202	(Note 2)	(Note 2)
Other equity interests		11,207	7,853	(1,872)	889	4,032	18,648
Treasury stock		(884,741)	(884,741)	(835,332)	(834,598)	(941,423)	(936,443)
Non-controlling Interests		73,510	15,317	131,236	(90,165)	(230,348)	(298,984)
Total Equity	Before distribution	2,479,140	2,573,811	3,448,433	3,448,433	4,870,179	4,593,152
	After distribution	2,479,140	2,379,728	3,069,362	3,069,362	(Note 2)	(Note 2)

Note 1: Finance information from 2017 to 2021 were audited and attested by certified public accountants, and finance information up to March 31, 2022 were reviewed by certified public accountants.

Note 2: Waiting for resolution outcome at shareholders' meeting.

(II) Condensed statements of comprehensive income - IFRS (Consolidated)

Unit: NT\$Thousand
(Loss per share expressed in NT\$1)

Year Items	Financial information for the past five fiscal years (Note 1)					Financial information as of March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating revenue	1,427,073	2,885,982	3,468,682	4,666,756	6,077,362	1,707,492
Gross profit	243,673	629,008	612,402	943,086	1,409,380	403,314
Operating income	(7,904)	259,536	7,329	344,153	434,012	181,120
Non-operating income and expenses	(57,365)	(55,890)	367,188	286,388	744,086	(489,714)
Earnings Before Tax	(65,269)	203,646	374,517	630,541	1,178,098	(308,594)
Net income of current period from continuing operations	(88,553)	145,820	311,940	486,307	886,561	(313,426)
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	(88,553)	145,820	311,940	486,307	886,561	(313,426)
Other comprehensive income for the period (net after tax)	293,804	1,299	(8,340)	3,185	4,332	14,616
Total comprehensive income for the year	205,251	147,119	303,600	489,492	890,893	(298,810)
Net profit attributable to shareholders of the parent company	(74,177)	199,203	431,254	683,897	1,185,777	(244,698)
Net profit attributable to non-controlling interests	(14,376)	(53,383)	(119,314)	(197,590)	(299,216)	(68,728)
Total comprehensive income attributable to shareholders of the parent entity	(27,427)	200,011	423,056	687,082	1,190,109	(230,082)
Total comprehensive income attributable to non-controlling interests	232,678	(52,892)	(119,456)	(197,590)	(299,216)	(68,728)
Earnings per share	(0.33)	1.02	2.19	3.34	5.65	(1.14)

Note: Finance information from 2017 to 2021 were audited and attested by certified public accountants, and finance information up to March 31, 2022 were reviewed by certified public accountants.

(III) Condensed balance sheets - IFRS (standalone)

Unit: NT\$Thousand

Year		2017	2018	2019	2020	2021
Items						
Current assets		754,702	1,162,525	1,561,615	1,809,099	3,506,849
Property, plant and equipment		840,707	855,134	1,369,968	2,746,203	3,178,465
Intangible assets		1,255	939	2,177	2,366	8,518
Other assets		1,101,279	1,514,835	1,980,152	3,035,145	4,849,712
Total assets		2,697,943	3,533,433	4,913,912	7,592,813	11,543,544
Current liabilities	Before distribution	222,161	935,415	1,157,150	2,013,853	1,635,143
	After distribution	222,161	1,129,498	1,409,864	2,392,924	(Note 2)
Non-current liabilities		70,152	39,524	766,540	2,040,362	4,807,874
Other liabilities						
Total Liabilities	Before distribution	292,313	974,939	1,923,690	4,054,215	6,443,017
	After distribution	292,313	1,169,022	2,176,404	4,433,286	(Note 2)
Capital		2,527,136	2,527,136	2,527,136	2,527,136	2,556,735
Capital surplus		212,948	169,431	322,777	439,898	1,315,828
Retained earnings	Before distribution	539,080	738,815	977,513	1,405,273	2,165,355
	After distribution	539,080	544,732	724,799	1,026,202	(Note 2)
Other equity interests		11,207	7,853	(1,872)	889	4,032
Treasury stock		(884,741)	(884,741)	(835,332)	(834,598)	(941,423)
Total Equity	Before distribution	2,405,630	2,558,494	2,990,222	3,538,598	5,100,527
	After distribution	2,405,630	2,364,411	2,737,508	3,159,527	(Note 2)

Note 1: The aforementioned financial information was audited and verified by a certified accountant.

Note 2: Waiting for resolution outcome at shareholders' meeting.

(IV) Condensed statements of comprehensive income - IFRS (Standalone)

Unit: NT\$Thousand

(Loss per share expressed in NT\$1)

Year Items	2017	2018	2019	2020	2021
Operating revenue	1,024,976	1,448,393	1,658,131	2,175,018	2,773,339
Gross profit	216,650	471,228	513,182	851,193	1,319,187
Operating income	73,561	287,563	234,693	539,949	738,136
Non-operating income and expenses	(130,953)	(61,955)	230,133	206,941	624,859
Net profit (loss) before tax	(57,392)	225,608	464,826	746,890	1,362,995
Net profit from continuing operations	(74,177)	199,203	431,254	683,897	1,185,777
Profit or loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the period	(74,177)	199,203	431,254	683,897	1,185,777
Other Comprehensive Profit or Loss	46,750	808	(8,198)	3,185	4,332
Total comprehensive income for the year	(27,427)	200,011	423,056	687,082	1,190,109

Note: The aforementioned financial information was audited and verified by a certified accountant.

(V) Names and opinions of auditors for the past five years

Attestation Year	Certified Accountant	Opinions
2017	Shou-Hung Hsueh, Tien-I Li	An unqualified opinion
2018	Ya-Hui Cheng, Tien-I Li	An unqualified opinion
2019	Tien-I Li, Ya-Hui Cheng	An unqualified opinion
2020	Tien-I Li, Ya-Hui Cheng	An unqualified opinion
2021	Tien-I Li, Ya-Hui Cheng	An unqualified opinion

II. Financial analysis for the past five fiscal years

(I) Financial analysis - IFRS (Consolidated)

		Year (Note 1)					The current year up to March 31, 2022
		2017	2018	2019	2020	2021	
Items to be analyzed (Note 2)							
Financial position (%)	Debt to asset ratio	20.29	33.40	45.49	62.33	69.78	71.70
	Long-term fund to property, plant and equipment ratio	258.19	271.69	259.09	173.06	235.25	213.75
Solvency (%)	Current ratio	291.91	140.06	131.46	66.33	132.44	116.14
	Quick ratio	208.77	100.08	114.02	57.67	123.27	107.27
	Times interest earned	(17.33)	37.54	24.63	20.09	12.72	(7.88)
Operating performance	Average collection <small>(times)</small>	3.66	5.37	5.20	5.71	5.57	5.23
	Days sales outstanding	100	68	70	64	66	70
	Average inventory turnover <small>(times)</small>	3.77	6.00	8.74	16.53	14.86	12.08
	Average payment turnover <small>(times)</small>	11.11	11.45	9.42	9.71	10.68	11.23
	Average inventory turnover <small>(times)</small>	97	61	42	22	25	30
	Property, plant and equipment turnover (times)	1.48	2.95	2.76	2.00	1.68	1.60
	Total assets turnover <small>(times)</small>	0.43	0.83	0.72	0.63	0.48	0.42
Profitability	Return on assets (%)	(2.57)	4.31	6.77	6.93	7.67	(7.06)
	Return on equity (%)	(3.11)	5.77	10.95	14.88	21.32	(26.50)
	Pre-tax income to paid-in capital (%)	(2.58)	8.06	14.82	24.95	46.08	(48.28)
	Net profit margin (%)	(6.21)	5.05	8.99	10.42	14.59	(18.36)
	Earnings per share (NTD)	(0.33)	1.02	2.19	3.34	5.65	(1.14)
Cash flow	Cash flow ratio (%)	107.31	(12.88)	39.09	(1.95)	(19.88)	(1.60)
	Cash flow adequacy ratio	190.86	115.66	95.24	30.20	(3.74)	21.79
	Cash flow reinvestment ratio (%)	11.11	(3.34)	11.71	(7.59)	(16.95)	(1.18)
Leverage	Operating leverage	(81.74)	3.05	112.19	3.37	4.44	2.98
	Financial leverage	0.69	1.02	(0.86)	1.11	1.30	1.24

Reasons for changes in the financial ratios in the past two years:

1. Financial structure (long-term capital to property, plant and equipment) and debt service (current ratio, quick ratio, interest coverage ratio): mainly due to the increase in customer demand, the issuance of convertible bonds for the acquisition of fixed assets to increase production capacity, and the revitalization of assets to obtain medium- and long-term working capital.
2. Operating Capacity (Total Asset Turnover): The increase in total assets was mainly due to the issuance of convertible bonds for the acquisition of fixed assets and the revitalization of assets to obtain medium- and long-term working capital.
3. Profitability (return on assets, return on equity, net profit before tax to paid-in capital, net profit margin, and earnings per share): The increase in net profit after tax was mainly due to the increase in customer demand and higher capacity utilization.
4. Cash flow (cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio): Mainly due to increase in net cash outflows from operating activities in the current period compared with the previous period
5. Leverage (operating leverage, financial leverage): The increase in operating revenue and profit was mainly due to the increase in customer demand and higher capacity utilization.

Note 1: Finance information from 2017 to 2021 were audited and attested by certified public accountants, and finance information up to March 31, 2022 were reviewed by certified public accountants.

Note 2: Calculation formula for items to be analyzed as shown below:

1. Capital structure

(1) Debt-to-asset ratio = Total liabilities / Total assets

- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment
2. Solvency
- (1) Current ratio = Current assets / Current liabilities
 - (2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
 - (3) Times interest earned = Earnings before interest and taxes / Interest expenses
3. Operating performance
- (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
 - (2) Days sales outstanding = 365 / Average collection turnover
 - (3) Average inventory turnover = Operating costs / Average inventory
 - (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
 - (5) Average inventory turnover days = 365 / Average inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
 - (7) Total assets turnover = Net sales / total assets
4. Profitability
- (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
 - (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
 - (3) Net margin = Net income / Net sales
 - (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow
- (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
 - (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)
6. Leverage
- (1) Operating leverage = (Net sales – variable cost) / Operating income
 - (2) Financial leverage = Operating income / (Operating income – interest expenses)

(II) Financial analysis - IFRS (Standalone)

Items to be analyzed (Note 2)		Year (Note 1)				
		2017	2018	2019	2020	2021
Financial position (%)	Debt to asset ratio	10.83	27.59	39.15	53.40	55.81
	Long-term capital to property, plant, and equipment ratio	294.49	303.81	274.22	203.15	311.74
Solvency (%)	Current ratio	339.71	124.28	134.95	89.83	214.47
	Quick ratio	254.53	103.63	120.59	81.13	205.43
	Times interest earned	(2294.68)	73.21	33.34	27.92	25.37
Operating performance	Average collection turnover (times)	3.97	4.80	4.59	5.36	5.37
	Days sales outstanding	92	76	80	68	68
	Average inventory turnover (times)	8.69	8.09	8.61	10.65	13.17
	Average payment turnover (times)	16.31	16.79	14.07	12.92	15.27
	Average inventory turnover days	42	45	42	34	28
	Property, plant and equipment turnover (times)	1.25	1.71	1.49	1.06	0.94
	Total assets turnover (times)	0.34	0.46	0.39	0.35	0.29
Profitability	Return on assets (%)	(2.49)	6.48	10.48	11.29	12.86
	Return on equity (%)	(2.75)	8.03	15.54	20.95	27.45
	Pre-tax income to paid-in capital (%)	(2.27)	10.11	18.39	29.55	53.31
	Net profit margin (%)	(7.24)	13.75	26.01	31.44	42.76
	Earnings per share (NTD)	(0.33)	1.02	2.19	3.34	5.65
Cash flow	Cash flow ratio (%)	282.97	24.69	48.57	32.46	20.28
	Cash flow adequacy ratio (%)	217.76	198.45	118.42	60.39	44.49
	Cash flow reinvestment ratio (%)	12.84	4.61	8.20	6.57	(0.46)
Leverage	Operating leverage	6.61	2.54	3.74	2.36	2.48
	Financial leverage	1.00	1.01	1.07	1.05	1.08

Reasons for changes in the financial ratios in the past two years:

1. Financial structure (long-term capital to fixed assets ratio) and debt service (current ratio, quick ratio): mainly due to the increase in customer demand, the issuance of convertible bonds for the acquisition of fixed assets to increase production capacity, and the revitalization of assets to obtain medium- and long-term working capital.
2. Operating Capacity (Inventory Turnover): Accelerated inventory turnover due to increased customer demand.
3. Profitability (return on equity, net profit before tax to paid-in capital, net profit margin, and earnings per share): The increase in net profit after tax was mainly due to the increase in customer demand and higher capacity utilization.
4. Cash flow (cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio): Mainly due to increase in net cash outflows from operating activities in the current period compared with the previous period

Note 1: The aforementioned financial information from 2016 to 2020 were audited and verified by a certified accountant.

Note 2: Calculation formula for items to be analyzed as shown below:

1. Capital structure

- (1) Debt-to-asset ratio = Total liabilities / Total assets
- (2) Long-term fund to property, plant and equipment ratio = (Shareholders' equity + non-current liabilities) / Net property, plant and equipment

2. Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – inventories – prepaid expenses) / Current liabilities
- (3) Times interest earned = Earnings before interest and taxes / Interest expenses

3. Operating performance

- (1) Receivables (including accounts receivable and notes receivable due to business operation) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operation)
- (2) Days sales outstanding = 365 / Average collection turnover
- (3) Average inventory turnover = Operating costs / Average inventory
- (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
- (5) Average inventory turnover days = 365 / Average inventory turnover
- (6) Property, plant and equipment turnover = Net sales / Average property, plant and equipment
- (7) Total assets turnover = Net sales / total assets

4. Profitability

- (1) Return on total assets = [Net income + Interest expenses x (1 – tax rate)] / Average total assets
- (2) Return on equity attributable to shareholders of the parent = Net income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent
- (3) Net margin = Net income / Net sales
- (4) Earnings per share = (Net income attributable to shareholders of the parent – preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / Current Liabilities
- (2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend
- (3) Cash flow reinvestment ratio = (Cash provided by operating activities – cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage

- (1) Operating leverage = (Net sales – variable cost) / Operating income
- (2) Financial leverage = Operating income / (Operating income – interest expenses)

III. Audit Committee's audit report of the Financial Statements for the most recent fiscal year

Taiwan Mask Corporation Audit Committee's Audit Report

We have reviewed the Company's 2021 business report, financial statements and earnings distribution proposal prepared by the board of directors. The financial statements have been audited by CPA Tien-I Li and CPA Ya-Hui Cheng of PricewaterhouseCoopers Taiwan, to which the firm has issued an independent auditor's report. The Audit Committee found no misstatement in the above, and hereby presents this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For

The 2022 Regular Shareholders' Meeting

Taiwan Mask Corporation



Audit Committee convener: WANG, WEI-CHEN

王偉臣

Audit Committee member: CHENG, HUAN-KUEI

鄭桓奎

March 4, 2022

Taiwan Mask Corporation
Consolidated Financial Statements Declaration

The companies that are required to be included in the affiliated companies consolidated financial statements as of and for the year ended on December 31, 2021, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the affiliated companies consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Consequently, do not prepare a separate set of consolidated financial statements of the affiliated companies.

Very truly yours



Company Name: Taiwan Mask Corporation

Person in Charge: Michael Tsai



March 4, 2022

IV. Standalone financial statements for the most recent fiscal year (2021) audited and attested by certified public accountants: Please refer to Attachment 1.

V. Consolidated financial statements for the most recent fiscal year (2021) audited and attested by certified public accountants: Please refer to Attachment 2.

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

Seven. Review and Analysis of Financial Position and Financial Performance and Risks

I. Financial position

(I) Changes to liabilities and stockholders' equity in the two most recent years

Unit: NT\$Thousand

Items \ Year	2020	2021	Difference	
			Amount	%
Current assets	2,429,726	8,435,838	6,006,112	247.19
Fixed assets	3,108,099	4,142,224	1,034,125	33.27
Other assets	3,563,883	3,536,165	(27,718)	(0.78)
Total assets	9,101,708	16,114,227	7,012,519	77.05
Current liabilities	3,677,416	6,369,661	2,692,245	73.21
Non-current liabilities	1,975,859	4,874,387	2,898,528	146.70
Total Liabilities	5,653,275	11,244,048	5,590,773	98.89
Capital	2,527,136	2,556,735	29,599	1.17
Capital surplus	439,898	1,315,828	875,930	199.12
Retained earnings	1,405,273	2,165,355	760,082	54.09
Other equity interests	889	4,032	3,143	353.54
Treasury stock	(834,598)	(941,423)	(106,825)	12.80
Non-controlling Interests	(90,165)	(230,348)	(140,183)	155.47
Total Equity	3,448,433	4,870,179	1,421,746	41.23

(II) Analysis of changes in proportion

1. The increase of 247.19% in current assets was due to the increase in financial assets and the increase in cash from the issuance of convertible bonds.
2. Fixed assets increased by 33.27% due to the purchase of machinery and equipment and the construction of a clean room.
3. Total assets increased by 77.05% due to the increase in investment in fixed assets and financial assets and the increase in cash from the issuance of convertible bonds.
4. Increase in current liabilities at 73.21%, due to adjustments in operations conditions, increasing short-term debts to replenish operations capital.
5. Non-current liabilities increased by 146.70% due to the increase in long-term borrowings and issuance of corporate bonds.
6. The increase in total liabilities by 98.89% was due to the increase short- and long-term borrowings and issuance of corporate bonds
7. The increase in capital reserve by 199.12% was due to the increase in employee stock options recognized as salaries and issuance of corporate bonds in the current period.
8. Retained earnings increased by 54.09% due to the increase in retained earnings as a result of the positive net profit.
9. Increase in other equity interests by 353.54%, due to valuation adjustment and translation of foreign financial statements.
10. Non-controlling interests decreased by 155.47% due to the negative net value of the Group's consolidation of Aptos Technology and Xsense Technology Corporation
11. Total equity increased by 41.23%, mainly due to the net profit of the period was with earnings surplus.

II. Financial performance

(I) Financial performance comparison analysis table

Unit: NT\$Thousand

Items	Year		Amount increase (decrease)	Change in proportion (%)
	2020	2021		
Operating revenue	4,666,756	6,077,362	1,410,606	30.23
Operating costs	3,723,670	4,667,982	944,312	25.36
Gross profit	943,086	1,409,380	466,294	49.44
Operating expenses	598,933	975,368	376,435	62.85
Operating profit (loss)	344,153	434,012	89,859	26.11
Non-operating income and expenses	286,388	744,086	457,698	159.82
Net income (loss) of this period from continuing operations	486,307	886,561	400,254	82.30
Other consolidated profit and loss after taxes	3,185	4,332	1,147	36.01
Total comprehensive income for the year	489,492	890,893	401,401	82.00

(II) Analysis of changes in proportion

1. Operating revenue increased by 30.23%, operating costs increased by 25.36% and operating gross profit increased by 49.44% due to the increase in revenue of Taiwan Photomask and Miracle Technology.
2. Operating expenses increased by 62.85%, mainly due to the merger of Xsense Technology Corporation and DIGITAL-CAN
3. Non-operating income and expenses increased by 159.82%, mainly due to the increase in valuation of financial assets.
4. Increase in net profit for this period from continuing operations at 82.30%, mainly due to the increase in business revenue and operating profits.
5. Increase in other comprehensive income for the year (net after tax) is at 36.01%, mainly due to current translation of foreign financial statements.
6. Total comprehensive income increased by 82.00%, mainly due to the increase in business revenue and operating profits.

(III) Expected sales volume and its basis, potential effects to future company finance and operations and contingency plan

In response to future trends of IC manufacturing technology advancement, current matured technology facilities owned by the Company are not sufficient to meet the demands of IC design companies. Thus, there are plans to purchase photomask equipment with high-level technology to satisfy customer demands for high-level manufacturing, and to elevate the Company's overall

competitiveness. Estimated photomask sales volume in 2022 is expected to increase by 32% from 2021. The Company is actively reducing cost and various expenses, continues to research and develop and upgrade its technology to improve operations and increase profits.

III. Cash flow

(I) Analysis of the changes in the cash flow in the past two years

Items \ Year	2020	2021	Ratio increase (decrease)
Cash flow ratio	(1.95)	(19.88)	(17.93)pps
Cash flow adequacy ratio	30.20	(3.74)	(33.94)pps
Cash flow reinvestment ratio	(7.59)	(16.95)	(9.36)pps

(II) Explanation of changes in the ratio

1. Cash flow ratio: Mainly due to increase in stock investment and financial assets in 2021 as compared to 2020.

2. Cash flow adequacy ratio: Mainly due to the net cash outflow from operating activities as a result of the increase in financial assets invested in 2021

3. Cash reinvestment ratio: The same reason as the cash flow adequacy ratio.

(III) Improvement plan for liquidity shortfall

The Company does not observe signs of insufficient liquidity, thus, not applicable.

(IV) Cash flow analysis for the coming year

Unit: NT\$Thousand

Opening Balance (1)	Estimated cash flow from operating activities (2)	Estimated cash flow from investment and financing activities (3)	Estimated cash balance (shortfall) amount (1)+(2)+(3)	Remedy for insufficient cash	
				investment plan	Financing plan
2,681,819	102,451	(3,419,346)	(635,076)	-	3,000,000

1. Operating activities: Mainly estimated cash generated from sales and added depreciation with no cash flow.

2. Investment activities: It is expected that there will be purchases of machinery and equipment, therefore, investment activities will have situations of net cash used.

IV. Effects of major capital expenditures on finance and operation in the most recent fiscal year

(I) Usage situations of major capital expenditures and funds transactions

Unit: NT\$Thousand

Project item	Actual or scheduled funds sources	Actual usage of funds	
		2020	2021
1. Buildings and structures	Earned surplus	2,029,071	1,883,332
2. Exposure equipment			
3. Test system			
4. Measurement equipment			

5. Process equipment			
6. Repair system			
7. Environmental equipment			

(II) Expected possible benefits generated

1. Estimated to increase production and sales volume, value and gross profit

Unit: Pieces; NTD in thousands

Year	Items	Unit	Production volume	Sales volume	Sales value	Gross profit
2023	Photomask	Pieces	16,920	16,920	833,000	400,000
2024	Photomask	Pieces	16,920	16,920	883,000	448,000

2. Description of other benefits

- (1) Continue to invest and develop unique and large-size photomasks, improve yield rate and increase market share. In response to the domestic industrial development, develop the technology required for finer fabrication, and expand production capacity to support the development of more automation industries.
- (2) The photomask needed in submicron requires precision equipment to work with, the equipment purchased can inspect for defects that are smaller, so as to provide better quality photomask to downstream wafer plants, further improving the yield rate of wafer manufacturing.
- (3) Since the opening of the Company's plant, we have placed environmental protection as first priority. The environmental equipment used are the most advanced wastewater and air emissions treatment systems globally, wastewater and air emissions are released within standards.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for the generated profits/losses, the plan for improving re-investment profitability and investment plans for the coming year

The Company's re-investment are strategic investments, recognized investment losses based on the equity method of the 2021 consolidated financial statement is at NT\$80,385 thousand. Reasons for the loss and improvement plan are as shown below:

Investee	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Reasons	Improvement plan
Advagene Biopharma Co., Ltd.	(92,685)	(29,974)	Currently at the research and development stage, and continue to invest in research and development expenditures, resulting in net losses.	Emphasize on business expansion, actively seeking to win technology transfer of major international manufacturers and collaborations development and so on models, in the hope that the current new dosage form of drug can enter the market for sales in the shortest time, maximizing the value.
Weida Hi-Tech Company	(22,816)	(7,949)	Incurred losses due to continuous investment in R&D	Explore more orders
Xsense Technology corporation	(327,565)	(42,462)	In April 2021, the Company participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included the Company in the consolidated financial statements as a consolidated entity as of that date.	

VI. Analysis and assessment of risks

(I) Impact of interest rate, exchange rate fluctuation and inflation on the Company's profit and loss and the future responsive measures for the most recent fiscal year and until annual report publication date.

Items	Impact to the Company's profit and loss	Future countermeasures
Changes in interest rate	Increased interest rate/Increased interests expenditure/Reduced net income Decrease in net profit after tax NT\$14,198 thousand in 2021 NT\$3,740 thousand in Q1 2021	As photomask manufacturing is considered an industry with high capital intensity, besides capital generated from the Company's operations, may use methods such as increased investments or long-term debts as sources of capital for the company's operations and purchase of machinery and equipment. Current capital held is sufficient to respond to the company's future operations requirements. In the future, will adjust capital usage situations dependent upon the changes to financial interests and hedging policy as countermeasures, to reduce impacts to gains (losses).
Exchange rate fluctuation	Exchange rate fluctuation 1% / Increase in gains (losses) NT\$14,124 thousand in 2021 NT\$12,440 thousand in Q1 2022	Continue to monitor foreign exchange market information, conduct hedging strategies, to effectively control the company's gains (losses) situation.
Inflation	No impacts	Inflation situations in the most recent fiscal year have limited impacts to the Company's gains or losses, continue to take note of changes in domestic and overseas economies.

(II) In the two most recent fiscal years and until the publication date of the annual report, the policy, main reason for profit or loss, and future countermeasures of high-risk investments, high-leverage investments, loans to other parties, endorsements/guarantees, and derivatives transactions.

1. In the most recent fiscal year and until the publication date of the annual report, high-risk investments, high-leverage investments and derivatives transactions: None.

2. Loans to Others

Unit: NT\$Thousand

Company that lent funds	Borrowing party	Type	2021/12/31	2022/03/31
Youe Chung Capital Corporation	Aptos Technology INC.	Working capital	380,000	450,000
	Xsense Technology	Working capital	130,000	230,000
	Xsense Technology Corporation (B.V.I.).	Working capital	8,000	8,000
Adl Engineering INC.	Aptos Technology INC.	Working capital	28,000	26,500
Miracle Technology CO., LTD.	Aptos Technology INC.	Working capital	140,000	140,000

3. Endorsement and guarantee

Unit: NT\$Thousand

Endorser/guarantor	Guaranteed Party	2021/12/31	2022/03/31
Taiwan Mask Corporation	Miracle Technology CO., LTD.	166,830	200,375
Adl Engineering INC.	Aptos Technology INC.	20,000	19,500
Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	121,632	122,276
Miracle Technology CO., LTD.	Xsense Technology	50,000	50,000
Miracle Technology CO., LTD.	Aptos Technology INC.	-	10,000

(III) Research and development programs in the future and the expenditures expected

To elevate competitiveness and to satisfy demands from customers and markets, it is expected to continue to invest in human resources and expenditures to research and develop high level photomask products, advanced manufacturing processes and so on technology development in the future, to maintain leading position in technology and product yield rate. The estimated R&D expenses for 2022 and 2023 will be approximately NT\$290 million and NT\$390 million, respectively.

(IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and countermeasures

The Company abides by national policies and laws, related units monitor closely to any changes in major policies and laws and cooperate to adjust the company's internal system and operations activities to ensure smooth operations of the company.

(V) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response

1. Semiconductor technology is constantly developing towards the precision manufacturing process, it will increase demands for high level photomasks relatively. The Company continues to expand its production capacity, purchase high level manufacturing machinery, and currently the company is in sound financial position, which is sufficient to respond to the company's future technology development demand. Impacts to the company's finance and business from technology changes and industry changes are limited.

2. Information security risk assessment

(1) Information security risk management framework

To raise information security management, the Company's dedicated information security unit "IT Management department" is responsible for the Company's information security governance, planning, supervision and execution, to build a total information security defense capability and good employee awareness of information security.

(2) Information security policy and specific management program

- Establish procedures for information processing system management to protect computer and internet security, implementing information security management through strengthening the concept, preventive measures, conduct records, active precaution, regular audits and so on procedures.
- Formulate information security risk events notification management procedures assigning related personnel with necessary responsibility to facilitate rapid handling of information security incidents.
- Establish information security facilities and systems change management notification mechanisms to prevent leaks in system security.
- Handle prudently and protect personal data in accordance with the provisions as stipulated in "Computer-Processed Personal Data Protection Law."
- Establish backup facility, regular execution of necessary data, software and backup procedures, to prepare for disaster or malfunction in storage media, enabling rapid recovery back to normal operation. However, it is not possible to guarantee a complete avoidance of illegal intrusion by third parties who use internet virus attack, serious internet attacks may result in system problems interrupting the company's operations or prying of confidential information. These attacks may result in compensations to customers of the losses incurred from delays or interruptions from the company, or the need to bear expenses for rebuilding system security protection.

(3) Information security risk events

The Company has not discovered any information security risk events in 2021.

(VI) Effect on the Company's crisis management from changes in the Company's corporate image and measures to be taken in response: None of such situations.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: None of such situations.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: None of such situations.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

1. In response to frequent changes to market demands, supply aspects need to have flexibility. Various major materials required by the Company's operations are steadily supplied by multiple suppliers. There have been plans each year in assessing new suppliers. The company plans to collaborate actively with suppliers for the supply of raw materials and equipment

required by operations in the coming one year.

2. Major sales customers of the Company are well-known companies, proportion of revenues from customers are diverted across major industries, there are no risks of concentration of sales.

(X) Effect upon and risk to the Company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10% stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

The Company's major shareholders are fairly supportive of the company's operations and management levels and submit timely reports to the Board of Directors and on shareholding situations of the top 10% major shareholders in accordance with the Securities and Exchange Act. There have been no situations of transfer of major quantities of shares or changed hands in the most recent fiscal year and up to the annual report publication date, thus, it has no effects on the Company.

(XI) Effect upon and risk to Company associated with any change in governance personnel or top management, and countermeasures being or to be taken: No such situation.

(XII) Litigation or non-litigation matters, list major litigations, non-litigation or administrative litigation matters where a court's decision has been made or action is still pending of the company and company directors, supervisors, president, the de facto responsible persons, shareholders with over 10% shareholding, where the results may have a significant impact on shareholders' rights and interests or prices of securities, shall disclose facts of disputes, price or claim value, litigation start date, major parties of the litigation and handling situation up to publication date of the annual report.

In the case of the former Chairperson involvement with the Securities and Exchange Act, the Supreme Court made the (2020) Tai-Shang-Zhi #964 ruling on February 19, 2021, and reversed and remanded the guilty part of the verdict made by the Taiwan High Court in the (108) Jin-Shang-Su-Zi #31 verdict on December 18, 2019, and sent the verdict back to the Taiwan High Court. Currently, it is in the legal proceeding under the 2021 Taiwan High Court Jin-Shang-Geng-I-Zi #2 Case.

(XIII) Other important risks, and countermeasures being or to be taken: None.

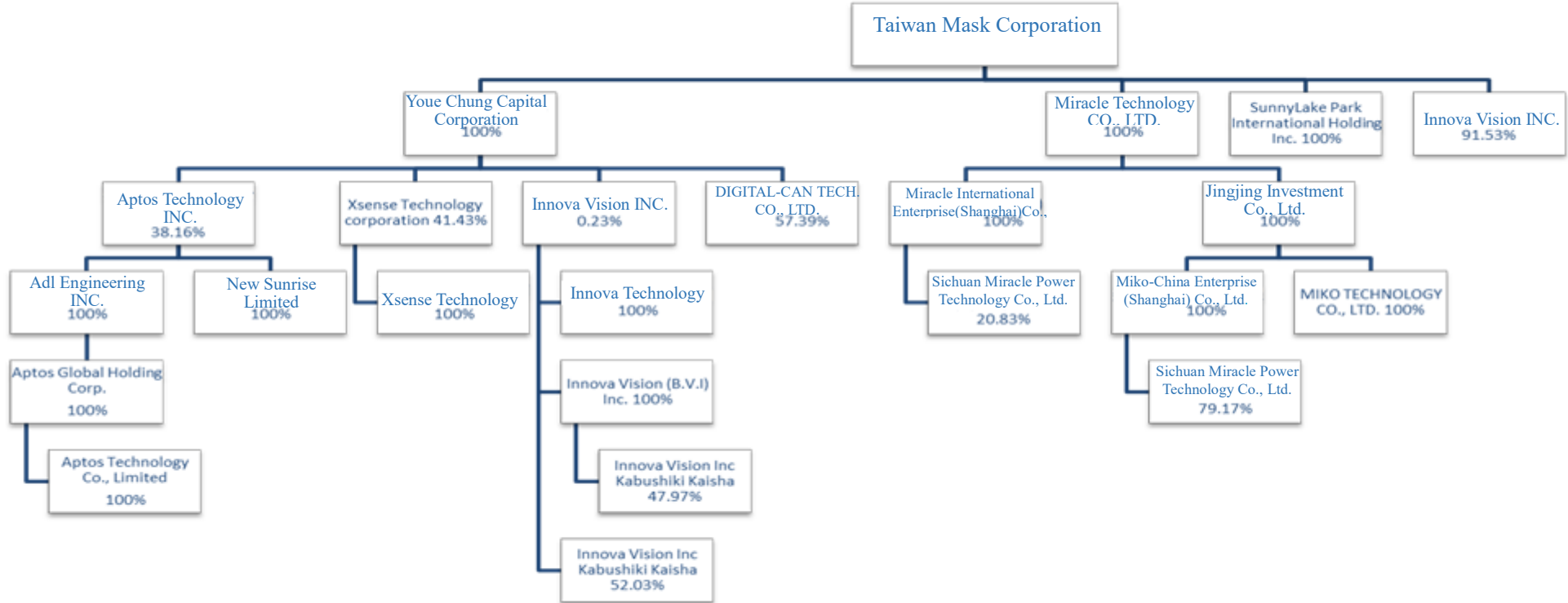
VII. Other important matters: None.

Eight. Special Items to be Included

I. Information of affiliated companies

(I) Organizational chart of affiliated companies

December 31, 2021



(II) Performance of affiliated companies

December 31, 2021 Unit: NT\$Thousand

Name of entity	Amount of Capital	Total assets	Total Liabilities	Total Equity	Operating revenue	Operating profit	Profit and Loss of the Period (after taxes)
Youe Chung Capital Corporation	2,555,677	8,860,473	3,078,750	5,781,723	-	-6,032	3,103,567
SunnyLake Park International Holdings, Inc	103,045	5,139	-	5,139	-	-66	-66
Miracle Technology CO., LTD.	229,550	1,185,618	790,950	394,668	1,294,127	-19,720	39,702
Jingjing Investment Co., Ltd.	191,161	287,630	57,278	230,352	-	-234	24,052
Miko Technology Co., Ltd	37	6,205	84	6,121	-	-30,812	-30,774
Miko-China Enterprise (Shanghai) Co., Ltd.	3,283	295,353	15,015	280,338	126,596	83,763	68,357
Miracle International Enterprise(Shanghai) Co., Ltd.	10,215	341,712	252,769	88,943	1,199,760	46,997	38,596
Sichuan Miracle Power Technology Co., Ltd.	54,249	78,053	16,759	61,294	102,261	14,161	12,957
Aptos Technology INC.	883,900	981,486	1,378,845	-397,359	609,208	-230,291	-243,767
Adl Engineering INC.	119,845	67,827	1,468	66,359	-	-7,638	-5,718
New Sunrise Limited	-	-	-	-	-	-	-
Apoto Global Holding Corp.	29,795	-	-	-	-	-	-
Apoto Technology Co., Limited	29,648	-	-	-	-	-	-
Innova Vision INC.	402,000	258,823	93,413	165,411	1,639	-76,869	-108,194
Innova Vision Kabushiki Kaisha	JPY615,000,000	JPY44,917,447	JPY41,120,976	JPY3,796,471	JPY27,447,219	-JPY60,688,880	-JPY63,495,876
Innova Vision (B.V.I.) Inc	US\$1,000,000.00	US\$5,541.37	US\$2,531,595.03	US\$2,526,053.66	-	-	-US\$596,166.31
Innova Technology	30,000	4,693	7,927	-3,234	5	-999	23
Xsense Technology Corporation(Note 1)	594,814	437,048	506,247	-69,199	116,574	-273,215	-327,558
DIGITAL-CAN TECH. CO., LTD. (Note 2)	126,880	107,303	25,422	81,881	30,289	-25,968	-26,460

Note 1: The Group owned 41.43% of Xsense Technology Corporation, and Xsense Technology Corporation and its subsidiary Xsense Technology Corporation (B.V.I.) held a Board of Directors' meeting on March 25, 2021 to re-elect the Chairperson of the Board of Directors, and the president of the Company was elected. The new management team, led by the President of the Company, is involved in the operational decisions and business policies, including strategic decisions and therefore the firm is included in the consolidated financial statements.

Note 2: On August 2, 2021, the Group acquired 57.39% of the shares of DIGITAL-CAN TECH. CO., LTD. and has substantial control over the firm and therefore the firm is included in the consolidated financial statements.

(III) Information on the directors, supervisors, general manager of each affiliated company

December 31, 2021; Unit: Shares; NT\$; %

Name of entity	Job title	Name or Representative	Shareholding	
			Number of shares (capital contributions)	Proportion
Youe Chung Capital Corporation	Chairperson	Taiwan Mask Corporation, Representative: Chang-Ji Hsu	255,567,666	100%
	Director	Taiwan Mask Corporation, Representative: Shih-Hsien Chao		
	Director	Taiwan Mask Corporation, Representative: Eve Yang		
Sunnylake Park International Holdings, Inc.	Director	Taiwan Mask Corporation, Representative: Parkson Chen	USD 3,120,000	100%
Miracle Technology CO., LTD.	Chairperson	Taiwan Mask Corporation, Representative: Chang-Ji Hsu	22,955,033	100%
	Director	Taiwan Mask Corporation, Representative: Ming-Cheng Liang		
	Director	Taiwan Mask Corporation, Representative: Yung-Ming Chao		
	Supervisor	Taiwan Mask Corporation, Representative: Ya-Hui Huang		
Jingjing Investment Co., Ltd.	Chairperson	Miracle Technology CO., LTD., Representative: Yung-Ming Chao	19,116,100	100%
Miko Technology Co., Ltd	Chairperson	Jingjing Investment Co., Ltd., Representative: Yung-Ming Chao	HKD10,000	100%
Miko-China Enterprise (Shanghai) Co., Ltd.	Legal representative	Jingjing Investment Co., Ltd., Representative: Yung-Ming Chao	CNY 696,466.20	100%
	Supervisor	Jingjing Investment Co., Ltd., Representative: Pei-Chen Chen		
Miracle International Enterprise(Shanghai) Co., Ltd.	Legal representative	Miracle Technology CO., LTD., Representative: Yung-Ming Chao	CNY 2,483,070.00	100%
	Supervisor	Miracle Technology CO., LTD., Representative: Pei-Chen Chen		
Sichuan Miracle Power Technology Co., Ltd.	Legal representative	Miko-China Enterprise (Shanghai) Co., Ltd. Representative: Yung-Ming Chao	CNY 12,000,000	79.17%
	Supervisor	Miko-China Enterprise (Shanghai) Co., Ltd. Representative: Pei-Chen Chen		

Name of entity	Job title	Name or Representative	Shareholding	
			Number of shares (capital contributions)	Proportion
Aptos Technology	Chairperson	Youe Chung Capital Corporation, Representative: Chang-Ji Hsu	33,732,108	38.16%
	Director	Youe Chung Capital Corporation, Representative: Ming-Cheng Liang		
	Director	Youe Chung Capital Corporation, Representative: Nester Huang		
	Director	Youe Chung Capital Corporation, Representative: Chih-Ming Chen		
	Supervisor	Yu-Chen Lai	500,000	0.57%
	Supervisor	Chin-I Chou	0	0.00%
Adl Engineering INC.	Chairperson	Aptos Technology INC., Representative: Ming-Cheng Liang	11,984,526	100%
	Director	Aptos Technology INC., Representative: Nester Huang		
	Director	Aptos Technology INC., Representative: Chi-Chang Lo		
	Supervisor	Aptos Technology INC., Representative: Jing-Ying Huang		
Aptos Global Holding Corp.	Director	Adl Engineering INC.	NTD 29,795,000	100.00%
Aptos Technology Co., Limited	Director	Aptos Global Holding Corp.	NTD 29,647,500	100.00%
New Sunrise Limited	Director	Aptos Technology INC.	Note	100.00%
Innova Vision INC.	Chairperson	Youe Chung Capital Corporation, Representative: Mei-Hui Li	94,370	0.23%
	Director	Youe Chung Capital Corporation, Representative: Yu-Shian Tsai		
	Director	Youe Chung Capital Corporation, Representative: Jui-Jung Huang		
	Director	Youe Chung Capital Corporation, Representative: Yao-Lun Chen		
	Director	Youe Chung Capital Corporation, Representative: Lung-Sheng Yu		
	Supervisor	Jing-Ying Huang	0	0.00%
Innova Technology	Director	Innova Vision representative: Mei-Hui Li	3,000,000	100%
Innova Vision (B. V. I.)Inc.	Director	Innova Vision representative: Parkson Chen	USD 1,000,000	100%
	Director	Innova Vision representative: Sheng-Chung Kuo		
Innova Vision Kabushiki Kaisha	Director	Mei-Hui Li	JPY295,000,000	47.97%
	Director	Qingfeng Kenichi		
	Director	Rui-Long Huang		
	Supervisor	Yao-Lun Chen	0	0.00%
Xsense Technology Corporation	Director	Cheng-Hsiang Chen	0	0.00%
DIGITAL-CAN TECH. CO., LTD.	Chairperson	Youe Chung Capital Corporation, Representative: Nester Huang	7,281,250	57.39%
	Director	Youe Chung Capital Corporation, Representative: Lidon Chen		
	Director	Youe Chung Capital Corporation, Representative: Eve Yang		
	Director	Bing-Ming Du	2,000,000	15.76%
	Director	Ming-Chih Chou	1,500,000	11.82%
	Supervisor	Shih-Hsien Chao	0	0.00%

Note: New Sunrise Limited was established in 2015, Aptos Technology has not invested at that time.

(IV) Basic information of each affiliate

December 31, 2021; Unit: In thousands of NTD

Name of entity	Date of incorporation	Address	Paid-up capital	Main business activities
Youe Chung Capital Corporation	2007/03/10	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD2,555,677	Investment
SunnyLake Park International Holdings, Inc	1990/10/17	Citco Building, Wickhams Cay, P.O.Box662, Road Town, Tortola, British Virgin Islands	USD3,120	Investment
Miracle Technology CO., LTD.	1993/11/22	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD229,550	Electronics components manufacturing, electronics materials and precision equipment distribution and product design business
Jingjing Investment Co., Ltd.	2006/10/13	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD191,161	Investment
Miko Technology Co., Ltd	1997/12/08	Room 1203, 12/F., Tung Wah Mansion, 199-203 Hennessy Road, Wanchai, Hong Kong.	HK10	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Miko-China Enterprise (Shanghai) Co., Ltd.	2010/05/17	四、Room 301, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY696	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Miracle International Enterprise(Shanghai) Co., Ltd.	2007/02/09	Room 204, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY2,483	IC product design, production and sales
Sichuan Miracle Power Technology Co., Ltd.	2017/06/06	No. 598, Yulong Rd, Chuanshan District, Suining City, Sichuan Province, PR China Innovative Innovation Incubation Center, 5F, No. 5001-5002	CNY12,000	IC product design, production and sales
Aptos Technology INC.	2006/03/10	No. 398-1, Youyi Road, Zhunan Township, Miaoli County	NTD883,900	Electronics components
Adl Engineering INC.	2007/05/29	5F, No. 65, Guangfu North Road, Hukou Township, Hsinchu County	NTD119,845	Electronics components
New Sunrise Limited	2015/12/10	Offshore Chambers, P.O. Box 217, Apia, Samoa	(Note)	Investment
Aptos Global Holding Corp.	2010/08/02	Second Floor, Capital City, Independence Avenue, P.O. Box 1008, Vicotria, Seychelles	NTD29,795	Investment
Aptos Technology Co., Limited	2010/08/20	Room 6, 16/F., Workingbond Commercial Centre 162-164 Prince Edward RD West, Mong Kok, Kowloon, Hong Kong	NTD29,648	Investment
Innova Vision INC.	1990/01/21	2nd Floor, No. 20, Zhanye 1st Road, Hsinchu City, Hsinchu Science Park	NTD402,000	Medical equipment manufacturing, retail and wholesale Wholesale
Innova Technology	2003/05/29	No. 231-1, Wende Road, Qionglin, Hsinchu County	NTD30,000	Medical equipment retail and wholesale
Innova Vision Kabushiki Kaisha	2001/05/16	2-9-2 HigashiNihonbashi Chuo-ku, Tokyo, Japan	JPY615,000	Medical equipment retail and wholesale
Innova Vision(B.V.I.)Inc	2009/08/10	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands.	USD1,000	Investment
Xsense Technology Corporation	2014/10/13	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	NTD594,814	Precious metal coating
DIGITAL-CAN TECH. CO., LTD.	2003/09/17	2nd Floor-1, No. 88, Zhouzi Street, Neihu District, Taipei City	NTD126,880	3D Printing and Plastic Mold Design 199

Note: New Sunrise Limited was established in 2015, Aptos Technology has not invested at that time.

(V) Consolidated Financial Statements

The companies that are required to be included in the affiliated companies' consolidated financial statements are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the affiliated companies' consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Thus, the Company only presents the declaration on the cover page of the consolidated financial report of parent company and subsidiaries, and will not prepare separate affiliated companies' consolidated financial statements and its declaration (Please refer to this handbook Chapter "Six. Overview of Financial Status" and "IV. Latest financial report").

(VI) Relationship report: Not applicable.

(VII) Information on the controlling and controlled entities presumably sharing the same shareholders:

None.

II. Status of private placement of securities during the most recent fiscal year and up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year and up to the date of publication of the annual report:

Unit: NTD in thousands; Thousand shares; %

Name of Subsidiary	Paid-up capital	Source of funds	The Company's shareholding ratio	Date of acquisition or disposal	Number of shares and amount acquired (Note 1)	Number of shares and amount disposed (Note 1)	Investment income (loss)	Number of shares and amount held up to publication date of annual report	Status of creation of pledge	Endorsements/guarantees of amount by parent company to subsidiary	Amount the Company lends to subsidiary
Youe Chung Capital Corporation	\$2,555,677 thousand	Proprietary funds	100%	2021 and 2022 up to March 31	-	-	-	Number of shares 36,731.44thousand shares Amount: \$3,559,277thousand	29,270 thousand shares	\$200,375 thousand	None

Note 1: "Amount" refers to the actual amount acquired or disposed of.

Note 2: Effects to the financial performance and financial situation of the company: Not applicable.

IV. Other supplementary information: None.

V. Situations listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities, have occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, such situations shall be listed: None.

IX. Attachment

Attachment 1. Standalone financial statement for the most recent fiscal year audited and attested by certified public accountants

Attachment 2. Consolidated financial statement for the most recent fiscal year audited and attested by certified public accountants

Taiwan Mask Corporation



Chairman: Sean Chen



Taiwan Mask Corporation
Standalone financial statements and independent
auditor's report
2021 and 2020
(Stock Code: 2338)

Company address: No. 11, Chuangxin 1st Road, Hsinchu
County, Hsinchu Science Park
Telephone: (03)563-4370

Taiwan Mask Corporation

2021 and 2020 standalone financial statements and independent auditor's report

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Independent Auditors' Report

(2022) Tsai-Sheng-Bao-Zi No. 21002896

To Taiwan Mask Corporation,

Opinions

We have audited the accompanying standalone balance sheets of Taiwan Mask Corporation as of December 31, 2021 and 2020, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2021 and 2020, and notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the standalone financial statements present fairly, in all material respects, the standalone financial position of Taiwan Mask Corporation as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021 and 2020, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for Opinion

We conducted our audits in accordance with the “Regulations Governing Auditing” and generally accepted auditing standards. Our responsibilities under those standards are further described in the Independent Auditor’s Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of TAIWAN MASK CORPORATION in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of Taiwan Mask Corporation of fiscal year 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole and, in forming our opinion thereon, we do not provide a standalone opinion on these matters.

Key audit matters for the standalone financial statements in fiscal year 2021 are stated as follows:

Evaluation of Inventories

Description

Refer to Note 4(11) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, inventory accounts description please refer to Note 6(5), for the details of allowance for inventory valuation. The inventory amount and allowance for inventory valuation loss as of December 31, 2021 is NT\$115,891 thousand and NT\$6,002 thousand respectively.

Taiwan Mask Corporation is primarily engaged in mask and integrated circuit services in the semiconductor industry. Due to rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuations, loss on decline in value of inventories and obsolescence is higher than that of other industries. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Understand and evaluate the accounting policy for the provision of allowance for losses on decline in value of inventories.
2. Perform test to evaluate the ageing statement of inventories and the statement of lower of cost and net realizable value of inventories, including validating the supporting documents related to the date of inventory movement to confirm the correct ageing classification, and validating the supporting documents related to the net realizable value to assess and confirm the reasonableness of the net realizable value determination.
3. Verify the reasonableness of allowance for inventory valuation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4(26) of the financial report. For sales revenue please refer to Note 6(21); the operating income in fiscal year 2021 is NT\$2,773,339 thousand.

Taiwan Mask Corporation mainly produces and sells products such as masks and integrated circuits used in semiconductors, and has a large and diversified sales base. Trading conditions vary according to market conditions and customer needs. Considering that sales revenue is a major transaction that has a significant impact on the standalone financial statements, we believe that the recognition of sales revenue is one of the most important matters to be considered in this year's audit.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Understand the type of major income and assess internal operations, review revenue recognition and accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions and verify the relevant documents to determine the appropriateness of the sales revenue.
3. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Responsibilities of management and those charged with governance for the standalone financial statements

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

In preparing the standalone financial statements, management is responsible for assessing Taiwan Mask Corporation’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 Taiwan Mask Corporation 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 TAIWAN MASK CORPORATION's financial reporting process.

Independent auditor's responsibilities for the audit of the standalone financial statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 ROC GAAS 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 standalone financial statements.

As part of an audit conducted in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following undertakings:

1. Identify and assess the risks of material misstatement of the standalone 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 TAIWAN MASK CORPORATION'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 Taiwan Mask Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures

in the standalone 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 report. However, future events or conditions may cause TAIWAN MASK CORPORATION to cease to continue as a going concern.

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

We communicated 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 for the current period.

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.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the 2021 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit for the current period. 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 auditor's report because the adverse consequences of doing so would reasonable are expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Tien-I Li
Accountant

李典易 

Ya-Hui Cheng

葉匯成 

Financial Supervisory Commission of the Executive Yuan
Approval Document for Attestation: Jin-Guan-Zheng-Shen-
Zi No. 1020028992
Securities and Futures Bureau of Financial Supervisory
Commission of the Executive Yuan
Approval Document for Attestation: Jin-Guan-Zheng-Shen-
Zi No. 0960072936

March 4, 2022

Taiwan Mask Corporation
Standalone Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Assets	Notes	December 31, 2021		December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and Cash Equivalents	6(1)	\$ 1,798,841	16	\$ 493,838	7
1110	Financial Assets at Fair Value	6(2)				
	Through Profit or Loss - Current		824,558	7	-	-
1136	Financial Assets at Amortized Cost -	6(3) and 8				
	Current		3,000	-	3,000	-
1140	Contract Asset - Current		115,854	1	78,897	1
1150	Notes Receivables (Net)	6(4)	-	-	29	-
1170	Accounts Receivables (Net)	6(4)	592,967	5	425,006	6
1180	Accounts Receivables - Related	6(4) and 7				
	Parties (Net)		5,112	-	9,003	-
1200	Other Receivables		3,826	-	51	-
1210	Other Receivables - Related Parties	7	14,870	-	624,065	8
130X	Inventories	6(5)	109,889	1	110,856	1
1410	Prepayments		36,959	-	63,704	1
1470	Other Current Assets		973	-	650	-
11XX	Total Current Assets		<u>3,506,849</u>	<u>30</u>	<u>1,809,099</u>	<u>24</u>
Non-Current Assets						
1510	Financial Asset at Fair Value Through	6(2)				
	Profit or Loss - Non Current		296,800	3	147,632	2
1535	Financial Assets at Amortized Cost -	6(3) and 8				
	Non Current		35,425	-	35,422	1
1550	Investment under Equity Method	6(6)	2,599,908	22	1,903,864	25
1600	Property, plant and equipment	6(7) and 8	3,178,465	28	2,746,203	36
1755	Right-of-use Asset	6(8)	563,415	5	395,869	5
1760	Investment property (Net)	6(10) and 8	703,953	6	544,878	7
1780	Intangible assets		8,518	-	2,366	-
1840	Deferred Income Tax Assets	6(28)	-	-	2,014	-
1900	Other Non-Current Assets	6(11)	650,211	6	5,466	-
15XX	Total Non-Current Assets		<u>8,036,695</u>	<u>70</u>	<u>5,783,714</u>	<u>76</u>
1XXX	Total Assets		<u>\$ 11,543,544</u>	<u>100</u>	<u>\$ 7,592,813</u>	<u>100</u>

(Continued)

Taiwan Mask Corporation
Standalone Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Liabilities and Equities		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current liabilities						
2100	Short Term Loans	6(12)	\$ 860,000	7	\$ 1,448,600	19
2130	Contract Liabilities - Current	6(21)	7,660	-	6,131	-
2170	Accounts Payable		81,451	1	109,043	1
2200	Other Payables	6(13)	446,349	4	288,967	4
2230	Current Income Tax Liabilities		119,062	1	50,952	1
2280	Lease Liability - Current		28,054	-	15,721	-
2320	Long-term liabilities due within one year or one business cycle	6(15)	60,000	1	87,143	1
2399	Other Current Liabilities - Other		32,567	-	7,296	-
21XX	Total Current Liabilities		<u>1,635,143</u>	<u>14</u>	<u>2,013,853</u>	<u>26</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)	1,657,049	14	-	-
2540	Long-term Loans	6(15)	2,590,000	23	1,634,284	22
2570	Deferred Income Tax	6(28)	59	-	226	-
2580	Lease liability - Non Current		540,421	5	383,752	5
2640	Defined Benefit Liabilities - Non Current	6(16)	15,540	-	17,731	-
2645	Guarantee Deposits Received		4,805	-	4,369	-
25XX	Total Non-Current Liabilities		<u>4,807,874</u>	<u>42</u>	<u>2,040,362</u>	<u>27</u>
2XXX	Total Liabilities		<u>6,443,017</u>	<u>56</u>	<u>4,054,215</u>	<u>53</u>
Equities						
Capital		6(17)				
3110	Capital stock		2,556,735	22	2,527,136	33
Capital surplus		6(18)				
3200	Capital surplus		1,315,828	11	439,898	6
Retained earnings		6(19)				
3310	Legal reserve		656,037	6	587,990	8
3320	Special reserve		-	-	2,666	-
3350	Unappropriated earnings		1,509,318	13	814,617	11
Other equity interests		6(20)				
3400	Other equity interests		4,032	-	889	-
3500	Treasury stock	6(17)	(941,423)	(8)	(834,598)	(11)
3XXX	Total Equities		<u>5,100,527</u>	<u>44</u>	<u>3,538,598</u>	<u>47</u>
Major Commitments and Contingencies		9				
Major Events after Financial Statement		11				

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation
Standalone Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Date							
3X2X	Total Liabilities and Equities	\$	<u>11,543,544</u>	<u>100</u>	\$	<u>7,592,813</u>	<u>100</u>

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation
Standalone Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

Items	Notes	2021		2020	
		Amount	%	Amount	%
4000 Operating revenue	7	\$ 2,773,339	100	\$ 2,175,018	100
5000 Operating costs	6(5)	(1,454,152)	(52)	(1,323,825)	(61)
5900 Gross profit		<u>1,319,187</u>	<u>48</u>	<u>851,193</u>	<u>39</u>
Operating expenses	6(26) (27)				
6100 Selling Expenses		(56,719)	(2)	(57,533)	(3)
6200 Administrative Expenses		(459,279)	(17)	(187,251)	(8)
6300 R&D Expenses		(64,936)	(2)	(67,060)	(3)
6450 Expected Credit Impairment (Loss) Gain	12(2)	(117)	-	600	-
6000 Total Operating Expenses		<u>(581,051)</u>	<u>(21)</u>	<u>(311,244)</u>	<u>(14)</u>
6900 Operating profit		<u>738,136</u>	<u>27</u>	<u>539,949</u>	<u>25</u>
Non-operating income and expenses					
7100 Interest income	6(22)	3,264	-	11,402	1
7010 Other Incomes	6(23)	153,506	5	32,565	1
7020 Other Gains and Losses	6(24)	81,799	3	(369,831)	(17)
7050 Financial Costs	6(25)	(55,918)	(2)	(27,744)	(1)
7070 The share of subsidiaries, affiliates and joint venture profits and losses recognized by the equity method		<u>442,208</u>	<u>16</u>	<u>560,549</u>	<u>26</u>
7000 Total Non-Operating Incomes and Losses		<u>624,859</u>	<u>22</u>	<u>206,941</u>	<u>10</u>
7900 Earnings Before Tax		<u>1,362,995</u>	<u>49</u>	<u>746,890</u>	<u>35</u>
7950 Income Tax Expense	6(28)	(177,218)	(6)	(62,993)	(3)
8000 Net income of current period from continuing operations		<u>1,185,777</u>	<u>43</u>	<u>683,897</u>	<u>32</u>
8200 Net Income (Loss)		<u>\$ 1,185,777</u>	<u>43</u>	<u>\$ 683,897</u>	<u>32</u>
Other Comprehensive Incomes (Net)					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Re-measurements of defined benefit plan		\$ 1,189	-	\$ 424	-
8310 Total items that will not be reclassified subsequently to profit or loss		<u>1,189</u>	<u>-</u>	<u>424</u>	<u>-</u>
Components of other comprehensive income that will					

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation
Standalone Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

	be reclassified to profit or loss				
8361	Financial statement translation differences of foreign operations	6(20)	3,143	-	2,761
8360	Total Components of other comprehensive income that will be reclassified to profit or loss		3,143	-	2,761
8500	Total comprehensive income for the year		<u>\$ 1,190,109</u>	<u>43</u>	<u>\$ 687,082</u>
	Earnings per share	6(29)			
9750	Net Income (Loss)		<u>\$ 5.65</u>	<u>\$</u>	<u>3.34</u>
9850	Diluted Earnings per share Net Income (Loss)	6(29)	<u>\$ 5.55</u>	<u>\$</u>	<u>3.30</u>

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



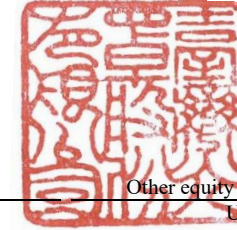
Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation
Standalone Changes of Equity Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$thousand

	Notes	Retained earnings				Other equity interests			Treasury stock	Total Equity
		Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income		
2020										
Beginning Balance as of 2020/1/1		\$ 2,527,136	\$ 322,777	\$ 544,712	\$ -	\$ 432,801	\$ 794	(\$ 2,666)	(\$ 835,332)	\$ 2,990,222
Net Income (Loss)		-	-	-	-	683,897	-	-	-	683,897
Other Comprehensive Profit or Loss	6(20)	-	-	-	-	424	2,761	-	-	3,185
Total comprehensive income for the year		-	-	-	-	684,321	2,761	-	-	687,082
Distribution and allocation of surplus earnings for FY2019										
Legal capital reserve		-	-	43,278	-	(43,278)	-	-	-	-
Special Capital		-	-	-	2,666	(2,666)	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(252,714)	-	-	-	(252,714)
Adjustment of capital reserve by dividends paid to subsidiaries	6(18)	-	37,081	-	-	-	-	-	-	37,081
Changes in shares of affiliates and joint ventures recognized under the equity method	6(18)	-	(11,799)	-	-	(3,847)	-	-	-	(15,646)
Share-based payment transaction	6(18)	-	88,273	-	-	-	-	-	307,654	395,927
Treasury Stock Buyback	6(17)	-	-	-	-	-	-	-	(306,920)	(306,920)
Unclaimed dividends of shareholders	6(18)	-	3,566	-	-	-	-	-	-	3,566
Ending Balance as of 2020/12/31		\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666)	(\$ 834,598)	\$ 3,538,598
2021										
Balance as of 2021/1/1		\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666)	(\$ 834,598)	\$ 3,538,598
Net Income (Loss)		-	-	-	-	1,185,777	-	-	-	1,185,777
Other Comprehensive Profit or Loss	6(20)	-	-	-	-	1,189	3,143	-	-	4,332
Total comprehensive income for the year		-	-	-	-	1,186,966	3,143	-	-	1,190,109
Distribution and appropriation of earnings for 2020										
Legal capital reserve		-	-	68,047	-	(68,047)	-	-	-	-
Reversal of Special reserve		-	-	-	(2,666)	2,666	-	-	-	-
Cash dividends	6(19)	-	-	-	-	(379,071)	-	-	-	(379,071)
Conversion of convertible bonds	6(17)	29,599	216,415	-	-	-	-	-	-	246,014
Adjustment of capital reserve by dividends paid to subsidiaries	6(18)	-	55,622	-	-	-	-	-	-	55,622
Changes in shares of affiliates and joint ventures recognized under the equity method	6(18)	-	27,526	-	-	(47,813)	-	-	-	(20,287)
Share-based payment transaction	6(18)	-	169,174	-	-	-	-	-	722,059	891,233
Treasury Stock Buyback	6(17)	-	-	-	-	-	-	-	(828,884)	(828,884)

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



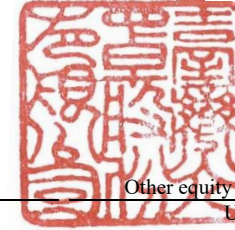
Managerial Officer: Lidon Chen



Accounting Officer: Eve Yan



Taiwan Mask Corporation
Standalone Changes of Equity Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

	Notes	Retained earnings				Other equity interests			Treasury stock	Total Equity
		Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income		
Capital surplus - convertible bond stock options	6(18)	-	406,616	-	-	-	-	-	-	406,616
Acceptance of gifts from shareholders	6(18)	-	586	-	-	-	-	-	-	586
Payment of overdue unclaimed dividends to shareholders	6(18)	-	(9)	-	-	-	-	-	-	(9)
Balance as of 2021/12/31		<u>\$ 2,556,735</u>	<u>\$ 1,315,828</u>	<u>\$ 656,037</u>	<u>\$ -</u>	<u>\$ 1,509,318</u>	<u>\$ 6,698</u>	<u>(\$ 2,666)</u>	<u>(\$ 941,423)</u>	<u>\$ 5,100,527</u>

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yan



Taiwan Mask Corporation
Standalone Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
Cash Flow from Operating Activities			
Net Income(Loss) Before Tax		\$ 1,362,995	\$ 746,890
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(26)	355,573	216,207
Amortization	6(26)	6,105	3,302
Expected Credit Impairment loss (reversal gain)	12(2)	117	(600)
Interest income	6(22)	(3,264)	(11,402)
Interest Incomes	6(25)	55,918	27,744
Loss (gain) on financial assets measured at fair value through profit or loss	6(24)	(85,115)	254,506
Loss (gain) on disposal of investments	6(24)	(393)	6,642
Impairment Loss of Financial Assets	6(24)	-	98,416
Dividend income	6(23)	(3,288)	-
Share-based payment transaction		119,544	88,273
The Share of Subsidiaries and Affiliates Profits and Losses Recognized by the Equity Method		(442,208)	(560,549)
Gains (losses) on Disposal of Property, Plants and Equipment		-	72
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets/ Liabilities related to Operating Activities			
Mandatory financial assets at fair value through profit or loss		(888,218)	(67,449)
Contract Assets		(36,957)	(78,897)
Notes Receivables		29	(29)
Accounts Receivables		(168,078)	(56,093)
Accounts Receivables – Related Parties		3,891	(33)
Other Receivables		(3,756)	6,660
Other Receivables – Related Parties		-	(3,068)
Inventories		967	26,889
Prepayments		26,745	(36,695)
Other Current Assets		(323)	759
Net Changes of Liabilities related to Operating Activities			
Contract Liabilities		1,529	(179)
Accounts Payable		(27,592)	13,167
Other Payables		191,147	29,968
Other Current Liabilities		25,271	(4,554)
Defined Benefit Liabilities		(2,013)	(1,626)
Net Cash In-Flow from Operating		488,626	698,321
Interest Received		3,245	11,688
Dividends Received		3,288	-

Taiwan Mask Corporation
Standalone Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
Interest Paid	(56,986)	(26,774)
Income Tax Paid	(106,485)	(29,470)
Net Cash In-Flow from Operating Activities	331,688	653,765

(Continued)

Taiwan Mask Corporation
Standalone Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

	Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 3)	(\$ 6,004)
Acquisition of investment property by the Equity Method		(367,671)	(300,000)
Return of capital by investee company		180,000	8,206
Other Receivables – Related Parties		609,195	(94,782)
Acquisition of Property, Plants and Equipment	6(30)	(1,562,684)	(2,011,023)
Disposal of Property, Plants and Equipment		-	62
Acquisition of Intangible Assets		(12,257)	(3,491)
Decrease (Increase) of Refundable Deposits		(4,956)	1,682
Net Cash Outflow from Investing Activities		(1,158,376)	(2,405,350)
<u>Cash Flows from Financing Activities</u>			
Increase of Short Term Loan	6(31)	2,960,484	2,550,534
Redemption of Short Term Loan	6(31)	(3,549,084)	(1,801,934)
Increase of Long Term Loan	6(31)	1,891,000	1,332,000
Redemption of Long Term Loan	6(31)	(962,427)	(55,000)
Issue of convertible bonds	6(31)	2,297,099	-
Distribution of cash dividends	6(19)	(379,071)	(252,714)
Treasury stocks transfer to employees		722,059	307,591
Treasury stock buyback cost		(828,884)	(306,920)
Redemption of Lease Principal	6(31)	(19,912)	(17,016)
Increase in Guarantee Deposits Received	6(31)	436	3,359
Transfer of unclaimed dividends as Additional Paid-in Capital		-	3,566
Payment of overdue unclaimed dividends		(9)	-
Net Cash In-Flow (Out-Flow) from Funding Activities		2,131,691	1,763,466
Increase (Decrease) of Cash and Cash Equivalents		1,305,003	11,881

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Ya



Taiwan Mask Corporation
Standalone Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	January 1 to December 31, 2021	January 1 to December 31, 2020
Beginning Balance of Cash and Cash Equivalents	493,838	481,957
Ending Balance of Cash and Cash Equivalents	\$ 1,798,841	\$ 493,838

The accompanying notes are an integral part of the standalone financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Ya



Taiwan Mask Corporation
Notes to the Standalone Financial Statements
2021 and 2020

Unit: NT\$Thousand
(Unless otherwise specified)

(I) Company history

Taiwan Mask Corporation (hereinafter referred to as the "Company") was established on October 21, 1988, and started its operations in March 1989. The Company was approved by the shareholders meeting on June 12, 2000 to acquire Shin-Tai Technology Co., Ltd., on the merger record date of December 1, 2000, with the Company being the surviving entity. The Company mainly engage in the research, development, manufacturing and sales of photomask, providing technical assistance, consultation, inspection and repair of the abovementioned products.

(II) Date and procedures for passing the financial report

The accompanying standalone financial statements were approved and authorized for issuance by the Board of Directors on March 4, 2022.

(III) Application of New and Revised International Financial Reporting Standards

(1) The impact from adopting the newly released and revised International Financial Reporting Standards recognized by the Financial Supervisory Commission (FSC).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 4, "Extension to Temporary Exemption from Application of IFRS 9"	January 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and Phase II amendment to interest rate benchmark reform of IFRS 16.	January 1, 2021
Amendment to IFRS 16 for "Rent Concessions in the Coronavirus Pandemic after June 30, 2021"	April 1, 2021 (Note)

Note: The FSC allows the application in advance starting January 1, 2021.

The Company believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

(2) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2022:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 3 amendment, "Reference to Conceptual Framework"	January 1, 2022
Amendment to IAS 16 - "Property, Plant and Equipment: Proceeds before Intended Use".	January 1, 2022
Amendment to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022
Annual improvements to 2018 - 2020 cycle	January 1, 2022

The Company believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the IASB
IFRS 17 - Insurance contracts	January 1, 2023
Amendment to IFRS 17 - Insurance contracts	January 1, 2023
Amendments to IFRS 17 "First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendment to IAS 1 - "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

The Company believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

(IV) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these standalone financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1. Compliance statement

These standalone financial statements of the Company have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers".

2. Basis of Preparation

1. Except for the following items, these standalone financial statements have been prepared under the historical cost convention.
 - (1) Financial assets and financial liabilities at fair value through profit or loss (including derivatives).
 - (2) Financial assets at fair value through other comprehensive income
 - (3) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
2. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the standalone financial statements are disclosed in Note 5.

3. Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The standalone financial statements are presented in New Taiwan dollars, which is the Company's functional currency and reporting currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using spot exchange rate at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

2. Translation of foreign operations

- (1) The operating results and financial position of all corporate group entities and affiliates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.

C. All resulting exchange differences are recognized in other comprehensive income.

- (2) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is re-attributed to the foreign operation's non-controlling interests on a pro rata basis. However, even if the Company retains part of its equity in the former subsidiary, but has lost control of the subsidiary of the foreign operation, it will be treated with as a disposal of the entire equity of the foreign operation
- (3) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

4. Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets that do not meet the above criteria are considered non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

Liabilities that do not meet the above criteria are considered non-current.

5. Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost, or are measured at fair value through other comprehensive gain or loss.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Company recognizes dividend income in profit or loss.

6. Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:

- (1) The objective of the business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows solely represent payments of principal and interest.
2. The Company holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

7. Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

8. Impairment Loss of Financial Assets

Regarding debt instruments measured at FVTOCI, financial assets measured at amortized cost, accounts receivable or contract assets and lease receivables that contain significant financing components, the Company, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measure the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for contract assets or trade receivables that do not constitute a financing transaction.

9. De-recognition of financial assets

A financial asset is derecognized when the Company's rights to receive cash flows from the financial assets have expired.

10. Lessor's lease transaction -- Operating lease

Lease income from operating leases, less any incentives given to the lessee, is amortized in current profit or loss on a straight-line basis over the lease term.

11. Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (amortized according to normal production capacity), but excludes borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

12. Investments accounted for using equity method -- Subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains or losses on transactions between Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to

ensure consistency with the policies adopted by the Company.

3. The Company recognized the profit and loss upon the acquisition of subsidiaries as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. If the Company's recognized profit and loss of the subsidiaries equal to or exceed the equity in the subsidiaries, the Company will continue to recognize the loss in proportion to its shareholding.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.
5. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
6. Associates refer to entities over which the Company has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Company. The Company accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
7. The Company recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
8. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Company's shareholding in the associate, the Company will recognize all changes in equity attributable to the Company's share of the associate as "capital surplus" according to the shareholding percentage.
9. Unrealized gains on transactions between the Company and associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
10. In the event that an associate issues new shares and the Company does not subscribe to or acquire the new shares in proportion, which results in a change to the Company's shareholding percentage but the Company maintains a significant influence on the associate, the increase or decrease of the Company's share of equity interest is the

adjustment of "capital surplus" and "investments accounted for under the equity method". If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.

11. Pursuant to the “Guidelines Governing the Preparation of Financial Statements by Securities Issuers”, the profit or loss during the period and other comprehensive income presented in consolidated financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis.

13. Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any changes are accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 years to 56 years
Machinery and equipment	5 years to 14 years
Transportation equipment	6 years
Office equipment	3 years to 6 years

14. Leasing agreements (lessee) - Right-of-use assets/lease liabilities

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease

payments include fixed payments, less any lease incentives receivables.

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

3. At the commencement date, the right-of-use asset is recognized at cost which includes:

- (1) The amount of initial measurement of lease liability.
- (2) Any lease payments made at or before the commencement date.
- (3) Any original direct costs incurred.
- (4) The estimated cost of dismantling, removing the underlying asset and restoring its location, or restoring the underlying asset to the condition required in the lease terms and conditions.

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

15. Real estate investment

Investment properties are initially measured at cost, and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 45 years.

16. Intangible assets

Computer software is recognized at the cost of acquisition, and amortized based on the estimated useful life of 3 years based on the straight-line method.

17. Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

18. Borrowings

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

19. Accounts and notes receivable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.

2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

20. Convertible bonds payable

The convertible bonds payable issued by the Company are embedded with conversion options (i.e., the holder's right to choose to convert to the Company's common stock for a fixed amount of shares), put options and call options. The issuance price is classified as financial assets, financial liabilities or equity at the time of initial issuance according to the terms of issuance, which is treated as follows:

1. Embedded put options and call options: "Financial assets or liabilities at fair value through profit or loss" are recorded at their net fair value on initial recognition; subsequently, "Gain or loss on financial assets (liabilities) at fair value through profit or loss" is recognized on the balance sheet date, with the difference valued at current fair value.
2. Master contract of corporate bonds: The difference between the fair value of the corporate bonds and the redemption value is recognized as a premium or discount on the corporate bonds payable at the time of original recognition; subsequently, it is recognized in profit or loss as an adjustment to "finance costs" using the effective interest method under the amortization procedure over the circulation period.
3. Embedded conversion options (which meet the definition of equity): On initial recognition, the remaining value of the issue amount, net of the above "financial assets or liabilities at fair value through profit or loss" and "corporate bonds payable", is recorded as "capital surplus - stock options" and is not subsequently remeasured.
4. Any directly attributable transaction costs of the issuance are allocated to each component of liabilities and equity in proportion to the original carrying amount of each component mentioned above.
5. Upon conversion, the components of liabilities (including "corporate bonds payable" and "financial assets or liabilities at fair value through profit or loss") are subsequently measured according to their respective classifications, and the carrying amount of the aforementioned components of liabilities is added to the carrying amount of "capital surplus - stock options" as the issuance cost of common stock exchanged.

21. Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined-benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using the current interest rates of government bonds (at the balance sheet date) consistent with the currency and period of the defined-benefit plan instead.

B. Re-measurements arising on defined-benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. The related expenses of the past service cost are immediately recognized as profit or loss.

3. Termination benefits

Refer to when companies decide to terminate the employees before the normal retirement date, or when employees decide to accept the benefits in exchange for the termination. The Company recognizes expenses when it is no longer able to withdraw the offer of termination benefits or when the relevant restructuring costs are recognized, whichever is earlier. Liabilities that are not expected to be paid off within twelve months from the balance sheet date should be discounted.

4. Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

22. Share-based payment to employees

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

23. Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the standalone balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

24. Capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
2. When the Company buys back the issued shares, the consideration paid, including any directly attributable incremental costs, is recognized as a deduction of shareholders' equity with the net amount after tax. When the purchased shares are subsequently reissued, the difference between the consideration received and the book value after deducting any directly attributable incremental costs and the impact of income tax is recognized as an adjustment to shareholders' equity.

25. Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as dividends to be distributed and transferred to be common stocks and share premium on the record date of issuance of new shares.

26. Recognized revenue

1. The Company manufactures and sells photomasks. The sales revenue is recognized when the control of the product is transferred to the customer. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Company has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products in accordance with the sales contract or have objective evidence that all criteria have been met.
2. The time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Company has not adjusted the transaction price to reflect the time value of money.
3. Accounts receivable are recognized when goods are delivered to customers. The Company has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

27. Government subsidies

Government subsidies are recognized at fair value once it is reasonably convinced that the Company complies with the conditions for subsidies and will be receiving the subsidies. If the nature of the government subsidies is to compensate the expenses incurred by the Company, the government subsidies are recognized as current gains and losses on a systematic basis during the period in which the related expenses are incurred.

(V) Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

The preparation of these standalone financial statements requires the management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please see the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

(1). Important judgments adopted by the accounting policies

Not applicable.

(2). Critical accounting estimates and assumptions

Evaluation of Inventories

The Company is primarily engaged in photomask and integrated circuit services in the semiconductor industry. Due to rapid technological innovations, short life-cycle and competition within the photomask industry, the risk of price fluctuations, Loss on decline in value of inventories and obsolescence is higher than that of other industries. The Company measures inventory based on the lower of cost and net realizable value. For inventories that are older than a certain period of age or are outdated and obsolete, the Company must use judgment and estimation to determine the net realizable value of the inventory on the balance sheet date. The valuation of inventory may undergo major changes.

As of December 31, 2021, the book value of the Company's inventory was NT\$109,889.

(VI) Statements of main accounting items

(1). Cash

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand Deposit	\$ 948,521	\$ 452,038
Time deposits	850,320	41,800
Total	<u>\$ 1,798,841</u>	<u>\$ 493,838</u>

1. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

2. The Company has not pledged cash to others.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Shares of listed and OTC company	\$ 830,575	\$ -
Convertible bond call/put options	5,000	-
	<u>835,575</u>	<u>-</u>
Valuation adjustment	(11,017)	-
	<u>\$ 824,558</u>	<u>\$ -</u>
Non-current items:		
Financial assets at fair value through profit or loss for stocks of publicly traded and OTC companies	\$ 251,343	\$ 197,506
Not listed, OTC or emerging stock board stocks	11,756	17,716
	<u>263,099</u>	<u>215,222</u>
Valuation adjustment	33,701	(67,590)
	<u>\$ 296,800</u>	<u>\$ 147,632</u>

1. Financial assets at fair value through profit or loss are detailed as follows:

	<u>2021</u>	<u>2020</u>
Mandatory financial assets at fair value through profit or loss		
Shares of listed and OTC company	\$ 85,508	(\$ 254,506)
Not listed, OTC or emerging stock board stocks	7,590	(25,995)
	<u>\$ 93,098</u>	<u>(\$ 280,501)</u>

2. The Company has financial assets at fair value through profit or loss pledged to others.

3. Please see Note 12 (2) and (3) for the price risk and fair value information related to financial assets at fair value through profit or loss.

(3). Financial assets measured at amortized cost

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Time deposits	\$ 3,000	\$ 3,000
Non-current items:		
Time deposits	\$ 35,425	\$ 35,422

1. Financial assets at amortized cost is recognized in the profit or loss shown as follows:

	2021	2020
Interest income	\$ 118	\$ 138

2. While not considering the collaterals or other credit enhancements, the financial assets at amortized cost held by the Group had the maximum exposure of credit risk at \$38,425 and \$38,422 as of December 31, 2021 and 2020, respectively.
3. Please see Note 8 how the Company provides financial assets at amortized cost as a pledged collateral.

(4). Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes Receivables	\$ -	\$ 29
Accounts Receivables	\$ 594,052	\$ 425,974
Accounts Receivables – Related Parties	5,112	9,003
	599,164	434,977
Less: Loss allowance	(1,085)	(968)
	\$ 598,079	\$ 434,009

2. Aging of accounts receivable notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts Receivable	Notes Receivable	Accounts Receivable	Notes Receivable
	s	s	s	s
Not past due	\$ 504,835	\$ -	\$ 381,537	\$ 29
Within 30 days	81,417	-	43,655	-
31-90 days	11,447	-	8,267	-
91-180 days	1,465	-	1,362	-
More than 181 days past due	-	-	156	-
	\$ 599,164	\$ -	\$ 434,977	\$ 29

The above is an aging report based on the number of days past due.

2. As of December 31, 2021 and 2020, accounts receivable and notes receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2020 was NT\$378,851
3. While not considering the collaterals or other credit enhancements, the accounts receivable held by the Company had the maximum exposure of credit risk at \$598,079 and \$434,009, respectively, as of December 31, 2021 and 2020.
4. Please refer to Note 12 (2) for the information on credit risk of accounts receivable.

(5). Inventories

	December 31, 2021		
	Cost	(Gain from reversal of) loss allowance on decline in market value of inventories	Book value
Raw materials	\$ 105,224	(\$ 6,002)	\$ 99,222
Work in process	9,596	-	9,596
Finished goods	1,071	-	1,071
Total	<u>\$ 115,891</u>	<u>(\$ 6,002)</u>	<u>\$ 109,889</u>

	December 31, 2020		
	Cost	(Gain from reversal of) loss allowance on decline in market value of inventories	Book value
Raw materials	\$ 107,837	(\$ 5,212)	\$ 102,625
Work in process	7,264	-	7,264
Finished goods	967	-	967
Total	<u>\$ 116,068</u>	<u>(\$ 5,212)</u>	<u>\$ 110,856</u>

The cost of inventories recognized as losses by the Company.

	2021	2020
Cost of goods sold	\$ 1,453,362	\$ 1,323,738
Loss on falling prices of inventory and inventory obsolescence	790	87
	<u>\$ 1,454,152</u>	<u>\$ 1,323,825</u>

(6). Investment under Equity Method

	2021	2020
SunnyLake Park International Holdings, Inc.	\$ 5,139	\$ 5,355
Youe Chung Capital Corporation	1,776,924	1,359,028
Innova Vision INC.	235,591	520
Advagene Biopharma Co., Ltd.	63,578	69,308
Miracle Technology Co., LTD.	430,778	384,228
Weida Hi-Tech Company	87,898	85,425
	<u>\$ 2,599,908</u>	<u>\$ 1,903,864</u>

1. For information on the Company's subsidiaries, please refer to Note 4 (3) of 2021 consolidated financial statements.
2. Innova Vision issued new shares for a cash capital increase on May 3, 2019. The Company did not subscribe to shares to keep up with the shareholding, which caused the shareholding to drop to 17.81%, thus losing the control of the firm. Therefore, the Company ceased to invest in Innova Vision using the equity method from that date. Please refer to Note 6 (30) of the 2020 consolidated financial statement for details. Innova Vision held an extraordinary general meeting of shareholders on December 16, 2020 to elect new directors. The Company's subsidiary Youe Chung Capital Corporation won all of the director seats, obtaining substantial control of this firm, and then negotiated with other shareholders to acquire their shares, accumulating the shareholding to 60.02%. From that date on, the investment in that firm adopted the equity method. Please see Note 6 (29) of the Company's 2020 consolidated financial statements for details. As

for December 31, 2021, the Company's and the subsidiary's shareholding of Innova Vision was 91.76%.

(7). Property, plant and equipment

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2021							
Cost	\$ 1,556,325	\$ 2,678,584	\$ 22,659	\$ 2,759	\$ -	\$ 135,173	\$ 4,395,500
Accumulated depreciation	(566,010)	(1,070,324)	(11,213)	(1,750)	-	-	(1,649,297)
	<u>\$ 990,315</u>	<u>\$ 1,608,260</u>	<u>\$ 11,446</u>	<u>\$ 1,009</u>	<u>\$ -</u>	<u>\$ 135,173</u>	<u>\$ 2,746,203</u>
<u>2021</u>							
January 1	\$ 990,315	\$ 1,608,260	\$ 11,446	\$ 1,009	\$ -	\$ 135,173	\$ 2,746,203
Additions	288,982	478,829	8,446	2,876	10,942	135,470	925,545
Depreciation	(76,853)	(234,410)	(5,144)	(831)	(1,248)	-	(318,486)
Reclassification - Cost	(152,341)	57,614	-	-	-	(120,894)	(215,621)
Reclassification - Accumulated depreciation	40,824	-	-	-	-	-	40,824
December 31	<u>\$ 1,090,927</u>	<u>\$ 1,910,293</u>	<u>\$ 14,748</u>	<u>\$ 3,054</u>	<u>\$ 9,694</u>	<u>\$ 149,749</u>	<u>\$ 3,178,465</u>
December 31, 2021							
Cost	\$ 1,692,966	\$ 3,215,027	\$ 31,105	\$ 5,635	\$ 10,942	\$ 149,749	\$ 5,105,424
Accumulated depreciation	(602,039)	(1,304,734)	(16,357)	(2,581)	(1,248)	-	(1,926,959)
	<u>\$ 1,090,927</u>	<u>\$ 1,910,293</u>	<u>\$ 14,748</u>	<u>\$ 3,054</u>	<u>\$ 9,694</u>	<u>\$ 149,749</u>	<u>\$ 3,178,465</u>

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportation equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2020						
Cost	\$ 1,002,772	\$ 1,545,698	\$ 15,235	\$ 2,189	\$ 253,644	\$ 2,819,538
Accumulated depreciation	(529,905)	(911,358)	(6,969)	(1,338)	-	(1,449,570)
	<u>\$ 472,867</u>	<u>\$ 634,340</u>	<u>\$ 8,266</u>	<u>\$ 851</u>	<u>\$ 253,644</u>	<u>\$ 1,369,968</u>
<u>2020</u>						
January 1	\$ 472,867	\$ 634,340	\$ 8,266	\$ 851	\$ 253,644	\$ 1,369,968
Additions	1,086,372	903,958	7,424	570	123,585	2,121,909
Disposals - Cost	-	(89)	-	-	-	(89)
Disposal - Accumulated depreciation	-	27	-	-	-	27
Depreciation	(37,015)	(158,993)	(4,244)	(412)	-	(200,664)
Reclassification - Cost	(532,819)	229,017	-	-	(242,056)	(545,858)
Reclassification - Accumulated depreciation	910	-	-	-	-	910
December 31	<u>\$ 990,315</u>	<u>\$ 1,608,260</u>	<u>\$ 11,446</u>	<u>\$ 1,009</u>	<u>\$ 135,173</u>	<u>\$ 2,746,203</u>
December 31, 2020						
Cost	\$ 1,556,325	\$ 2,678,584	\$ 22,659	\$ 2,759	\$ 135,173	\$ 4,395,500
Accumulated depreciation	(566,010)	(1,070,324)	(11,213)	(1,750)	-	(1,649,297)
	<u>\$ 990,315</u>	<u>\$ 1,608,260</u>	<u>\$ 11,446</u>	<u>\$ 1,009</u>	<u>\$ 135,173</u>	<u>\$ 2,746,203</u>

1. The capitalized borrowing costs for property, plant and equipment and their interest rates are as follows:

	2021	2020
Capitalized amount	\$ -	\$ 2,364
Range of capitalized interest	-	1.797%

2. The major components of the Company's houses and buildings include land, buildings and factory renovation projects. Except for land, they are depreciated for 3 to 56 years.
3. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.
4. The abovementioned property, plant and equipment of the Company are for self-use.

(8). Leasing arrangements - lessee

1. The underlying assets leased by the Company include land, buildings and company vehicles, and the leasing contracts are typically made for periods of 3 to 20 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collaterals.
2. The leased underlying assets were other equipment of low value.
3. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Book value	Book value
Land	\$ 526,294	\$ 390,879
Buildings and structures	1,003	1,926
Transportation equipment (company vehicles)	9,385	3,064
Other equipment	26,733	-
	<u>\$ 563,415</u>	<u>\$ 395,869</u>

	2021	2020
	Depreciation	Depreciation
Land	\$ 17,498	\$ 12,341
Buildings and structures	984	876
Transportation equipment (company vehicles)	2,883	2,326
	<u>\$ 21,365</u>	<u>\$ 15,543</u>

4. For 2021 and 2020, the increases of right-of-use assets were \$193,652 and \$93,052, respectively. The decreases of right-of-use assets of the Company in 2021 and 2020 were \$4,741 and \$1,211, respectively.
5. The information on profit or loss items related to lease contracts is as follows:

	2021	2020
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 5,596	\$ 3,919
Lease of low-value assets	266	208

6. The Company's total cash outflow on leases for 2021 and 2020 was \$25,774 and \$21,143, respectively.

7. Options to extend or terminate leases

In determining lease terms, the Company into consideration all facts and circumstances that create economic incentives to exercise an option to extend or terminate leases. The assessment of lease period is reviewed if a significant event occurs which affects the assessment of options to extend or options not to terminate.

(9). Leasing arrangements - lessor

1. The Company leases out assets such buildings. The lease contracts are typically made for periods of 1 to 5 years. The terms of lease contracts are negotiated separately and include various terms and conditions. In order to preserve the condition of leased assets, the Group usually requires lessees not to pledge the underlying leased assets.

2. The Company recognized rental income of \$133,714 and \$30,915 based on operating lease contracts in 2021 and 2020, respectively, and none of the lease contracts were variable lease payments.

3. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	\$ -	\$ 103,805
2022	81,389	92,421
2023	63,099	190,300
2024	34,580	-
2025	27,683	-
Total	<u>\$ 206,751</u>	<u>\$ 386,526</u>

(10). Real estate investment

	<u>Buildings and structures</u>
January 1, 2021	
Cost	\$ 545,788
Accumulated depreciation	(910)
	<u>\$ 544,878</u>
<u>2021</u>	
January 1	\$ 544,878
Reclassification - Cost	215,621
Reclassification - Accumulated depreciation	(40,824)
Depreciation	(15,722)
December 31	<u>\$ 703,953</u>
December 31, 2021	
Cost	\$ 761,409
Accumulated depreciation	(57,456)
	<u>\$ 703,953</u>

	<u>Buildings and structures</u>
January 1, 2020	
Cost	\$ -
Accumulated depreciation	-
	<u>\$ -</u>
<u>2020</u>	
January 1	\$ -
Reclassification - Cost	545,788
Reclassification - Accumulated depreciation	(910)
Depreciation	-
December 31	<u>\$ 544,878</u>
December 31, 2020	
Cost	\$ 545,788
Accumulated depreciation	(910)
	<u>\$ 544,878</u>

1. Rental income and direct operating expenses of investment real estate:

	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 86,801	\$ 9,667
Direct operating expenses incurred by investment properties that generate rent income in the period	-	-
	<u>\$ 20,270</u>	<u>\$ 707</u>

2. The fair value of the investment property held by the Group as of December 31, 2021 and 2020 were \$706,464 and \$544,878, respectively. They were valued using the income method and were of Level 3 fair value, and the major assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	10.53%	5.03%
Annual rent (net income)	\$ 86,801	\$ 58,497
Number of years	2~20	2~20

3. No capitalization of interest for investment property in 2021 and 2020.

4. As of December 31, 2021 and 2020, the investment properties had been used as collaterals.

(11). Other Non-Current Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayments for equipment	\$ 643,858	\$ 4,069
Refundable deposit	6,353	1,397
	<u>\$ 650,211</u>	<u>\$ 5,466</u>

(12). Short Term Loans

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Range of interest rate</u>	<u>Collateral</u>
Bank credit loan	\$ 660,000	1.000%~1.250%	None
Secured bank borrowings	200,000	1.188%	Shares of listed and OTC company
	<u>\$ 860,000</u>		

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Range of interest rate</u>	<u>Collateral</u>
Bank credit loan	\$ 1,381,000	0.900%~1.797%	None
Funds borrowed from banks to purchase materials	67,600	0.888%~1.060%	None
	<u>\$ 1,448,600</u>		

The interest expenses recognized in profit and loss in 2021 and 2020 were \$7,591 and \$13,976, respectively.

(13). Other Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payroll and bonus payable	\$ 41,668	\$ 37,150
Director and supervisor remuneration and employee bonus payable	190,830	103,865
Payable on equipment	44,545	41,895
Machine maintenance payable	29,411	31,851
Others	139,895	74,206
	<u>\$ 446,349</u>	<u>\$ 288,967</u>

(14). Corporate bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Corporate bonds payable	\$ 2,000,000	\$ -
Less: Amount of exercised conversion options	(258,700)	-
Less: discount on corporate bonds payable	(84,251)	-
	<u>1,657,049</u>	-
Less: Bonds due or exercised within one year or one business cycle	-	-
	<u>\$ 1,657,049</u>	<u>\$ -</u>

1. The terms of issuance for the Company's 3rd domestic unsecured convertible bonds are as follows:

- (1) The Company has been approved by the competent authority to raise and issue \$2,000,000 of the 3rd domestic unsecured convertible bonds, with a coupon rate of 0% and an issuance period of 5 years from August 3, 2021 to August 3, 2026. The convertible bonds are repayable in cash at par value on maturity. The convertible bonds were listed for trading on August 3, 2021
- (2) The bondholders may request the conversion of the convertible bonds into the Group's common shares at any time from the day after the expiration of three months from the date of issuance of the corporate bonds to the maturity date, except during the period when the transfer of the corporate bonds is suspended in accordance with the regulations or laws, and the rights and obligations of the converted common shares are the same as those of the original issued common shares.

- (3) The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in the Measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the Conversion Measures in the event that the Company is subject to anti-dilution provisions. The conversion price will be reset on the base date set by the Regulations in accordance with the pricing model stipulated in the Conversion Measures. As of December 31, 2021, the conversion price was NT\$87.4 per share.
- (5) If the closing price of the Company's common stock exceeds 30% of the then conversion price for 30 consecutive business days from the day following the third month of the issuance of the convertible bonds to the 40th business day prior to the expiration of the issuance period, the Company may redeem the outstanding corporate bonds within the next 30 business days at the par value of the corporate bonds in cash.
- (6) If the outstanding balance of the convertible bonds is less than 10% of the total par value of the corporate bonds issued, the Company may redeem the convertible bonds at any time thereafter for cash at the par value of the corporate bonds, from the day following the third month of the issuance of the corporate bonds to the 40th business day prior to the expiration of the issuance period.
2. Upon issuance of convertible bonds, the Company separated the conversion options from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation," and recorded "capital surplus - stock options" at \$406,616. The embedded repurchase and repurchase rights are separated from the principal contractual debt instruments in accordance with IFRS 9, "Financial Instruments", because they are not closely related to the economic characteristics and risks of the principal contractual debt instruments, and are recorded as "financial assets or liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the master contract debt after the separation was 0.0902%.

(15). Long-term Loans

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2021
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/28 and 2027/01/28.	1.800%	Houses and buildings, machinery equipment and investment property	\$ 1,250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/27 and 2024/12/27.	1.580%	Buildings and structures	250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/27 and 2026/12/15.	1.300%	Machinery and equipment	300,000
Secured borrowings	Repaid in instalments and different amounts	1.440%	Houses and buildings and	850,000

	according to the agreed period between 2020/11/09 and 2023/11/09.	investment property	2,650,000
Less: Long-term borrowings (including current portion)			(60,000)
			<u>\$ 2,590,000</u>

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2020
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2019/12/20 and 2022/08/12.	1.797%	Houses and buildings and machine and equipment	\$ 871,427
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2020/11/09 and 2022/08/14.	1.070%	Houses and buildings and investment property	850,000
				<u>1,721,427</u>
Less: Long-term borrowings (including current portion)				(87,143)
				<u>\$ 1,634,284</u>

With respect to the long-term loan contracts of the Company that expire between December 20, 2019 to August 12, 2022, the Company had already settled the loan in advance in March 2020 due to financial planning considerations.

Note: According to the loan contract provisions of some banks, the Company shall maintain a specific debt-to-equity ratio and interest solvency every six months during the loan duration.

(16). Pensions

1. (1) The Company operates a defined-benefit pension plan in accordance with the Labor Standards Act, which cover all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last six months prior to retirement. The Company contributes a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by the end of next March.

(2) The amounts recognized in the balance sheet are as follows:

December 31, 2021	December 31, 2020
-------------------	-------------------

Present value of defined benefit obligations	(\$ 22,595)	(\$ 22,557)
Fair value of plan assets	7,145	4,916
Defined Benefit Liabilities	(\$ 15,450)	(\$ 17,641)

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Defined Benefit Liabilities
2021			
Balance on January 1	(\$ 22,557)	\$ 4,916	(\$ 17,641)
Current service cost	(61)	-	(61)
Interest (expense) income	(79)	21	(58)
	<u>(22,697)</u>	<u>4,937</u>	<u>(17,760)</u>
Re-measurements:			
Return on plan assets (excluding amounts included in interest income or expense)	321	75	396
Change in financial assumptions	1,084		1,084
Change in demographic assumptions	(1,303)	-	(1,303)
	<u>102</u>	<u>75</u>	<u>177</u>
Pension fund contribution	-	2,133	2,133
Paid pension	-	-	-
Balance on December 31	<u>(\$ 22,595)</u>	<u>\$ 7,145</u>	<u>(\$ 15,450)</u>
2020			
Balance on January 1	(\$ 24,072)	\$ 4,957	(\$ 19,115)
Current service cost	(123)	-	(123)
Interest (expense) income	(193)	48	(145)
	<u>(24,388)</u>	<u>5,005</u>	<u>(19,383)</u>
Re-measurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	188	188
Change in financial assumptions	(1,307)	-	(1,307)
Change in demographic assumptions	(261)	-	(261)
Experience adjustments	1,139	-	1,139
	<u>(429)</u>	<u>188</u>	<u>(241)</u>
Pension fund contribution	-	1,983	1,983
Paid pension	2,260	(2,260)	-
Balance on December 31	<u>(\$ 22,557)</u>	<u>\$ 4,916</u>	<u>(\$ 17,641)</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than the aforementioned rates, government shall make payments for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of fair value of plan asset in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<u>0.75%</u>	<u>0.35%</u>
Future salary increases	<u>2.125%</u>	<u>2.125%</u>

Assumptions for 2021 and 2020 regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changes, the present value of defined benefit obligation is affected. The analysis is as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
	<u>increase</u>	<u>decrease</u>	<u>increase</u>	<u>decrease</u>
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ 685)	\$ 713	\$ 687	(\$ 664)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ 733)	\$ 765	\$ 734	(\$ 708)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, more than one assumption may change all at once. The sensitivity analysis is the same with the method used to calculate the net pension liabilities of the balance sheet.

(6) The expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 are \$2,133.

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 13 years.

2. (1) Starting July 1, 2005, the Company has established a retirement plan based on the

Labor Pension Act applicable to the domestic employees. Under the new plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (2) For 2021 and 2020, the pension costs recognized by the Company in accordance with the abovementioned pension measures were \$9,982 and \$7,736, respectively.

(17). Capital

1. As of December 31, 2021, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares (including 20,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was \$2,556,735 with a par value of NT\$10. All proceeds from shares issued have been collected.

The movements in the number of the Company's common stocks outstanding are as follows:

	Unit: Thousand shares	
	2021	2020
January 1	205,632	198,400
Conversion of convertible bonds	2,960	-
Treasury stocks transfer to employees	20,000	17,232
Treasury Stock Buyback	(14,485)	(10,000)
December 31	214,107	205,632

2. Treasury stock

- (1) Reasons for repurchase of shares and changes in the quantity:

Company name of the shareholding	Reasons for buyback	December 31, 2021	
		Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	37,081	\$ 527,678
The Company	Transfer shares to employees	4,485	413,745
		<u>41,566</u>	<u>\$ 941,423</u>
		December 31, 2020	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	37,081	\$ 527,678
The Company	Transfer shares to employees	10,000	306,920
		<u>47,081</u>	<u>\$ 834,598</u>

- (2) Remuneration costs related to the transfer of treasury stocks of the Company in 2021

and 2020 were \$119,544 and \$75,779, respectively.

- (3) The Securities and Exchange Act stipulates that the percentage of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total value of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.
- (4) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, shareholders are not entitled to the shareholders' rights.
- (5) According to the provisions of the Securities and Exchange Act, the share repurchased to be transferred to employees shall be transferred within three years from the date of the purchase. If the transfer is not made within the time limit, the shares are deemed as unissued shares, and change of registration shall be made to cancel the shares. In order to maintain the Company's credit and shareholders equity, the shares bought back should have the registration changed to cancel the shares within six months from the date of the purchase.
- (6) The Company's stock held by the subsidiary Youe Chung Capital is treated as treasury stock. As of December 31, 2021 and 2020, Youe Chung Capital held 37,081 thousand shares of the Company. The average book value per share was NT\$14.23, and the fair value per share was NT\$108.00 and NT\$40.35, respectively. The cost of transferring treasury stocks is calculated based on the book value of the Company's stock held by Youe Chung Capital and the Company's indirect shareholding during each period.
- (7) The Company was approved by the Board of Directors on August 5, 2020, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between August 6 and September 30, 2020.
- (8) The Company was approved by the Board of Directors on February 3, 2021, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between February 4, 2021 and April 3, 2021
- (9) The Company was approved by the Board of Directors on November 3, 2021, to buy back 6,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 2.37% of the total issued shares. The buy-back of 4,485 thousand shares was completed and executed between November 4, 2021 and January 3, 2022

(18). Capital surplus

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient. The following is a breakdown of the capital reserve:

	Issue premiums	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	stock option	Equity changes in affiliates	Others	Total
January 1, 2021	\$ -	\$ 411,379	\$ 6,097	\$ -	\$ 18,540	\$ 3,882	\$ 439,898
Adjustment of capital reserve by dividends paid to subsidiaries	-	55,622	-	-	-	-	55,622
Changes in shares of affiliates recognized under the equity method		(76)	(1,178)		28,780		27,526
Share-based payment transaction	-	228,121	-	(58,947)	-	-	169,174
Convertible bond stock options	-	-	-	406,616	-	-	406,616
Conversion of convertible bonds	269,010	-	-	(52,595)	-	-	216,415
Acceptance of gifts from shareholders	-	-	-	-	-	586	586
Payment of overdue unclaimed dividends to shareholders	-	-	-	-	-	(9)	(9)
December 31, 2021	<u>\$ 269,010</u>	<u>\$ 695,046</u>	<u>\$ 4,919</u>	<u>\$ 295,074</u>	<u>\$ 47,320</u>	<u>\$ 4,459</u>	<u>\$ 1,315,828</u>

	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	Employee stock options	Equity changes in affiliates	Others	Total
January 1, 2020	\$ 187,873	\$ 27,255	\$ 98,152	\$ 9,181	\$ 316	\$ 322,777
Adjustment of capital reserve by dividends paid to subsidiaries	37,081	-	-	-	-	37,081
Changes in shares of affiliates recognized under the equity method	-	(21,158)	-	9,359	-	(11,799)
Share-based payment transaction	186,425	-	(98,152)	-	-	88,273
Unclaimed dividends of shareholders	-	-	-	-	3,566	3,566
December 31, 2020	<u>\$ 411,379</u>	<u>\$ 6,097</u>	<u>\$ -</u>	<u>\$ 18,540</u>	<u>\$ 3,882</u>	<u>\$ 439,898</u>

(19). Retained earnings

1. According to the Articles of Incorporation, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
2. The Company takes into account the overall business environment, industrial growth, and the Company's long-term financial planning for stable operation and development to adopt a residual dividend policy, which is mainly based on the Company's future capital budgeting plan to measure the annual capital needs. After using the retained earnings for funding, the remaining surplus will be distributed in the form of dividends, and the distribution steps are shown as follows:
 - (1) Decide on the best capital budgeting.

- (2) Decide on the financing required for one of the capital budgeting items.
 - (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
 - (4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
 4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 5. The Company's Board meeting resolved on March 4, 2022 to distribute a cash dividend of NT\$1.00 per common share from the 2021 earnings, with a total dividend of \$255,674. In addition, a cash distribution of NT\$1.00 per share was made from capital surplus for a total of NT\$255,674. The above motions are subject to the resolution of the shareholders' meeting.
 6. The Company's shareholders' meeting resolved on July 5, 2021 to distribute a cash dividend of NT\$1.50 per common share from the 2020 earnings, with a total dividend of \$379,071.
 7. The Company's shareholders' meeting resolved on June 10, 2020 to distribute a cash dividend of NT\$1.07 per common share from the 2019 earnings, with a total dividend of \$252,714.

(20). Other equity interests

	2021		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 3,555	\$ 889
Difference in foreign currency translation	-	3,143	3,143
December 31	(\$ 2,666)	\$ 6,698	\$ 4,032
	2020		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 794	(\$ 1,872)
Difference in foreign currency translation	-	2,761	2,761
December 31	(\$ 2,666)	\$ 3,555	\$ 889

(21). Operating revenue

	2021	2020
Revenue from contracts with customers	\$ <u>2,773,339</u>	\$ <u>2,175,018</u>

1. Segmentation of revenue from contracts with customers

The Company derives its revenue from the transfer of goods and services either over time or at a point in time. The revenue can be divided into the following main product lines:

2021	Photomask and semiconductor segment
Revenue from contracts with external customers	\$ 2,773,339
Cut-off point of income recognition	
Income recognized at a particular point in time	\$ 2,657,485
Income recognized gradually over time	115,854
	\$ <u>2,773,339</u>
2020	Photomask and semiconductor segment
Revenue from contracts with external customers	\$ 2,175,018
Cut-off point of income recognition	
Income recognized at a particular point in time	\$ 2,096,121
Income recognized gradually over time	78,897
	\$ <u>2,175,018</u>

2. Contract Liabilities

(1) Contract liabilities related to contracts with customers recognized by the Company:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract Liabilities	\$ <u>7,660</u>	\$ <u>6,131</u>	\$ <u>6,310</u>

(2) Contract liabilities at the beginning of the period recognized as revenue of the period

	<u>2021</u>	<u>2020</u>
Opening balance of contract liabilities recognized in the current period (including other income transferred)	\$ 3,436	\$ 4,561

(22). Interest income

	<u>2021</u>	<u>2020</u>
Interest from bank deposits	\$ 1,332	\$ 1,549
Interest income from financial assets measured at amortized cost	118	138
Interest income from related parties	1,781	8,397
Other interest incomes	33	1,318
	<u>\$ 3,264</u>	<u>\$ 11,402</u>

(23). Other Incomes

	<u>2021</u>	<u>2020</u>
Rental income	\$ 133,714	\$ 30,915
Dividend income	3,288	-
Subsidy income	4,668	-
Other income -- Others	11,836	1,650
	<u>\$ 153,506</u>	<u>\$ 32,565</u>

(24). Other Gains and Losses

	<u>2021</u>	<u>2020</u>
Loss (gain) on disposal of investments	\$ 393	(\$ 6,642)
Gain on lease modifications	7	2,486
Losses on foreign currency exchange	12,107	(10,445)
Loss (gain) on financial assets measured at fair value through profit or loss	85,115	(254,506)
Impairment Loss of Financial Assets	-	(98,416)
Other losses -- Depreciation of investment properties	(15,722)	-
Other miscellaneous expenses	(101)	(2,308)
	<u>\$ 81,799</u>	<u>(\$ 369,831)</u>

(25). Financial Costs

	<u>2021</u>	<u>2020</u>
Bank borrowings	\$ 50,322	\$ 26,189
Less: Amount of capitalization of qualifying assets	-	(2,364)
Lease liabilities	5,596	3,919
	<u>\$ 55,918</u>	<u>\$ 27,744</u>

(26). Expenses by nature

	2021	2020
Employee benefits expenses	\$ 592,890	\$ 380,381
Depreciation	355,573	216,207
Amortization expense	6,105	3,302

(27). Employee benefits expenditure

	2021	2020
Payroll expenses	\$ 429,563	\$ 271,738
Employee stock options	119,544	75,779
Labor and health insurance fees	23,886	16,568
Pension expense	10,101	8,004
Other personnel expenses	9,796	8,292
	<u>\$ 592,890</u>	<u>\$ 380,381</u>

1. According to the Articles of Incorporation, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any.

2. For 2021 and 2020, employee remuneration was accrued at \$158,000 and \$85,723, respectively, and director remunerations was accrued at \$30,800 and \$16,969, respectively. The amounts were listed as payroll expenses.

The remuneration to employees and directors were estimated at 10.18% and 1.98%, respectively, based on the profitability for the year ended December 31, 2021; the remuneration to employees and directors were estimated at 10.09% and 1.90%, respectively, based on the profitability for the year ended December 31, 2020.

The employee remuneration and director remuneration resolved by the Board of Directors for 2020 were \$86,000 and \$16,000, respectively, which were different from \$85,723 and \$16,969 recognized in the 2020 financial statements by \$277 and (\$969). This is mainly due to changes in estimates which have been adjusted to the profit or loss of 2021.

Information about employees remuneration and director remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System".

(28). Income tax

1. Income tax expense

Components of income tax expense:

	2021	2020
Current tax:		
Current tax on profits for the year	\$ 175,371	\$ 64,393
Additional surtax on undistributed earnings	-	-
Over provision of prior year's income tax	-	-
Total current tax	<u>175,371</u>	<u>64,393</u>
Deferred income tax:		
Origination and reversal of temporary differences	1,847	(1,400)
Total deferred income tax	<u>1,847</u>	<u>(1,400)</u>
Income Tax Expense	<u>\$ 177,218</u>	<u>\$ 62,993</u>

2. Reconciliation between income tax expense and accounting profit

	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 272,599	\$ 149,378
Tax-exempt income under the tax law	(106,318)	(94,758)
Changes in assessment of realizability of deferred income tax assets	10,937	8,373
Income Tax Expense	<u>\$ 177,218</u>	<u>\$ 62,993</u>

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2021				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$ 2,014	(\$ 2,014)	\$ -	\$ -	\$ -
Subtotal	<u>\$ 2,014</u>	<u>(\$ 2,014)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	(\$ 226)	\$ 167	\$ -	\$ -	(\$ 59)
Total	<u>\$ 1,788</u>	<u>(\$ 1,847)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 59)</u>

	2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	December 31
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$ 1,048	\$ 966	\$ -	\$ -	\$ 2,014
Subtotal	<u>\$ 1,048</u>	<u>\$ 966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,014</u>
- Deferred income tax liabilities:					
Unrealized exchange gain	(\$ 660)	\$ 434	\$ -	\$ -	(\$ 226)
Total	<u>\$ 388</u>	<u>\$ 1,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,788</u>

4. Deductible temporary difference not recognized as deferred income tax assets

	December 31, 2021	December 31, 2020
Deductible temporary difference	<u>\$ 106,261</u>	<u>\$ 105,405</u>

5. The Company's income tax returns through 2019 have been assessed and approved by the tax authority.

(29). Earnings per share

	2021		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NTD)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,185,777	209,770	\$ 5.65
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,185,777	209,770	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,713	3,220	
Employee remuneration	-	1,791	
Profit attributable to ordinary shareholders			
plus assumed conversion of all dilutive potential ordinary shares	\$ 1,192,490	214,781	\$ 5.55

	2020		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NTD)
<u>Earnings per share</u>			

Profit attributable to ordinary shareholders	\$	683,897	204,801	\$	3.34
<hr/>					
<u>Diluted Earnings per share</u>					
Profit attributable to ordinary shareholders	\$	683,897	204,801		
Assumed conversion of all dilutive potential ordinary shares					
Employee remuneration		-	2,599		
<hr/>					
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$	683,897	207,400	\$	3.30
<hr/>					

The weighted average number of shares outstanding in 2021 and 2020 has deducted the number of shares held by the subordinate company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

(30). Supplemental cash flow information

Investing activities with partial cash payments:

	<u>2021</u>		<u>2020</u>	
Purchase of property, plant and equipment	\$	925,545	\$	2,121,909
Add: Opening balance of payable on equipment		41,895		100,062
Prepayments for equipment at the end of the period		643,858		4,069
Less: Ending balance of payable on equipment	(	44,545)	(	41,895)
Prepayments for equipment at the beginning of the period	(	4,069)	(	173,122)
Cash paid during the year	<u>\$</u>	<u>1,562,684</u>	<u>\$</u>	<u>2,011,023</u>

(31). Changes in liabilities arising from financing activities

	Short Term Loans	Corporate bonds payable	Long-term borrowings (including portion due within 1 year)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2021	\$ 1,448,600	\$ -	\$ 1,721,427	\$ 399,473	\$ 4,369	\$ 3,573,869
Change in cash flow from financing activities	(588,600)	2,297,099	928,573	(19,912)	436	2,617,596
Interest Incomes	-	8,392	-	5,596	-	13,988
Interest Paid	-	-	-	(5,596)	-	(5,596)
Other non-cash transactions		(648,442)		188,914		(459,528)
December 31, 2021	<u>\$ 860,000</u>	<u>\$ 1,657,049</u>	<u>\$ 2,650,000</u>	<u>\$ 568,475</u>	<u>\$ 4,805</u>	<u>\$ 5,740,329</u>

Short Term Loans	Long-term borrowings (including portion	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing
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		due within 1 year)			activities
January 1, 2020	\$ 700,000	\$ 444,427	\$ 323,213	\$ 1,010	\$ 1,468,650
Change in cash flow from financing activities	748,600	1,277,000	(17,016)	3,359	2,011,943
Interest Incomes	-	-	3,919	-	3,919
Interest Paid	-	-	(3,919)	-	(3,919)
Other non-cash transactions	-	-	93,276	-	93,276
December 31, 2020	<u>\$ 1,448,600</u>	<u>\$ 1,721,427</u>	<u>\$ 399,473</u>	<u>\$ 4,369</u>	<u>\$ 3,573,869</u>

(VII) Related-Party Transactions

(1). Related parties' names and relationship

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Miracle Technology Co., LTD.	Subsidiary
Youe Chung Capital Corporation	Subsidiary
Aptos Technology INC.	2nd-tier subsidiary
Miracle International Enterprise (Shanghai) Co., Ltd.	2nd-tier subsidiary
MIKO Technology Company Ltd.	2nd-tier subsidiary
Innova Vision INC.	Subsidiary (Note 1)
Innova Vision Kabushiki Kaisha	2nd-tier subsidiary
Xsense Technology Corporation	Sub-subsidiary (Note 2)
Weida Hi-Tech Company	Affiliate (Note 3)
Advanced Silicon SA	Affiliate (Note 3)
Powerchip Technology Corporation	Other related party
IMAGE MATCH DESIGN INC.	Other related party
BKS Tec Corp.	Other related party
Taiwan Mask Charity Foundation	Other related party

Note 1: On June 18, 2020, the Company resigned from the position of corporate director of Innova Vision INC. and since then, the firm is no longer a related party of the Company. On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital Corporation won all the director seats, obtaining substantial control of this company. Therefore, it has been included as a consolidated entity from that date.

Note 2: In April 2021, the Company participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included the firm in the consolidated financial statements as a consolidated entity as of that date.

Note 3: The Company's shareholding of Weida Hi-Tech has dropped to 36.70% in May 2020, and there are changes to the number of Board seats, thus losing control of the firm. Since then, Weida Hi-Tech is no longer a subsidiary of the Company, but is still the Company's related party.

(2). Significant transactions with the related parties

1. Operating revenue

	<u>2021</u>	<u>2020</u>
Product sales:		
Subsidiary	\$ 6,621	\$ 3,067
2nd-tier subsidiary	29,027	38,329
Affiliates	72	674
Other related party	1,171	349
	<u>\$ 36,891</u>	<u>\$ 42,419</u>

There are no major abnormalities in the transaction prices and payment terms of the related party compared to that of non-related parties.

2. Account receivable from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts Receivables:		
Subsidiary	\$ 2,204	\$ 897

2nd-tier subsidiary	2,908	8,043
Other related party	-	63
Subtotal	<u>5,112</u>	<u>9,003</u>
Other receivables:		
Subsidiary	2,168	-
2nd-tier subsidiary	12,702	11,505
Affiliates	-	16,021
Other related party	-	3,303
Subtotal	<u>14,870</u>	<u>30,829</u>
Total	<u>\$ 19,982</u>	<u>\$ 39,832</u>

3. Loans to related parties (recognized as "Other accounts receivable -- related parties")

	2021		2020	
	Balance at the end of period	Interest income	Balance at the end of period	Interest income
Subsidiary	\$ -	\$ 1,143	\$ 448,000	\$ 6,838
2nd-tier subsidiary	-	638	140,000	1,559
	<u>\$ -</u>	<u>\$ 1,781</u>	<u>\$ 588,000</u>	<u>\$ 8,397</u>

The loans to subsidiaries and affiliated companies are to be repaid within one year. The interests in 2021 and 2020 were charged at an annual interest rate of 2% and 2.0%~2.616%, respectively.

4. Acquisition of other assets

	Account item	2021 Acquisition price	2020 Acquisition price
Other related party	Intangible assets	\$ 8,926	\$ -
Other related party	Fixed assets	1,750	-
Total		<u>\$ 10,676</u>	<u>\$ -</u>

5. Acquisition of financial assets

	Account item	Number of shares acquired	2021 Acquisition price
Subsidiary	Investment under Equity Method	36,767,141	\$ 367,671
			<u>2020</u>
	Account item	Number of shares acquired	Acquisition price
Subsidiary	Investment under Equity Method	30,000,000	\$ 300,000
Subsidiary	Financial assets at fair value through profit and loss	1,994,300	19,943
			<u>\$ 319,943</u>

6. Others

(1) Guarantee Deposits

Received:	2021	2020
Subsidiary	\$ 416	\$ -
2nd-tier subsidiary	792	792
Other related party	95	-
	<u>\$ 1,303</u>	<u>\$ 792</u>

(2) Rental income:

	2021	2020
Subsidiary	\$ 2,417	\$ 1,584
2nd-tier subsidiary	112,593	13,421
Affiliates	-	12,679
	<u>\$ 115,010</u>	<u>\$ 27,684</u>

The Company leases buildings to subsidiaries, 2nd-tier subsidiaries and other related parties. The lease contract period is from 2018 to 2023, and the rent is collected in accordance with the contract.

(3) The Company issued cash dividends of \$55,622 and \$37,081 to Youe Chung Capital in 2021 and 2020, respectively.

(4) The Company donated \$31,801 in cash to the Taiwan Mask Charity Foundation in 2021.

(3). Compensation of key management personnel

	2021	2020
Salary and short-term employee benefits	\$ 7,514	\$ 7,761
Post-employment benefits	-	3,000
Other long-term employee benefits	18,082	7,480
Share-based payment to employees	13,990	5,200
	<u>\$ 39,586</u>	<u>\$ 23,441</u>

(VIII) Pledged assets

Assets pledged by the Company as collateral are as follows:

Assets	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposit (Recognized as "Financial assets at amortized cost - Non-current assets")	\$ 35,425	\$ 35,422	Guarantee of cargo out of free trade zone and lease deposit
Stocks of publicly traded and OTC companies (recognized as "Financial assets at fair value through profit or loss")	149,500		Short Term Loans
Buildings and structures	623,354	683,814	Long-term Loans
Real estate investment	703,953	544,878	Long-term Loans
Machinery and equipment and equipment under acceptance	2,339,034	1,146,700	Long- and short-term borrowings
	<u>\$ 3,851,266</u>	<u>\$ 2,410,814</u>	

(IX) Material contingent liabilities and unrecognized contractual commitments

(1). Contingencies

Not applicable.

(2). Commitments

1. Machine equipment maintenance contracts that have been signed but not yet paid

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Machine maintenance	\$ 29,411	\$ 31,851

2. Capital expenditures that have been signed but not yet incurred

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	\$ 119,059	\$ 153,985

3. Lease agreement

Please see Note 6 (8) and (9)

(X) Losses due to major disasters

Not applicable.

(XI) Major Events after Financial Statement Date

1. The resolution of the Company's Board on March 4, 2022 passed the appropriation of earnings. The proposal has yet to be resolved by the shareholders meeting. Please refer to Note 6 (19) for details.
2. On March 4, 2022, the Board of Directors resolved to process the issuance of new shares by way of shelf registration and the initial issuance of new shares by way of cash capital increase for 2022.

(XII) Others

(1). Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the standalone balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the standalone balance sheet plus net debt. The Company maintained the same strategy in 2021 as in 2020. It is committed to keeping the debt-to-capital ratio under a reasonable risk level. For the years ended December 31, 2021 and 2020, the debt-to-capital ratios were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total borrowings	\$ 3,510,000	\$ 3,170,027
Less: Cash and cash equivalents	(1,798,841)	(493,838)
Net debt	1,711,159	2,676,189
Total equity	5,100,527	3,538,598
Total capital	<u>\$ 6,811,686</u>	<u>\$ 6,214,787</u>
Debt-to-equity ratio	<u>25.11%</u>	<u>43.06%</u>

(2). Financial instruments

1. Types of financial instrument

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Mandatory financial assets at fair value through profit or loss	\$ 1,121,358	\$ 147,632
Financial assets measured at amortized cost		
Cash and Cash Equivalents	\$ 1,798,841	\$ 493,838
Financial assets measured at amortized cost	38,425	38,422
Notes Receivables	-	29
Accounts receivable (Including related parties)	598,079	434,009
Other accounts receivable (Including related parties)	18,696	624,116
Refundable deposit	6,353	1,397
	<u>\$ 2,460,394</u>	<u>\$ 1,591,811</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short Term Loans	\$ 860,000	\$ 1,448,600
Accounts Payable	81,451	109,043
Other Payables	446,349	288,967
Corporate bonds payable	1,657,049	-
Long-term borrowings (including current portion)	2,650,000	1,721,427
Guarantee Deposits Received	4,805	4,369
	<u>\$ 5,699,654</u>	<u>\$ 3,572,406</u>
Lease liabilities	<u>\$ 568,475</u>	<u>\$ 399,473</u>

2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. Company's finance department identifies,

evaluates and hedges financial risks in close collaboration with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

(Foreign currency: functional currency)	December 31, 2021			Carrying amount (in thousands of NTD)
	Foreign currency (in thousands)	Exchange rate		
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD	14,010	27.68	\$ 387,799
JPY : NTD	JPY	65,669	0.2405	15,793
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD	2,099	27.68	\$ 58,113
JPY : NTD	JPY	188,577	0.2405	45,353

(Foreign currency: functional currency)	December 31, 2020			Carrying amount (in thousands of NTD)
	Foreign currency (in thousands)	Exchange rate		
Financial assets				
<u>Monetary items</u>				
USD : NTD	US D	16,298	28.48	\$ 464,170
JPY : NTD	JPY	83,532	0.2763	23,080
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	US D	3,447	28.48	\$ 98,168
JPY : NTD	JPY	345,057	0.2763	95,339

B. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to \$12,107 and (\$10,445) for the years ended December 31, 2021 and 2020, respectively.

C. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

		2021		
		Sensitivity Analysis		
		Fluctuation	Effect on profit or loss	Other comprehensive profit and loss affected
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	3,878	\$ -
JPY : NTD	1%		158	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	581)	-
JPY : NTD	1%	(	454)	-
		2020		
		Sensitivity Analysis		
		Fluctuation	Effect on profit or loss	Other comprehensive profit and loss affected
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$	4,642	\$ -
JPY : NTD	1%		231	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	982)	-
JPY : NTD	1%	(	953)	-

Price risk

- A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss.
- B. The Company invests primarily in beneficiary certificates and equity instruments. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit after tax affected by equity instruments at fair value through profit or loss after tax for 2021 and 2020 is an increase or decrease of \$11,214 and \$1,476, respectively.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Company to cash flow interest rate risk. For

2021 and 2020, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan Dollars.

- B. The Company's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Company to the risk of future market interest rate changes.
- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net profit after tax for 2021 and 2020 is a decrease or increase of \$7,020 and \$6,340, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.
- B. The management of credit risk is established with a Company perspective. Only the banks and financial institutionals with an independent credit rating of at least "A" can be accepted as transaction partners of the Group. According to the internal credit policy, each operating entity of the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Company considers a contract payment overdue in accordance with the agreed payment terms a breach of contract.
- D. The Company uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:
 - (A) If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
 - (B) For bond investments in Taipei Exchange, if any external rating agency rates it as an investment grade on the balance sheet date, the credit risk of the financial asset is considered low.
- E. The Company uses the following indicators to determine the status of credit impairments of debt instruments:
 - (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
 - (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
 - (C) The issuer delays or does not pay for the interest or principal.
 - (D) Unfavorable changes in the national- or regional-level economic situation

resulting in the issuer's default.

- F. The Company categorizes the accounts receivable from customers based on the characteristics of trade credit risks. The simplified approach is adopted for estimating the expected credit loss based on the provision matrix.
- G. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Company will continue the recourse to protect the rights of the claims.
- H. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2021 and 2020 are shown as follows:

	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.01%	0.21%	2.03%	5.11%	5 37.18%~ 100%	
Total book value	\$ 504,835	\$ 81,417	\$ 11,447	\$ 1,465	\$ -	\$ 599,164
Loss allowance	\$ -	\$ -	(\$ 572)	(\$ 513)	\$ -	(\$ 1,085)
	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2020</u>						
Expected loss rate	0.01%	0.15%	1.36%	3.62%	4 11.84%~ 100%	
Total book value	\$ 381,537	\$ 43,655	\$ 8,267	\$ 1,362	\$ 156	\$ 434,977
Loss allowance	\$ -	\$ -	(\$ 413)	(\$ 477)	(\$ 78)	(\$ 968)

- I. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown as follows:

	<u>2021</u>
	<u>Accounts Receivables</u>
January 1	\$ 968
Reversal for the period	117
December 31	<u>\$ 1,085</u>
	<u>2020</u>
	<u>Accounts Receivables</u>
January 1	\$ 1,568
Reversal for the period	(600)
December 31	<u>\$ 968</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs.
- B. The remaining cash held by each operating entity will be transferred back to the Company's finance department. The finance department of the Company invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2021 and 2020, the position of

money market held by the Company is at \$1,801,841 and \$496,838, respectively, and is expected to generate immediate cash flow to manage liquidity risk.

C. The Company's undrawn borrowing facilities are shown as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate		
Due within 1 year	\$ 900,000	\$ 873,400
Maturity of more than 1 year	-	363,851
	<u>\$ 900,000</u>	<u>\$ 1,237,251</u>

D. The following table shows the Company's non-derivative financial liabilities and derivative financial liabilities settled on a net or total amount, grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 860,000	\$ -	\$ -	\$ -
Accounts Payable	81,452	-	-	-
Other Payables	446,349	-	-	-
Lease liabilities	33,601	31,696	89,142	490,467
Corporate bonds payable	-	-	1,657,049	-
Long-term borrowings (including portion due within 1 year)	61,250	782,605	1,840,595	-
Guarantee Deposits Received	-	4,805	-	-
December 31, 2020	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 1,448,600	\$ -	\$ -	\$ -
Accounts Payable	109,043	-	-	-
Other Payables	288,967	-	-	-
Lease liabilities	20,846	20,846	57,779	365,950
Long-term borrowings (including portion due within 1 year)	91,408	1,696,463	-	-
Guarantee Deposits Received	-	4,369	-	-

(3). Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in stocks of publicly traded or OTC firms and beneficiary certificates is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in stocks of non-publicly traded or non-OTC firms is included in Level 3.

2. Financial instruments not measured at fair value

Cash and cash equivalents, notes receivable, accounts receivable, other receivable, short-term borrowings, notes payable, accounts payable and other payable as reasonable approximation of fair value.

3. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,109,226	\$ -	\$ 7,132	\$ 1,116,358
Convertible bonds	5,000	-	-	5,000
Total	<u>\$ 1,114,226</u>	<u>\$ -</u>	<u>\$ 7,132</u>	<u>\$ 1,121,358</u>

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 140,500	\$ -	\$ 7,132	\$ 147,632
	<u>\$ 140,500</u>	<u>\$ -</u>	<u>\$ 7,132</u>	<u>\$ 147,632</u>

4. The methods and assumptions adopted by the Company for assessing the fair value are as follows:

(1) The Company adopt market pricing as the input of fair value (i.e. Level), and the

breakdown of the characteristics of the instrument is as follows:

	Shares of listed and OTC company	Open-end funds
Market price	Closing price	Net Value

- (2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the standalone balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).
- (3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Company. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the standalone balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.
- (4) The Company incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Company, respectively.

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

6. The following table shows the changes in Level 3 in 2021 and 2020:

January 1, 2021 (i.e. December 31)	<u>Equity instruments</u> \$ 7,132
January 1, 2020	<u>Equity instruments</u> \$ 21,390
Acquisition cost of the period	19,943
Return of capital by investee company	(8,206)
Recognize impairment loss	(25,995)
December 31, 2020	<u>\$ 7,132</u>

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2021

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 7,132	Net asset value method	Net asset value		- The higher the net asset value, the higher the fair value.

December 31, 2020

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 7,132	Net asset value method	Net asset value		- The higher the net asset value, the higher the fair value.

8. The Company has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

	<u>Inputs</u>	<u>Changes</u>	<u>December 31, 2021</u>			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
			<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets						
Equity instrument	Net asset value	±1%	\$ 71	(\$ 71)	\$ -	\$ -
			<u>December 31, 2020</u>			
			<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	

	Inputs	Change s	Favorable changes	Adverse changes	Favorable changes	Adverse changes
Financial assets						
Equity instruments	Net asset values	±1%	\$ 71	(\$ 71)	\$ -	\$ -

(4). Others

The Company has evaluated the Company's operations and financial information, and amid the novel coronavirus crisis, the Company's ability to continue as a going concern, asset impairment and financing risks have not been greatly affected.

(XIII) Supplementary Disclosure

1. Information on significant transactions

- (1). Loans to others: Please refer to Table I.
- (2). Provision of endorsements and guarantees to others: Please refer to Table II.
- (3). Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please see Table III.
- (4). Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please see Table II.
- (5). Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
- (6). Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
- (7). Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- (8). Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (9). Engaged in derivative trading: None.
- (10). Significant inter-company transactions during the reporting periods: Please refer to Table V.

2. Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table VI.

3. Information on investments in Mainland China

Please see Table VII.

4. Information on Major Shareholders

Please see Table VIII.

(XIV) Segments information

Not applicable.

Taiwan Mask Corporation
Cash Schedule
December 31, 2021

Schedule 1

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Bank deposits		
Demand deposits -- NTD		\$ 846,590
-- Foreign currency	USD3,004 exchange rate 27.68	83,151
	JPY65,669 exchange rate 0.2405	15,793
	SGD145 exchange rate 20.46	2,967
	EUR0.637 exchange rate 31.32	20
Time deposits -- NTD		850,320
		<u>\$ 1,798,841</u>

Taiwan Mask Corporation
Accounts Receivable Schedule
December 31, 2021

Schedule 2

Unit: NT\$Thousand

Customer Name	Summa ry	Amount	Note
General customers			
Company A.		\$ 109,906	
Company B		75,779	
Company C		41,590	
Company D		29,649	
Others		337,128	The balance of each separate account did not exceed 5% of this account. Account balance that has been more than a year is \$0
		594,052	
Less: Allowance for bad debts		(1,085)	
		<u>\$ 592,967</u>	
Related party			
Miracle International Enterprise (Shanghai) Co., Ltd.		\$ 2,908	
Miracle Technology CO., LTD.		2,204	
		5,112	Account balance that has been more than a year is \$0
Less: Allowance for bad debts		-	
		<u>\$ 5,112</u>	

Taiwan Mask Corporation
Inventories Schedule
December 31, 2021

Schedule 3

Unit: NT\$Thousand

Items	Summary	Amount		Note
		Cost	Market value	
Raw materials		\$ 105,224	\$ 103,303	Net realizable value as the market value
Work in process		9,596	9,522	Net realizable value as the market value
Finished goods		1,071	3,233	Net realizable value as the market value
		<u>115,891</u>	<u>\$ 116,058</u>	
Add: Loss on falling prices of inventory and inventory obsolescence	(	6,002)		
		<u>\$ 109,889</u>		

Taiwan Mask Corporation
Financial assets schedule at fair value through profit and loss
January 1 to December 31, 2021

Schedule 4

Unit: NT\$ Thousand

Name	Opening Balance		Increase this period		Decrease this period		Balance at the end of period		Guarantee or pledge	Note
	Number of Shares	Book value	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Book value		
Common stocks of Pu-Shi Venture Capital	806,400	\$ -	-	\$ -	(806,400)	\$ -	-	\$ -	None	
Common stocks of Athena Capital	207,025	-	-	-	(124,215)	-	82,810	-	None	
Common stocks of Fu-Run Investment	713,235	7,132	-	-	-	-	713,235	7,132	None	
Common stocks of Unicon Vision	10,000,000	23,200	2,959,318	34,032	(5,129,121)	(49,400)	7,830,197	77,832	None	
Common stocks of Acer	2,000,000	47,300	4,150,000	139,968	-	-	6,150,000	187,268	None	
Stock of CHINA STEEL STRUCTURE CO., LTD	-	-	6,980,000	413,216	-	-	6,980,000	413,216	None	
Common stocks of AVISION INC.	-	-	10,000,000	102,400	-	-	10,000,000	102,400	None	
Common stocks of United Microelectronics Corporation	-	-	5,054,000	328,510	-	-	5,054,000	228,510	Yes	
Convertible bond call/put options	-	-	-	5,000	-	-	-	5,000	None	
Total		<u>\$ 147,632</u>		<u>\$ 689,616</u>		<u>(\$ 49,400)</u>		<u>\$ 1,121,358</u>		

Taiwan Mask Corporation
Schedule of Investments Changes Accounted for Using Equity Method
January 1 to December 31, 2021

Schedule 5

Unit: NT\$ Thousand

Name	Opening Balance		Increase in investment for the period		Decrease in investment for the period		Increase (decrease) in investments accounted for using the equity method (Note)	Balance at the end of period			Market value or equity net value			
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Ratio of Share Proportion	Amount	Unit price (NTD)	Total amount	Guarantee or pledge	Note
SunnyLake Park International Holdings, Inc.	3,120,000	\$ 5,355	-	\$ -	-	\$ -	\$216	3,120,000	100.00%	\$ 5,139	\$ -	\$ 5,139	None	
Youe Chung Capital Corporation	201,969,484	1,359,028	71,598,182	-	18,000,000	180,000	597,896	255,567,666	100.00%	1,776,924	-	1,776,924	None	
Innova Vision INC.	2,599,457	520	36,767,141	367,671	2,573,462	-	132,600	36,793,136	91.53%	235,591	-	235,591	None	
Advagene Biopharma Co., Ltd.	12,549,652	69,308	-	-	-	-	5,730	12,549,652	25.46%	63,578	-	63,578	None	
Miracle Technology Co., LTD.	22,955,033	384,228	-	-	-	-	46,550	22,955,033	100.00%	430,778	-	430,778	None	
Weida Hi-Tech Company	12,176,880	85,425	-	-	-	-	2,473	12,176,880	28.20%	87,898	-	87,898	None	
Total		<u>\$ 1,903,864</u>		<u>\$ 367,671</u>		<u>\$ 180,000</u>	<u>\$ 508,373</u>			<u>\$ 2,599,908</u>				

Note: Mainly the share of profit or loss of subsidiaries and affiliates accounted for using the equity method, the share of other comprehensive income, and the cash dividends received from investees.

Taiwan Mask Corporation
Property, Plant and Equipment Cost Changes Schedule
January 1 to December 31, 2021

Schedule 6

Unit: NT\$Thousand

Items	Opening Balance	Increase this period	Decrease this period	Reclassificatio n for the year	Balance at the end of period	Guarantee or pledge	Note
Buildings and structures (including land)	\$ 1,556,325	\$ 188,982	\$ -	(\$ 152,341)	\$ 1,692,966	Yes	
Machinery and equipment	2,678,584	478,829	-	57,614	3,215,027	Yes	
Transportation equipment	2,759	2,876	-	-	5,635	None	
Office equipment	22,659	8,446	-	-	31,105	None	
Other equipment	-	10,942	-	-	10,942	None	
Unfinished construction and equipment to be inspected	135,173	135,470	-	(120,894)	149,749	None	
	<u>\$ 4,395,500</u>	<u>\$ 925,545</u>	<u>\$ -</u>	<u>(\$ 215,621)</u>	<u>\$ 5,105,424</u>		

Taiwan Mask Corporation
Property, Plant and Equipment Accumulated Depreciation Changes Schedule
January 1 to December 31, 2021

Schedule 7

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Reclassification for the year	Balance of the period	Note
Buildings and structures	\$ 566,010	\$ 76,853	\$ -	(\$ 40,824)	\$ 602,039	
Machinery and equipment	1,070,324	234,410	-	-	1,304,734	
Transportation equipment	1,750	831	-	-	2,581	
Office equipment	11,213	5,144	-	-	16,357	
Other equipment	-	1,248	-	-	1,248	
	<u>\$ 1,649,297</u>	<u>\$ 318,486</u>	<u>\$ -</u>	<u>(\$ 40,824)</u>	<u>\$ 1,926,959</u>	

Taiwan Mask Corporation
Right-of-Use Assets Schedule
January 1 to December 31, 2021

Schedule 8

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 414,784	\$ 152,913	\$ -	\$ 567,697	
Buildings and structures	3,673	138	(155)	3,656	
Transportation equipment (company vehicles)	3,555	13,868	(4,773)	12,650	
Other equipment	-	26,733	-	26,733	
Total	<u>\$ 422,012</u>	<u>\$ 193,652</u>	<u>(\$ 4,928)</u>	<u>\$ 610,736</u>	

Taiwan Mask Corporation
Right-of-Use Assets Accumulated Depreciation Schedule
January 1 to December 31, 2021

Schedule 9

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 23,905	\$ 17,498	\$ -	\$ 41,403	
Buildings and structures	1,747	984	(78)	2,653	
Transportation equipment (company vehicles)	491	2,883	(109)	3,265	
Total	<u>\$ 26,143</u>	<u>\$ 21,365</u>	<u>(\$ 187)</u>	<u>\$ 47,321</u>	

Taiwan Mask Corporation
Short-Term Borrowings Schedule
December 31, 2021

Schedule 10

Unit: NT\$Thousand

Types of borrowings	Explanation	Balance at the end of period	Contract Duration	Range of interest rate	Financing Amount	Pledge or Guarantee	Note
Yuanta Commercial Bank Co., Ltd.		\$ 80,000	2021.12.3 ~ 2022.3.3	1.050%	\$ 80,000	None	
Land Bank of Taiwan		50,000	2021.11.3 ~ 2022.1.20	1.020%	150,000	None	
Taiwan Cooperative Bank		100,000	2021.8.11 ~ 2022.8.11	1.200%	100,000	None	
KGI Commercial Bank Co., Ltd.		70,000	2021.9.24 ~ 2022.3.1	1.041%	150,000	None	
Taishin International Bank		120,000	2021.11.11 ~ 2022.1.11	1.070%	300,000	None	
Far Eastern International Bank		50,000	2021.12.6 ~ 2022.1.5	1.100%	100,000	None	
Taiwan Shin Kong Commercial Bank		80,000	2021.11.4 ~ 2022.1.4	1.250%	80,000	None	
Chang Hwa Bank		60,000	2021.12.28 ~ 2022.3.28	1.200%	100,000	None	
First Commercial Bank of Taiwan		50,000	2021.11.9 ~ 2022.3.8	1.000%	100,000	None	
International Bills Finance Corporation		100,000	2021.12.29 ~ 2022.3.29	1.188%	100,000	None	
International Bills Finance Corporation		100,000	2021.12.29 ~ 2022.3.29	1.188%	500,000	Note	
		<u>\$ 860,000</u>					

Note: Stocks of publicly traded and OTC companies (recognized as "Financial assets at fair value through profit or loss").

Taiwan Mask Corporation
Long-Term Borrowings Schedule
December 31, 2021

Schedule 11

Unit: NT\$Thousand

Creditors	Summary	Amount Borrowed	Contract Duration	Interest rate (Note 1)	Pledge or Guarantee	Note
King's Town Bank	Intermediate- and long-term secured loans	\$ 1,250,000	2021.12.28~2027.1.28	1.800%	Houses and buildings, machinery equipment and investment property	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	850,000	2020.11.9~2023.11.9	1.440%	Buildings and investment property	
Taishin International Bank	Intermediate- and long-term secured loans	250,000	2021.12.27~2024.12.27	1.580%	Buildings and structures	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	300,000	2021.12.27~2026.12.15	1.300%	Machinery and equipment	
		<u>2,650,000</u>				
Less: Portion due within one year		(60,000)				
		<u>\$ 2,590,000</u>				

Taiwan Mask Corporation
Lease liabilities schedule
December 31, 2021

Schedule 12

Unit: NT\$ Thousand

Items	Summary	Lease Period	Discount rate	Balance at the end of period	Note
Land	Hsinchu	2005/1/13~2041/10/6	1.000%~1.903%	\$ 531,603	
Buildings and structures	Hsinchu	2018/1/1~2022/12/31	1.136%~1.903%	1,013	
Transportation equipment (company vehicles)		2020/9/7~2024/8/30	0.079%~0.950%	9,263	
Other equipment		2021/12/1~2036/12/1	1.000%	26,596	
				<u>568,475</u>	
Less: Portion due within one year				(28,054)	
				<u>\$ 540,421</u>	

Taiwan Mask Corporation
Sales Income Schedule
January 1 to December 31, 2021

Schedule 13

Unit: NT\$Thousand

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>
Photomask	65,049 pieces	\$ <u>2,773,339</u>

Taiwan Mask Corporation
Operating Costs Schedule
January 1 to December 31, 2021

Schedule 14

Unit: NT\$Thousand

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Direct materials		
Opening raw materials	\$ 107,837	
Incoming materials in the current period	490,627	
Ending raw materials	(105,224)	
Consumption in this period	493,240	
Director labor	69,189	
Manufacturing expenses	893,369	
Manufacturing cost	1,455,798	
Add: Opening work-in-progress	7,264	
Less: Ending work-in-progress	(9,596)	
Cost of finished goods	1,453,466	
Add: Opening finished goods	967	
Less: Ending finished goods	(1,071)	
Costs of good sold	1,453,362	
Other operating costs		
Loss on falling prices of inventory and inventory obsolescence	790	
Operating costs	<u>\$ 1,454,152</u>	

Taiwan Mask Corporation
Manufacturing Expenses Schedule
January 1 to December 31, 2021

Schedule 15

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 313,960	
Contract maintenance fee		270,302	
Salaries expense		131,715	
Utilities		68,329	
Others		109,063	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 893,369</u>	

Taiwan Mask Corporation
Operating Expenses Schedule
January 1 to December 31, 2021

Schedule 16

Unit: NT\$Thousand

Items	Summary	Amount	Note
Marketing expenses:			
Shipping expenses		\$ 23,673	
Salaries expense		22,535	
Export declaration fee		4,003	
			The balance of each separate account did not exceed 5% of this account.
Others		6,508	
		<u>\$ 56,719</u>	
Administrative Expenses:			
Salaries expense		\$ 271,879	
Donation		42,245	
Depreciation		24,776	
			The balance of each separate account did not exceed 5% of this account.
Others		120,379	
		<u>\$ 459,279</u>	
Research and development expenses:			
Salaries expense		\$ 32,630	
Research and experiment fee		13,392	
Experimental material costs		9,060	
			The balance of each separate account did not exceed 5% of this account.
Others		9,854	
		<u>\$ 64,936</u>	

Taiwan Mask Corporation
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period
January 1 to December 31, 2021

Schedule 17

Unit: NT\$ Thousand

Function Type	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expenditure						
Payroll expenses	\$ 190,628	\$ 207,880	\$ 398,508	\$ 178,447	\$ 76,673	\$ 255,120
Employee stock options	-	119,544	119,544	1,102	74,677	75,779
Labor and health insurance fees	14,230	9,656	23,886	11,789	4,779	16,568
Pension expense	6,150	3,951	10,101	6,380	1,624	8,004
Director remuneration	-	31,055	31,055	-	16,618	16,618
Other employee benefit expenses	7,329	2,467	9,796	6,382	1,910	8,292
Depreciation	313,960	41,613	355,573	203,736	12,471	216,207
Amortization expense	3,640	2,465	6,105	1,047	2,255	3,302

1. The number of employees in the current year and the previous year were 304 and 250, respectively, of which the number of directors who were not also employees was 5 and 5, respectively.

2. Stocks are listed on the Taiwan Stock Exchange or the Taipei Exchange and the following information is disclosed:

(1) Average employee benefit expenses for the current year were \$1,879 ("Total employee benefit expenses for the current year - total directors' remuneration" / "Number of employees for the current year - number of directors who are not also employees").

Average employee benefit expenses for the previous year were \$1,485 ("Total employee benefit expenses for the previous year - total directors' remuneration" / "Number of employees for the previous year - number of directors who are not also employees").

(2) Average employee salary expense for the current year was \$1,333 (Total salary expense for the current year / "Number of employees for the current year - Number of directors who were not also employees").

Average employee salary expense for the previous year was \$1,041 (Total salary expense for the previous year / "Number of employees for the previous year - Number of directors who were not also employees").

(3) Change in average employee salary expense adjustment was 28.05% ("Average employee salary expense for the current year - Average employee salary expense for the previous year" / Average employee salary expense for the previous year)

(4) The Company has an audit committee, so there is no supervisor's remuneration.

Taiwan Mask Corporation
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period (continued)
January 1 to December 31, 2021

Schedule 17

Unit: NT\$ Thousand

- (5) The Company has established and regularly reviewed the policies, systems, standards and structure of performance appraisal and salary remuneration of directors and managerial officers according to the Remuneration Committee charter, and abided by the following rules:
- A. The performance evaluation of the directors and managerial officers and their salary and remuneration shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operations performance and future risks.
 - B. Shall not lead directors and managerial officers to pursue salary and remuneration, engaging in risky conducts that outstrip the Company's capacity to handle.
 - C. The bonus proportion of short-term performance for directors and senior level managerial officers and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company's business.
- (6) Directors' remuneration and employee remuneration are subject to the Company's Articles of Incorporation. The distribution shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
- A. Employee remuneration: Allocated based on the Company's operating condition, and is distributed based on employee's position, performance, and tenure of service.
 - B. Quarterly bonus: Allocated based on the Company's operating condition, and is given as an incentive for achieving the set targets.
 - C. Annual salary adjustment: Carried out in accordance with the Company's operating condition. Annual salary adjustment: Carried out in accordance with the Company's operating condition. The salary adjustment range takes into account the salary adjustment in the industry, domestic economic growth, price index, and individual performance appraisal.

Taiwan Mask Corporation and Subsidiaries
Consolidated financial statements and
independent auditor's report
2021 and 2020
(Stock Code: 2338)

Company address: No. 11, Chuangxin 1st Road, Baoshan,
Hsinchu County, Hsinchu Science Park

Telephone: (03)563-4370

Taiwan Mask Corporation and Subsidiaries

2021 and 2020 consolidated financial statements and independent auditor's report

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Taiwan Mask Corporation
Consolidated Financial Statements Declaration

The companies that are required to be included in the affiliated companies consolidated financial statements as of and for the year ended on December 31, 2021, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the affiliated companies consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Consequently, do not prepare a separate set of consolidated financial statements of the affiliated companies.

Very truly yours

Company Name: Taiwan Mask Corporation



Representative: Cheng-Hsiang Chen



March 4, 2022

Independent Auditors' Report

(2022) Tsai-Sheng-Bao-Zi No. 21002897

To Taiwan Mask Corporation,

Opinions

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

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, 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 ended December 31, 2021 and 2020 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing" and generally accepted auditing standards. Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of fiscal year 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, we do not provide a separate opinion on these matters.

Key audit matters for the TMC Group's consolidated financial statements in fiscal year 2021 are stated as follows:

Evaluation of Inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(5) for the detailed description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2021 is NT\$522,970 thousand and NT\$90,955 thousand respectively.

The Group is primarily engaged in mask and integrated circuit services in the semiconductor industry. Due to rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuations, Loss on decline in value of inventories and obsolescence is higher than that of other industries. Management evaluates inventories stated at the lower of cost and net realizable value. Since the evaluation of inventories is subject to management's judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified as one of the key audit matters.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Understand and evaluate the accounting policy for the provision of allowance for losses on decline in value of inventories.
2. Perform test to evaluate the ageing statement of inventories and the statement of lower of cost and net realizable value of inventories, including validating the supporting documents related to the date of inventory movement to confirm the correct ageing classification, and validating the supporting documents related to the net realizable value to assess and confirm the reasonableness of the net realizable value determination.
3. Verify the reasonableness of allowance for inventory valuation loss.

Income recognition

Description

For the accounting policy on income recognition, please refer to Note 4(28) of the financial report. For sales revenue please refer to Note 6(20); the operating income in fiscal year 2021 is

NT\$6,077,362 thousand.

The Group mainly produces and sells products such as masks and integrated circuits used in semiconductors, and has a large and diversified sales base. Trading conditions vary according to market conditions and customer needs. Considering that sales revenue is a major transaction that has a significant impact on the consolidated financial statements, we believe that the recognition of sales revenue is one of the most important matters to be considered in this year's audit.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Understand the type of major income and assess internal operations, review revenue recognition and accounting treatment.
2. Obtain the sales revenue statement, sample the sales transactions, and verify the relevant documents to determine the appropriateness of the sales revenue.
3. Execute the cut-off test for the sales receipts transaction for a certain period of time before and after the closing date, and confirm that the account is correct at the time of entry.

Other matters—Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only standalone financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2021 and 2020.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

Independent Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ROC GAAS 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 conducted in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following undertakings:

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 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 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 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 communicated 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 for the current

period) .

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 2021 consolidated financial statements of the current period and are therefore deemed 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 auditor's report because the adverse consequences of doing so would reasonable are expected to outweigh the public interest benefits of such communication.


PricewaterhouseCoopers Taiwan

Tien-I Li

李典易 

Accountant

Ya-Hui Cheng

葉維心 

Financial Supervisory Commission of the Executive Yuan
Approval Document for Attestation: Jin-Guan-Zheng-Shen-
Zi No. 1020028992
Securities and Futures Bureau of Financial Supervisory
Commission of the Executive Yuan
Approval Document for Attestation: Jin-Guan-Zheng-Shen-
Zi No. 0960072936

March 4, 2022

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Assets	Notes	December 31, 2021		(After adjustment) December 31, 2020		
		Amount	%	Amount	%	
Current assets						
1100	Cash and Cash Equivalents	6(1)	\$ 2,681,819	17	\$ 1,036,658	11
1110	Financial Assets at Fair Value	6(2) and 8				
	Through Profit or Loss - Current		3,603,920	22	500	-
1136	Financial Assets at Amortized Cost -	6(3) and 8				
	Current		38,338	-	34,212	-
1140	Contract Asset - Current	6(20)	155,763	1	93,809	1
1150	Notes Receivables (Net)	6(4)	63	-	879	-
1170	Accounts Receivables (Net)	6(4)	1,263,748	8	894,612	10
1180	Accounts Receivables - Related	6(4) and 7				
	Parties (Net)		16,812	-	6,599	-
1200	Other Receivables		68,997	-	47,668	1
1210	Other Receivables - Related Parties	7	-	-	3,068	-
1220	Tax Assets		22,600	-	2,490	-
130X	Inventories	6(5)	432,015	3	196,080	2
1410	Prepayments		121,866	1	59,271	1
1470	Other Current Assets		29,897	-	53,880	1
11XX	Total Current Assets		<u>8,435,838</u>	<u>52</u>	<u>2,429,726</u>	<u>27</u>
Non-Current Assets						
1510	Financial Asset at Fair Value Through	6(2) and 8				
	Profit or Loss - Non Current		1,433,752	9	2,134,913	24
1535	Financial Assets at Amortized Cost -	6(3) and 8				
	Non Current		39,925	-	40,922	-
1550	Investment under Equity Method	6(6)	164,707	1	361,161	4
1600	Property, plant and equipment	6(7) and 8	4,142,224	26	3,108,099	34
1755	Right-of-use Asset	6(8)	652,652	4	508,467	6
1760	Investment property (Net)	6(10) and 8	163,042	1	313,099	3
1780	Intangible assets		387,866	3	173,724	2
1840	Deferred Income Tax Assets	6(27)	3,241	-	2,332	-
1900	Other Non-Current Assets		690,980	4	29,265	-
15XX	Total Non-Current Assets		<u>7,678,389</u>	<u>48</u>	<u>6,671,982</u>	<u>73</u>
1XXX	Total Assets		<u>\$ 16,114,227</u>	<u>100</u>	<u>\$ 9,101,708</u>	<u>100</u>

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Liabilities and Equities	Notes	December 31, 2021		(After adjustment) December 31, 2020		
		Amount	%	Amount	%	
Current liabilities						
2100	Short Term Loans	6(11)	\$ 4,376,766	27	\$ 2,298,718	25
2130	Contract Liabilities - Current	6(20)	179,315	1	99,418	1
2150	Notes Payable		66	-	66	-
2170	Accounts Payable		477,232	3	397,237	4
2200	Other Payables	6(12)	742,008	5	436,980	5
2230	Current Income Tax Liabilities		186,481	1	80,722	1
2250	Provision for Liabilities - Current		10,964	-	12,917	-
2280	Lease Liability - Current		287,157	2	244,651	3
2320	Long-term liabilities due within one year or one business cycle	6(14)	70,391	1	96,211	1
2399	Other Current Liabilities - Other		39,281	-	10,496	-
21XX	Total Current Liabilities		<u>6,369,661</u>	<u>40</u>	<u>3,677,416</u>	<u>40</u>
Non-current liabilities						
2530	Corporate bonds payable	6(13)	1,657,049	10	-	-
2540	Long-term Loans	6(14)	2,651,808	17	1,635,872	18
2570	Deferred Income Tax	6(27)	74,493	-	53,268	1
2580	Lease liability - Non Current		368,484	2	262,275	3
2640	Defined Benefit Liabilities - Non Current	6(15)	14,999	-	18,213	-
2645	Guarantee Deposits Received		6,908	-	5,129	-
2670	Other Non-Current Liabilities - Other		100,646	1	1,102	-
25XX	Total Non-Current Liabilities		<u>4,874,387</u>	<u>30</u>	<u>1,975,859</u>	<u>22</u>
2XXX	Total Liabilities		<u>11,244,048</u>	<u>70</u>	<u>5,653,275</u>	<u>62</u>
Equity attributable to shareholders of the parent company						
Capital						
3110	Capital stock	6(16)	2,556,735	16	2,527,136	28
Capital surplus						
3200	Capital surplus	6(17)	1,315,828	8	439,898	5
Retained earnings						
3310	Legal reserve	6(18)	656,037	4	587,990	6
3320	Special reserve		-	-	2,666	-
3350	Unappropriated earnings		1,509,318	10	814,617	9
Other equity interests						
3400	Other equity interests	6(19)	4,032	-	889	-
3500	Treasury stock	6(16)	(941,423)	(6)	(834,598)	(9)
31XX	Total Equities Attributable to Parent Company		<u>5,100,527</u>	<u>32</u>	<u>3,538,598</u>	<u>39</u>
36XX	Non-controlling Interests		<u>(230,348)</u>	<u>(2)</u>	<u>(90,165)</u>	<u>(1)</u>
3XXX	Total Equities		<u>4,870,179</u>	<u>30</u>	<u>3,448,433</u>	<u>38</u>

Major Commitments and Contingencies 9

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



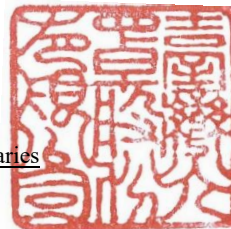
Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2021 and 2020



Unit: NT\$Thousand

Major Events after Financial Statement 11

Date

3X2X	Total Liabilities and Equities	\$	<u>16,114,227</u>	<u>100</u>	\$	<u>9,101,708</u>	<u>100</u>
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The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

Items	Notes	2021		(After adjustment) 2020	
		Amount	%	Amount	%
4000 Operating revenue	6(20) and 7	\$ 6,077,362	100	\$ 4,666,756	100
5000 Operating costs	6(5)	(4,667,982)	(77)	(3,723,670)	(80)
5900 Gross profit		<u>1,409,380</u>	<u>23</u>	<u>943,086</u>	<u>20</u>
Operating expenses	6(25) (26)				
6100 Selling Expenses		(150,235)	(2)	(131,841)	(3)
6200 Administrative Expenses		(656,228)	(11)	(324,379)	(7)
6300 R&D Expenses		(170,245)	(3)	(144,913)	(3)
6450 Expected Credit Impairment	12(2)				
Gain		<u>1,340</u>	<u>-</u>	<u>2,200</u>	<u>-</u>
6000 Total Operating Expenses		(975,368)	(16)	(598,933)	(13)
6900 Operating profit		<u>434,012</u>	<u>7</u>	<u>344,153</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	6(21)	4,858	-	4,826	-
7010 Other Incomes	6(22)	115,294	2	58,758	1
7020 Other Gains and Losses	6(23)	804,843	13	360,836	8
7050 Financial Costs	6(24)	(100,524)	(1)	(33,026)	(1)
7060 The share of affiliates and joint venture profits and losses recognized by the equity method	6(6)	(80,385)	(1)	(105,006)	(2)
7000 Total Non-Operating Incomes and Losses		<u>744,086</u>	<u>13</u>	<u>286,388</u>	<u>6</u>
7900 Earnings Before Tax		1,178,098	20	630,541	13
7950 Income Tax Expense	6(27)	(291,537)	(5)	(144,234)	(3)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

8200	Net Income	\$	<u>886,561</u>	<u>15</u>	\$	<u>486,307</u>	<u>10</u>
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(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

Items	Notes	2021		(After adjustment) 2020	
		Amount	%	Amount	%
Other Comprehensive Incomes					
(Net)					
Components of other					
comprehensive income that will					
not be reclassified to profit or					
loss					
8311	Re-measurements of defined benefit plan	\$ 1,189	-	\$ 424	-
8310	Total items that will not be reclassified subsequently to profit or loss	<u>1,189</u>	-	<u>424</u>	-
Components of other					
comprehensive income that will					
be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations	3,143	-	2,761	-
8360	Total Components of other comprehensive income that will be reclassified to profit or loss	<u>3,143</u>	-	<u>2,761</u>	-
8500	Total comprehensive income for the year	<u>\$ 890,893</u>	<u>15</u>	<u>\$ 489,492</u>	<u>10</u>
Net Incomes (Losses) Attributable to:					

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Comprehensive Income Statements
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand
(Except for earnings per share)

8610	Parent Company	\$	1,185,777	20	\$	683,897	14
8620	Non-controlling Interests		(299,216)	(5)		(197,590)	(4)
	Total	\$	<u>886,561</u>	<u>15</u>	\$	<u>486,307</u>	<u>10</u>
Total Comprehensive Incomes							
(Losses) Attributable to:							
8710	Parent Company	\$	1,190,109	20	\$	687,082	14
8720	Non-controlling Interests		(299,216)	(5)		(197,590)	(4)
	Total	\$	<u>890,893</u>	<u>15</u>	\$	<u>489,492</u>	<u>10</u>
Earnings per share 6(28)							
9750	Net Income	\$	<u>5.65</u>		\$	<u>3.34</u>	
Diluted Earnings per share 6(28)							
9850	Net Income	\$	<u>5.55</u>		\$	<u>3.30</u>	

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	Equity attributable to shareholders of the parent company						Other equity interests		Total	Non-controlling Interests	Total Equity
	Capital stock	Capital surplus - Issue premiums	Legal reserve	Special reserve	Unappropriated earnings	Retained earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income				Treasury stock
2020 (after adjustment)											
Beginning Balance as of 2020/1/1	\$ 2,527,136	\$ 322,777	\$ 544,712	\$ -	\$ 432,801	\$ 794	(\$ 2,666)	(\$ 835,332)	\$ 2,990,222	\$ 131,236	\$ 3,121,458
Net Income	-	-	-	-	683,897	-	-	-	683,897	(197,590)	486,307
Other Comprehensive Profit or Loss	-	-	-	-	424	2,761	-	-	3,185	-	3,185
Total comprehensive income for the year	-	-	-	-	684,321	2,761	-	-	687,082	(197,590)	489,492
Distribution and allocation of surplus earnings for FY2019											
Legal capital reserve	-	-	43,278	-	(43,278)	-	-	-	-	-	-
Legal capital reserve	-	-	-	2,666	(2,666)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(252,714)	-	-	-	(252,714)	-	(252,714)
Adjustment of capital reserve by dividends paid to subsidiaries	-	37,081	-	-	-	-	-	-	37,081	-	37,081
Changes in shares of affiliates and joint ventures recognized under the equity method	-	(11,799)	-	-	(3,847)	-	-	-	(15,646)	-	(15,646)
Share-based payment transaction	-	88,273	-	-	-	-	-	307,654	395,927	-	395,927
Treasury Stock Buyback	-	-	-	-	-	-	-	(306,920)	(306,920)	-	(306,920)
Unclaimed dividends of shareholders	-	3,566	-	-	-	-	-	-	3,566	-	3,566
Reduction in non-controlling interests in mergers	-	-	-	-	-	-	-	-	-	(23,811)	(23,811)
Ending Balance as of 2020/12/31	\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666)	(\$ 834,598)	\$ 3,538,598	(\$ 90,165)	\$ 3,448,433
2021											
Balance as of 2021/1/1	\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666)	(\$ 834,598)	\$ 3,538,598	(\$ 90,165)	\$ 3,448,433
Net Income	-	-	-	-	1,185,777	-	-	-	1,185,777	(299,216)	886,561
Other Comprehensive Profit or Loss	-	-	-	-	1,189	3,143	-	-	4,332	-	4,332
Total comprehensive income for the year	-	-	-	-	1,186,966	3,143	-	-	1,190,109	(299,216)	890,893
Distribution and appropriation of earnings for 2020											
Legal capital reserve	-	-	68,047	-	(68,047)	-	-	-	-	-	-
Reversal of Special reserve	-	-	-	(2,666)	2,666	-	-	-	-	-	-
Cash dividends	-	-	-	-	(379,071)	-	-	-	(379,071)	-	(379,071)
Conversion of convertible bonds	29,599	216,415	-	-	-	-	-	-	246,014	-	246,014
Adjustment of capital reserve by dividends paid to subsidiaries	-	55,622	-	-	-	-	-	-	55,622	-	55,622
Changes in shares of affiliates and joint ventures recognized under the equity method	-	27,526	-	-	(47,813)	-	-	-	(20,287)	118,898	98,611
Share-based payment transaction	-	169,174	-	-	-	-	-	722,059	891,233	7,806	899,039
Treasury Stock Buyback	-	-	-	-	-	-	-	(828,884)	(828,884)	-	(828,884)

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Statement of Changes in Equity
For the Years Ended December 31, 2021 and 2020



Unit: NT\$ Thousand

	Equity attributable to shareholders of the parent company											
	Retained earnings					Other equity interests						
Notes	Capital stock	Capital surplus - Issue premiums	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income	Treasury stock	Total	Non- controlling Interests	Total Equity	
Capital surplus - convertible bond stock options	6(17)	-	406,616	-	-	-	-	-	406,616	-	406,616	
Acceptance of gifts from shareholders	6(17)	-	586	-	-	-	-	-	586	-	586	
Payment of overdue unclaimed dividends to shareholders	6(17)	-	(9)	-	-	-	-	-	(9)	-	(9)	
Cash increase of non-controlling equity in Subsidiaries		-	-	-	-	-	-	-	-	32,329	32,329	
Balance as of 2021/12/31		<u>\$ 2,556,735</u>	<u>\$ 1,315,828</u>	<u>\$ 656,037</u>	<u>\$ -</u>	<u>\$ 1,509,318</u>	<u>\$ 6,698</u>	<u>(\$ 2,666)</u>	<u>(\$ 941,423)</u>	<u>\$ 5,100,527</u>	<u>(\$ 230,348)</u>	<u>\$ 4,870,179</u>

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



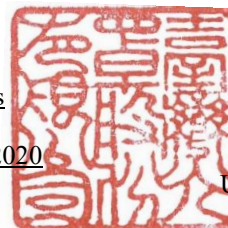
Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



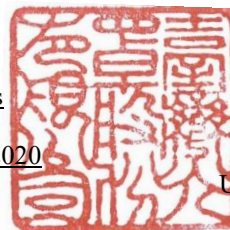
Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	January 1 to December 31, 2021	(After adjustments) For the Year Ended December 31, 2020
Cash Flow from Operating Activities		
Net Income(Loss) Before Tax	\$ 1,178,098	\$ 630,541
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities		
Revenues and Expenses		
Depreciation	6(25) 483,274	379,560
Amortization	6(25) 18,236	7,395
Expected Credit Reversal Gain	12(2) (1,340)	(2,200)
Interest income	6(21) (4,858)	(4,826)
Interest Incomes	6(24) 100,524	33,026
Net gain on financial assets measured at fair value through profit or loss	6(23) (559,714)	(461,862)
Gain (loss) on disposal of investments	6(23) (326,927)	(74,561)
Impairment Loss of Financial Assets	6(23) 11,737	165,253
Dividend income	6(22) (85,104)	(25,128)
Share-based payment transaction	6(16) 176,980	88,273
Share of losses of affiliated companies recognized under the equity method	6(6) 80,385	105,006
Loss (gain) on disposal of property, plant and equipment	6(23) 1,927	(1)
Gains (losses) on Disposal of Property, Plants and Equipment	-	72
The Changes of Assets/ Liabilities related to Operating Activities		
The Changes of Assets/ Liabilities related to Operating Activities		
Mandatory financial assets at fair value through profit or loss	(2,071,523)	(692,023)
Contract Assets	(61,954)	(75,688)
Notes Receivables	1,018	(879)
Accounts Receivables	(345,858)	(143,401)
Accounts Receivables – Related Parties	(10,213)	(5,031)
Other Receivables	(14,606)	(28,480)
Other Receivables – Related Parties	3,068	(3,068)
Inventories	(182,382)	18,383
Prepayments	(33,317)	(20,011)
Other Current Assets	40,111	(47,960)
Other Non-Current Assets	104,166	(614)
Net Changes of Liabilities related to Operating Activities		
Contract Liabilities	78,360	56,759
Notes Payable	(4,263)	1
Accounts Payable	64,213	24,673
Other Payables	211,059	80,593
Other Payables- related Parties	-	(1,432)
Other Current Liabilities	10,526	(10,266)
Defined Benefit Liabilities	(2,026)	(2,098)
Other Current Liabilities	51,396	1,035
Cash outflow from operations	(1,089,007)	(8,959)
Interest Received	4,825	5,156
Dividends Received	85,104	25,128
Interest Paid	(101,583)	(30,871)
Income Tax Paid	(165,546)	(60,398)

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020

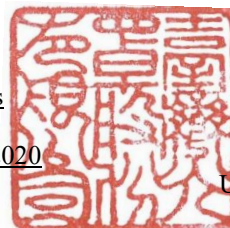


Unit: NT\$Thousand

<u>Notes</u>	<u>January 1 to December 31, 2021</u>	<u>(After adjustments) For the Year Ended December 31, 2020</u>
Net cash outflow from operating activities	(1,266,207)	(69,944)

(Continued)

Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	January 1 to December 31, 2021	(After adjustments) For the Year Ended December 31, 2020
<u>Cash Flow from Investment Activities</u>		
Acquisition of Amortized Cost Financial Assets	(\$ 8,397)	(\$ 141,012)
Disposal of Amortized Cost Financial Assets	24,868	137,960
Acquisition of investment property by the Equity Method	(188,072)	(268,965)
Cash inflows from changes in consolidated entities 6(29)	46,854	12,100
Cash outflows from changes in consolidated entities 6(29)	-	(43,089)
Acquisition of Property, Plants and Equipment 6(30)	(1,883,332)	(2,029,071)
Disposal of Property, Plants and Equipment	79,905	618
Acquisition of Intangible Assets	(13,089)	(3,653)
Decrease (Increase) in Refundable Deposits	2,680	(4,323)
Net Cash Outflow from Investing Activities	(1,938,583)	(2,339,435)
<u>Cash Flows from Financing Activities</u>		
Increase of Short Term Loan 6(31)	8,552,978	3,709,278
Redemption of Short Term Loan 6(31)	(6,515,430)	(2,215,498)
Increase of Long Term Loan 6(31)	1,936,952	1,342,000
Redemption of Long Term Loan 6(31)	(954,679)	(61,533)
Issue of convertible bonds 6(31)	2,297,099	-
Distribution of cash dividends	(323,449)	(215,633)
Treasury stocks transfer to employees	722,059	307,591
Treasury stock buyback cost	(828,884)	(306,920)
Redemption of Lease Principal 6(31)	(63,982)	(60,382)
Increase in Guarantee Deposits Received 6(31)	1,779	3,585
Cash increase of non-controlling equity in Subsidiaries	32,329	-
Transfer of unclaimed dividends as Additional Paid-in Capital	-	3,566
Payment of overdue unclaimed dividends	(9)	-

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



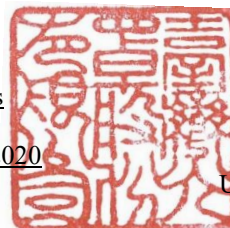
Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Consolidated Statements of Cash Flow
For the Years Ended December 31, 2021 and 2020



Unit: NT\$Thousand

Notes	January 1 to December 31, 2021	(After adjustments) For the Year Ended December 31, 2020
Net Cash In-Flow (Out-Flow) from		
Funding Activities	4,856,763	2,506,054
Adjustments of Exchange Rate	(6,812)	(6,534)
Increase (Decrease) of Cash and Cash Equivalents	1,645,161	90,141
Beginning Balance of Cash and Cash Equivalents	1,036,658	946,517
Ending Balance of Cash and Cash Equivalents	\$ 2,681,819	\$ 1,036,658

The accompanying notes are an integral part of the consolidated financial statements and should be read in conjunction.

Chairperson: Sean Chen



Managerial Officer: Lidon Chen



Accounting Officer: Eve Yang



Taiwan Mask Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
2021 and 2020

Unit: NT\$Thousand
(Unless otherwise specified)

(I) Company history

Taiwan Mask Corporation (hereinafter referred to as the “Company”) was established on October 21, 1988, and started its operations in March 1989. The Company was approved by the shareholders meeting on June 12, 2000 to acquire Shin-Tai Technology Co., Ltd., on the merger record date of December 1, 2000, with the Company being the surviving entity. The Company and its subsidiary (collectively referred to as the “Group”) mainly engage in the research, development, manufacturing and sales of photomask and integrated circuits, providing technical assistance, consultation, inspection and repair of the abovementioned products, and manufacturing and buying and selling of medical equipment.

(II) Date and procedures for passing the financial report

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 4, 2022.

(III) Application of New and Revised International Financial Reporting Standards

1. The impact from adopting the newly released and revised International Financial Reporting Standards recognized by the Financial Supervisory Commission (FSC).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2021:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IFRS 4, “Extension to Temporary Exemption from Application of IFRS 9”	January 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and Phase II amendment to interest rate benchmark reform of IFRS 16.	January 1, 2021
Amendment to IFRS 16 for “Rent Concessions in the Coronavirus Pandemic after June 30, 2021”	April 1, 2021 (Note)

Note: The FSC allows the application in advance starting January 1, 2021.

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

2. Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2022:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 3 amendment, “Reference to Conceptual Framework”	January 1, 2022
Amendment to IAS 16 - “Property, Plant and Equipment: Proceeds before Intended Use”.	January 1, 2022
Amendment to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022
Annual improvements to 2018 - 2020 cycle	January 1, 2022

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

3. IFRSs issued by the IASB but not yet recognized by the FSC.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 10 and IAS 28 amendments, Sale or contribution of assets between an investor and its associate or joint venture	To be determined by the IASB
IFRS 17 - Insurance contracts	January 1, 2023
Amendment to IFRS 17 - Insurance contracts	January 1, 2023
Amendments to IFRS 17 “First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2023
Amendment to IAS 1 - “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 - “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12, “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

The Group believes that the adoption of aforementioned IFRSs will not have a significant effect on the financial position and performance.

(IV) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1. Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

2. Basis of Preparation

- (1) Except for the following items, these consolidated financial statements have been prepared under the historical cost convention.
 - a Financial assets and financial liabilities at fair value through profit or loss (including derivatives).
 - b Financial assets at fair value through other comprehensive income
 - c Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (2) The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V.

3. Basis of consolidation

- (1) The basis for preparation of consolidated financial statements
 - a All subsidiaries are included in the Corporate Group's consolidated financial statements. Subsidiaries are all entities controlled by the Corporate Group. The Corporate Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - b Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Corporate Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Corporate Group.
 - c The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.
 - d Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.
 - e When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed

of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(2) Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Ownership (%)		Explanation
			December 31, 2021	December 31, 2020	
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Name of Investor	100	100	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Name of Investor	100	100	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Taiwan Mask Corporation	Weida Hi-Tech Company	Display panel control chip and other module's research, design, development, manufacturing and sales			Note 1
Taiwan Mask Corporation	Innova Vision INC.	Manufacturing, retail, wholesale and international trade of medical equipment	91.53	13.00	Note 2
Youe Chung Capital Corporation	Innova Vision INC.	Manufacturing, retail, wholesale and international trade of medical equipment	0.23	3.21	Note 2
Youe Chung Capital Corporation	Aptos Technology INC.	Design, packaging and testing of NAND flash memory, solid state drives and the related products	38.16	38.16	
Youe Chung Capital Corporation	Xsense Technology Corporation	Precious metal coating	41.43		
Youe Chung Capital Corporation	DIGITAL-CAN TECH. CO., LTD.	3D Printing and Plastic Mold Design	57.39	-	Note 3
Aptos Technology INC.	ADL ENGINEERING INC.	Electronics components	100	52.19	
APTOS TECHNOLOGY INC.	New Sunrise Limited	Name of Investor	100	100	
Adl Engineering INC.	Aptos Global Holding Corp.	Name of Investor	100	100	
Aptos Global Holding Corp.	Aptos Technology Co., Limited	Name of Investor	100	100	
Miracle Technology Co., LTD.	Jingjing Investment Co., Ltd.	Name of Investor	100	100	
Miracle	Miracle	Name of Investor		100	Note 3

Technology Co., LTD.	Technology (Samoa) Co., Ltd.			
Jingjing Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100

Name of Investor	Name of Subsidiary	Main Business Activity	Ownership (%)		Explanation
			December 31, 2021	December 31, 2020	
Jingjing Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Miracle Technology (Samoa) Co., Ltd.	Misun Technology Co., Ltd.	Name of Investor		100	Note 3
Misun Technology Co., Ltd.	Miracle International Enterprise(Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design		100	Note 3
Miracle Technology Co., LTD.	Miracle International Enterprise(Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100		Note 3
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	79.17	64.29	Note 4
Miracle International Enterprise(Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	20.83	35.71	Note 4
Innova Vision INC.	Innova Technology	Medical equipment retail and wholesale	100	100	Note 2
Innova Vision INC.	Innova Vision (B.V.I.) Inc.	Name of Investor	100	100	Note 2
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Medical equipment retail and wholesale	52.03	9.23	Note 2
Innova Vision INC.	Calaview International Holding Company Limited	Name of Investor		100	Note 2 and Note 6
Innova Vision (B.V.I.)	Innova Vision Kabushiki Kaisha	Medical equipment retail and wholesale	47.97	90.77	Note 2

Note 1: Weida Hi-Tech Company issued new stocks for cash capital increase separately on April 10, 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which caused the shareholding to drop to 36.70%. Weida Hi-Tech Company then held an extraordinary general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one seat of director and lost the control of the Weida. Therefore, the Group has stopped including Weida Hi-Tech and its subsidiaries in the consolidated financial statements since June 2, 2020. For cash flow information related to its subsidiaries, please refer to Note 6 (30) for supplementary cash flow information.

Note 2: On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital Corporation won all the director seats, obtaining substantial control of this firm. Therefore, it is included in consolidated financial statements as a consolidated entity from that date. In the first quarter of 2021, the Company invested \$367,671 in a cash capital increase in Innova Vision INC. and its consolidated shareholding increased to 91.76%.

Note 3: The Company's Miracle Technology CO., LTD., changed its organizational structure and directly owned Miracle International Enterprise(Shanghai) Co., Ltd. on March 3, 2021.

Note 4: Miko-China Enterprise (Shanghai) Co., Ltd. increased its investment in Sichuan Miracle Power Technology Co., Ltd. in March 2021 and the shareholding ratio increased to 79.17%; the shareholding of Miracle International Enterprise(Shanghai) Co., Ltd. decreased to 20.83%

Note 5: In August 2021, the Company's subsidiary, i-Youe Chung Capital Corporation, increased its investment in DIGITAL-CAN TECH. CO., LTD. to 57.39%.

Note 6: Calaview International Holding Company Limited was liquidated on April 30, 2021.

3. Subsidiaries not included in the consolidated financial report: None.
4. Adjustments for subsidiaries with different balance sheet dates: None.
5. Significant restrictions: None.
6. Subsidiaries that have non-controlling interests that are material to the Corporate Group: None.

The total non-controlling interests of the Group as of December 31, 2021 and 2020 were (\$230,348) and (\$90,165) The following information shows subsidiaries that have non-controlling interests that are material to the Corporate Group:

Name of Subsidiary	Main location of business	Non-controlling Interests				Explanation
		December 31, 2021		December 31, 2020		
		Amount	Ownership in %	Amount	Ownership in %	
Aptos Technology and its subsidiaries	Taiwan	(\$ 245,715)	61.84%	(\$ 63,630)	61.84%	

Aggregate financial information of subsidiaries:

Balance Sheet

	Aptos Technology and its subsidiaries	
	December 31, 2021	December 31, 2020
Current assets	\$ 391,993	\$ 227,618
Non-Current Assets	560,687	462,810
Current liabilities	(1,159,778)	(657,891)
Non-current liabilities	(190,261)	(156,705)
Total net assets	<u>(\$ 397,359)</u>	<u>(\$ 124,168)</u>

Statement of Comprehensive Income

	Aptos Technology and its subsidiaries	
	2021	2020
Revenue	\$ 609,209	\$ 377,749
Net loss before taxes	(245,370)	(254,537)
Income Tax Expense	-	-
Net loss of current period from continuing operations	(245,370)	(254,537)
Net loss	(245,370)	(254,537)
Other comprehensive income (net after tax)	-	-
Total comprehensive income for the year	<u>(\$ 245,370)</u>	<u>(\$ 254,537)</u>
Total comprehensive income attributable to non-controlling interests	<u>(\$ 1,603)</u>	<u>(\$ 2,264)</u>

Statements of Cash Flows

	Aptos Technology and its subsidiaries	
	2021	2020
Net cash outflow from operating activities	(\$ 146,589)	(\$ 223,764)
Net Cash Outflow from Investing Activities	(94,225)	(28,581)
Net Cash In-Flow (Out-Flow) from Funding Activities	235,769	203,936
Increase (Decrease) in Cash and Cash Equivalents	(5,045)	(48,409)
Beginning Balance of Cash and Cash Equivalents	39,193	87,602
Ending Balance of Cash and Cash Equivalents	<u>\$ 34,148</u>	<u>\$ 39,193</u>

4. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

1. Foreign currency transactions and balances

(1) Foreign currency transactions are translated into the functional currency using spot

exchange rate at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

- (2) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated using spot exchange rate at the balance sheet date. Exchange differences arising from re-translation at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated using spot exchange rate at the balance sheet date. Their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated using spot exchange at the balance sheet date. Their translation differences are recognized in other comprehensive income. For those which are not measured at fair value, they measured by the historical exchange rate of the initial transaction date.
- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

2. Translation of foreign operations

- (1) The operating results and financial position of all corporate group entities and affiliates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
 - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
 - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is re-attributed to the foreign operation's non-controlling interests on a pro rata basis. However, even if the Group retains part of its equity in the former subsidiary, but has lost control of the subsidiary of the foreign operation, it will be treated with as a disposal of the entire equity of the foreign operation
- (3) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

5. Classification of current and non-current items

1. Assets that meet one of the following criteria are classified as current assets:

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Assets that are expected to be realized within twelve months from the balance sheet date.
- (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Those that do not meet the above criteria are considered non-current.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

Those that do not meet the above criteria are considered non-current.

6. Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost, or are measured at fair value through other comprehensive gain or loss.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Group measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

7. Financial assets at fair value through other comprehensive profit and loss

1. Refers to an irrevocable election at the time of initial recognition to report the fair value changes of equity investments that are not held for trading in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. The Corporate Group measures financial assets at fair value plus transaction costs at the initial recognition. The financial assets are subsequently measured at fair value. The fair value changes of equity investments are recognized in other comprehensive income. At the time derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not subsequently reclassified to profit or loss, and shall be transferred to retained earnings. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

8. Financial assets measured at amortized cost

1. Refer to those that meet the following criteria at the same time:
 - (1) The objective of the business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows solely represent payments of principal and interest.
2. The Corporate Group holds time deposits that are not considered cash equivalents. Due to the short holding period, the impact of discounting is insignificant and is measured by the amount of investment.

9. Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

10. Impairment Loss of Financial Assets

Regarding debt instruments measured at FVTOCI, financial assets measured at amortized cost, accounts receivable or contract assets and lease receivables that contain significant financing components, the Group, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measure the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for contract assets or trade receivables that do not constitute a financing transaction.

11. De-recognition of financial assets

A financial asset is derecognized when the Group's rights to receive cash flows from the financial assets have expired.

12. Lessor's lease transaction -- Operating lease

Lease income from operating leases, less any incentives given to the lessee, is amortized in current profit or loss on a straight-line basis over the lease term.

13. Inventories

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The cost of finished goods and work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (amortized according to normal production capacity), but excludes borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

14. Investments accounted for using equity method -- Associates

1. Associates refer to entities over which the Corporate Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Corporate Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
2. The Corporate Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Corporate Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
3. If an associate has changes in equity not from profit or loss or other comprehensive income,

and such changes do not affect the Corporate Group's shareholding in the associate, the Group will recognize all changes in equity attributable to the Group's share of the associate as "capital surplus" according to the shareholding percentage.

4. Unrealized gains on transactions between the Corporate Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Corporate Group.
5. In the event that an associate issues new shares and the Corporate Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method". If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.

15. Property, plant and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporate Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures years	3 years to 56
Machinery and equipment years	2 years to 14
Office equipment years	3 years to 6
Transportation equipment years	3 years to 6

Leasehold improvements	2 years to 10 years
Mold equipment	2 years
Other equipment	3 years to 5 years

16. Leasing agreements (lessee) - Right-of-use assets/lease liabilities

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.

2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.

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

3. At the commencement date, the right-of-use asset is recognized at cost which includes:

- (1) The amount of initial measurement of lease liability.
- (2) Any lease payments made at or before the commencement date.
- (3) Any original direct costs incurred.
- (4) The estimated cost of dismantling, removing the underlying asset and restoring its location, or restoring the underlying asset to the condition required in the lease terms and conditions.

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

17. Real estate investment

Investment properties are initially measured at cost, and may be subsequently measured using a cost model. Except for land, the service life is recognized on a straight-line basis of depreciation and is about 45 years.

18. Intangible assets

1. Trademark and concession

Trademarks and concession obtained separately are recognized at the cost of acquisition, and trademarks and concessions obtained as a result of a business combination are recognized at fair value on the acquisition date. Trademarks and concessions are assets with a limited useful life and are amortized based on the estimated useful life of 10 to 15 years based on the straight-line method.

2. Computer software

Computer software is recognized at the cost of acquisition, and amortized based on the

estimated useful life of 3 years based on the straight-line method.

3. Goodwill

Goodwill is measured in a business combination using the acquisition method.

19. Impairment of non-financial assets

1. The Corporate Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
2. Goodwill, intangible assets with indefinite useful life and intangible assets not yet available for use are regularly estimated for their recoverable amounts. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

20. Borrowings

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

21. Accounts and notes receivable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

22. Convertible bonds payable

The convertible bonds payable issued by the Group are embedded with conversion options (i.e., the holder's right to choose to convert to the Group's common stock for a fixed amount of shares), put options and call options. The issuance price is classified as financial assets, financial liabilities or equity at the time of initial issuance according to the terms of issuance, which is treated as follows:

1. Embedded put options and call options: “Financial assets or liabilities at fair value through profit or loss” are recorded at their net fair value on initial recognition; subsequently, “Gain or loss on financial assets (liabilities) at fair value through profit or loss” is recognized on the balance sheet date, with the difference valued at current fair value.
2. Master contract of corporate bonds: The difference between the fair value of the corporate bonds and the redemption value is recognized as a premium or discount on the corporate bonds payable at the time of original recognition; subsequently, it is recognized in profit or loss as an adjustment to “finance costs” using the effective interest method under the amortization procedure over the circulation period.
3. Embedded conversion options (which meet the definition of equity): On initial recognition, the remaining value of the issue amount, net of the above “financial assets or liabilities at fair value through profit or loss” and “corporate bonds payable”, is recorded as “capital surplus - stock options” and is not subsequently remeasured.
4. Any directly attributable transaction costs of the issuance are allocated to each component of liabilities and equity in proportion to the original carrying amount of each component mentioned above.
5. Upon conversion, the components of liabilities (including “corporate bonds payable” and “financial assets or liabilities at fair value through profit or loss”) are subsequently measured according to their respective classifications, and the carrying amount of the aforementioned components of liabilities is added to the carrying amount of “capital surplus - stock options” as the issuance cost of common stock exchanged.

23. Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pension

(1) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(2) Defined benefit plans

A. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using the current interest rates of government bonds (at the balance sheet date) consistent with the currency and period of the defined-benefit plan instead.

B. Re-measurements arising on defined-benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. The related expenses of the past service cost are immediately recognized as profit and loss.

3. Termination benefits

Refer to when companies decide to terminate the employees before the normal retirement date, or when employees decide to accept the benefits in exchange for the termination. The Group recognizes expenses when it is no longer able to withdraw the offer of termination benefits or when the relevant restructuring costs are recognized, whichever is earlier. Liabilities that are not expected to be paid off within twelve months from the balance sheet date should be discounted.

4. Remuneration for employees and directors and supervisors

Employees' bonuses and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

24. Share-based payment to employees

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

25. Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the

transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities. They are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

26. Capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
2. When the Company buys back the issued shares, the consideration paid, including any directly attributable incremental costs, is recognized as a deduction of shareholders' equity with the net amount after tax. When the purchased shares are subsequently reissued, the difference between the consideration received and the book value after deducting any directly attributable incremental costs and the impact of income tax is recognized as an adjustment to shareholders' equity.

27. Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as dividends to be distributed and transferred to be common stocks and share premium on the record date of issuance of new shares.

28. Recognized revenue

1. Product sales

- (1) The Group manufactures and sells photomasks and integrated circuit products, medical equipment products, etc. The sales revenue is recognized when the control of the product is transferred to the customer. That is, once products are delivered to customers, the customers have discretion on the channel and price of product sales, and the Corporate Group has no outstanding performance obligations that may affect customers' acceptance of the products. The delivery of products occurs when products are shipped to a designated location and the risk of obsolescence and loss has been transferred to customers, and the customers accept the products

in accordance with the sales contract or have objective evidence that all criteria have been met.

- (2) The time interval between the transfer products or services promised to customers and the customers' payment has not exceeded one year, so the Corporate Group has not adjusted the transaction price to reflect the time value of money.
- (3) Accounts receivable are recognized when goods are delivered to customers. The Corporate Group has unconditional rights to the contract price, and will be able to collect the amount from the customers after the time has passed.

2. Sales of services

The Group mainly provides integrated circuit packaging services. The actual services provided and fees will vary according to different customers. Prices are negotiated separately before providing services, and are based on the prevailing market price. The performance obligations identified based on customer contracts are mainly for packaging services, and revenue is recognized by measuring the degree of completion of performance obligations during the period of service provision.

With the packaging service provided, the customer simultaneously receives and consumes the performance benefits, and the customer has control over the asset when the asset is created or enhanced. The related revenue is recognized by measuring the degree of completion of the performance obligation during the service period. The packaging service is based on the input of the technical staff on the basis of the service, and the progress of completion is measured based on the percentage of the incurred cost to the estimated total cost. After the agreed service or shipment is fulfilled for the contract agreement, a bill is issued, so the contract assets are recognized when the service provided, and transferred to account receivables when the customer agrees to the Group to issue the bill.

29. Government subsidies

Government subsidies are recognized at fair value once it is reasonably convinced that the Company complies with the conditions for subsidies and will be receiving the subsidies. If the nature of the government subsidies is to compensate the expenses incurred by the Group, the government subsidies are recognized as current gains and losses on a systematic basis during the period in which the related expenses are incurred.

30. Business combination

1. The Corporate Group adopts the acquisition method for business combination. The combination consideration is calculated based on the fair value of transferred assets, liabilities incurred or assumed, and equity instruments issued. The transferred consideration includes the fair value of any assets and liabilities arising from contingent consideration agreed. The acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired and the liabilities assumed in a business combination are measured at the fair value on the acquisition date. The Group uses individual acquisition transactions as the basis. If the non-controlling interest is part of the current ownership interest and the holder has the right to a proportional share of the company's net assets at the time of liquidation, it is measured at a fair value on the acquisition date or based on the proportion of identifiable assets of acquiree. Other components of non-controlling interests are measured at fair value of the acquisition date.
2. If the total fair value of transfer of consideration, non-controlling interests of acquiree and

the interest of acquiree that has been held previously exceeds the fair value of identifiable assets and the assumed liabilities, it is recognized as goodwill on the acquisition date. If the identifiable assets acquired and the assumed liabilities exceed the transfer of consideration, the difference between the non-controlling interests of acquiree and the total fair value of acquiree's interests previously held is recognized as the current profit or loss.

31. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the president that makes strategic decisions.

(V) Significant Accounting Judgments and Estimations, and Main Sources of Assumption Uncertainties

The preparation of these consolidated financial statements requires the management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Please see the following explanation of critical accounting judgments and key sources of estimation and uncertainty:

1. Important judgments adopted by the accounting policies

Not applicable.

2. Critical accounting estimates and assumptions

Evaluation of Inventories

The Group is primarily engaged in mask and integrated circuit services in the semiconductor industry. Due to rapid technological innovations, short life-cycle and competition within the mask industry, the risk of price fluctuations, Loss on decline in value of inventories and obsolescence is higher than that of other industries. The Group measures inventory based on the lower of cost and net realizable value. For inventories that are older than a certain period of age or are outdated and obsolete, the Group must use judgment and estimation to determine the net realizable value of the inventory on the balance sheet date. The valuation of inventory may undergo major changes.

As of December 31, 2021, the book value of the Corporate Group's inventory was NT\$432,015.

(VI) Statements of main accounting items

1. Cash

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 295	\$ 309
Checking accounts and demand deposits	1,637,066	905,755
Time deposits	1,044,458	130,594
Total	<u>\$ 2,681,819</u>	<u>\$ 1,036,658</u>

1. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

5. The Group has no cash and cash and cash equivalents pledged to others.

2. Financial assets at fair value through profit and loss

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Mandatory financial assets at fair value through profit or loss		
Shares of listed and OTC company	\$ 2,464,617	\$ -
Convertible bond call/put options	5,000	-
Beneficiary certificates	500	500
	<u>2,470,117</u>	<u>500</u>
Valuation adjustment	1,133,803	-
	<u>\$ 3,603,920</u>	<u>\$ 500</u>
Non-current items:		
Mandatory financial assets at fair value through profit or loss		
Shares of listed and OTC company	\$ 1,155,128	\$ 1,302,315
Not listed, OTC or emerging stock board stocks	124,287	102,023
Private equity	10,000	10,000
	<u>1,289,415</u>	<u>1,414,338</u>
Valuation adjustment	144,337	720,575
	<u>\$ 1,433,752</u>	<u>\$ 2,134,913</u>

1. Financial assets at fair value through profit or loss are detailed as follows:

	<u>2021</u>	<u>2020</u>
Mandatory financial assets at fair value through profit or loss		
Shares of listed and OTC company	\$ 839,470	\$ 542,937
Not listed, OTC or emerging stock board stocks	(4,147)	(92,831)
	<u>\$ 835,323</u>	<u>\$ 450,106</u>

2. Please see Note VIII on how the Group provides financial assets at fair value through profit or loss as a pledged collateral.

3. Please see Note 12 (2) and (3) for the price risk and fair value information related to financial assets at fair value through profit or loss.

3. Financial assets measured at amortized cost

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Demand Deposit	\$ 15,338	\$ 11,111
Time deposits	23,000	23,101
	<u>\$ 38,338</u>	<u>\$ 34,212</u>
Non-current items:		
Time deposits	\$ 39,925	\$ 40,922

1. Financial assets at amortized cost is recognized in the profit or loss shown as follows:

	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 147</u>	<u>\$ 157</u>

2. While not considering the collaterals or other credit enhancements, the financial assets at amortized cost held by the Group had the maximum exposure of credit risk at \$78,263 and \$75,134 as of December 31, 2021 and 2020, respectively.

3. Please see Note VIII on how the Group provides financial assets at amortized cost as a pledged collateral.

4. Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes Receivables	\$ 63	\$ 879
Accounts Receivables	\$ 1,273,787	\$ 906,011
Accounts Receivables – Related Parties	16,812	6,599
	1,290,599	912,610
Less: Loss allowance	(10,039)	(11,399)
	<u>\$ 1,280,560</u>	<u>\$ 901,211</u>

1. Aging of accounts receivable notes receivable is as follows:

	December 31, 2021		December 31, 2020	
	Accounts Receivables	Notes Receivables	Accounts Receivables	Notes Receivables
Not past due	\$ 1,060,909	\$ 63	\$ 723,020	\$ 879
Within 30 days	188,933	-	149,311	-
31-90 days	29,361	-	32,507	-
91-180 days	1,891	-	2,169	-
More than 181 days past due	9,505	-	5,603	-
	<u>\$ 1,290,599</u>	<u>\$ 63</u>	<u>\$ 912,610</u>	<u>\$ 879</u>

The above is an aging report based on the number of days past due.

- As of December 31, 2021 and 2020, accounts receivable and notes receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2020 was NT\$731,104
- While not considering the collaterals or other credit enhancements, the accounts receivable held by the Group had the maximum exposure of credit risk at \$1,280,560 and \$901,211, respectively, as of December 31, 2021 and 2020.
- Please refer to Note 12 (2) for the information on credit risk of accounts receivable.

5. Inventories

	December 31, 2021		
	Cost	(Gain from reversal of) loss allowance on decline in market value of inventories	Book value
Raw materials	\$ 335,807	(\$ 61,865)	\$ 273,942
Work in process	69,890	(9,068)	60,822
Finished goods	84,747	(18,889)	65,858
Merchandise	32,526	(1,133)	31,393
Total	<u>\$ 522,970</u>	<u>(\$ 90,955)</u>	<u>\$ 432,015</u>

	December 31, 2020		
	Cost	(Gain from reversal of) loss allowance on decline in market value of inventories	Book value
Raw materials	\$ 236,557	(\$ 57,847)	\$ 178,710
Work in process	14,425	(7,257)	7,168
Finished goods	20,288	(17,653)	2,635
Merchandise	8,082	(515)	7,567
Total	<u>\$ 279,352</u>	<u>(\$ 83,272)</u>	<u>\$ 196,080</u>

The cost of inventories recognized as losses by the Corporate Group.

	2021	2020
Cost of goods sold	\$ 4,660,299	\$ 3,704,961
Loss on falling prices of inventory and inventory obsolescence	7,683	2,635
Loss on scrapping of inventory	-	16,074
	<u>\$ 4,667,982</u>	<u>\$ 3,723,670</u>

6. Investment under Equity Method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Affiliates:		
Advagene Biopharma Co., Ltd.	\$ 76,809	\$ 88,915
Xsense Technology Corporation	-	186,821
Weida Hi-Tech Company	87,898	85,425
	<u>\$ 164,707</u>	<u>\$ 361,161</u>

The book value and the share of operating results of each of the Group's insignificant affiliates are summarized as follows:

	<u>2021</u>	<u>2020</u>
Net loss of current period from continuing operations	(\$ 80,385)	(\$ 105,006)
Other comprehensive income (net after tax)	-	-
Total comprehensive income for the year	<u>(\$ 80,385)</u>	<u>(\$ 105,006)</u>

1. As of December 31, 2021, the Group held 30.76% and 28.20% of the shares of Advagene Biopharma Co., Ltd. and Weida Hi-Tech Company, respectively, and was the single largest shareholder of the companies. However, the Group did not hold a majority of the Board of Directors' seats and therefore did not actually participate in the business decisions and operating policies, including strategic decisions (such as financing, acquisitions, personnel and dividend policies) of Advagene Biopharma and Weida Hi-Tech. The Group's shareholding alone does not reach the statutory attendance percentage of shareholders meetings, indicating that the Group has no actual ability to direct relevant activities. Therefore it is judged that the Group has no control over the companies, and only has a significant influence on them.
2. As of December 31, 2020, the Group held 29.71%、35.38%及 36.70% of the shares of Advagene Biopharma, Xsense Technology Corporation and Weida Hi-Tech, and was the single largest shareholder. However, the Group did not hold a majority of the Board of Directors' seats and did not actually participate in the business decisions and operating policies, including strategic decisions (such as financing, acquisitions, personnel and dividend policies) of Advagene Biopharma, Xsense Technology (BVI) and Weida Hi-Tech. The Group's shareholding alone does not reach the statutory attendance percentage of shareholders meetings, indicating that the Group has no actual ability to direct relevant activities. Therefore it is judged that the Group has no control over the companies, and only has a significant influence on them.

7. Property, plant and equipment

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportati on equipment	Mold equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2021								
Cost	\$ 1,841,566	\$ 2,931,096	\$ 28,540	\$ 3,675	\$ 10,391	\$ 39,856	\$ 135,172	\$ 4,990,296
Accumulated depreciation	(566,920)	(1,273,724)	(15,004)	(2,620)	(6,390)	(17,539)	-	(1,882,197)
	<u>\$ 1,274,646</u>	<u>\$ 1,657,372</u>	<u>\$ 13,536</u>	<u>\$ 1,055</u>	<u>\$ 4,001</u>	<u>\$ 22,317</u>	<u>\$ 135,172</u>	<u>\$ 3,108,099</u>
<u>2021</u>								
January 1	\$ 1,274,646	\$ 1,657,372	\$ 13,536	\$ 1,055	\$ 4,001	\$ 22,317	\$ 135,172	\$ 3,108,099
Add - Cost	288,981	620,121	14,755	2,876	17,408	74,318	231,389	1,249,848
Disposals - Cost	-	(63,065)	(2,638)	-	(9,015)	(68,218)	-	(142,936)
Disposal - Accumulated depreciation	-	18,195	1,986	-	4,915	36,008	-	61,104
Depreciation	(88,496)	(307,938)	(8,256)	(831)	(4,997)	(23,973)	-	(434,491)
Consolidated entities change and reclassification	273,713	-	-	-	-	-	-	273,713
Reclassification - Cost	(66,247)	57,266	-	-	-	-	(120,545)	(129,526)
Reclassification - Accumulated depreciation	1,056	-	-	-	-	-	-	1,056
Consolidated transfer in	-	103,815	6,448	-	-	45,092	-	155,355
Net exchange differences - Cost	-	11	(12)	(7)	-	-	-	(8)
Net exchange differences - Accumulated depreciation	-	-	3	7	-	-	-	10

December 31	<u>\$ 1,683,653</u>	<u>\$ 2,085,777</u>	<u>\$ 25,822</u>	<u>\$ 3,100</u>	<u>\$ 12,312</u>	<u>\$ 85,544</u>	<u>\$ 246,016</u>	<u>\$ 4,142,224</u>
December 31, 2021								
Cost	\$ 2,338,013	\$ 3,649,244	\$ 47,093	\$ 6,544	\$ 18,784	\$ 91,048	\$ 246,016	\$ 6,396,742
Accumulated depreciation	(<u>654,360</u>)	(<u>1,563,467</u>)	(<u>21,271</u>)	(<u>3,444</u>)	(<u>6,472</u>)	(<u>5,504</u>)	-	(<u>2,254,518</u>)
	<u>\$ 1,683,653</u>	<u>\$ 2,085,777</u>	<u>\$ 25,822</u>	<u>\$ 3,100</u>	<u>\$ 12,312</u>	<u>\$ 85,544</u>	<u>\$ 246,016</u>	<u>\$ 4,142,224</u>

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportatio n equipment	Mold equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2020								
Cost	\$ 1,013,344	\$ 1,767,700	\$ 21,509	\$ 3,090	\$ 5,700	\$ 52,091	\$ 253,644	\$ 3,117,078
Accumulated depreciation	(529,905)	(1,004,444)	(11,377)	(2,194)	(2,960)	(19,279)	-	(1,570,159)
	<u>\$ 483,439</u>	<u>\$ 763,256</u>	<u>\$ 10,132</u>	<u>\$ 896</u>	<u>\$ 2,740</u>	<u>\$ 32,812</u>	<u>\$ 253,644</u>	<u>\$ 1,546,919</u>
<u>2020</u>								
January 1	\$ 483,439	\$ 763,256	\$ 10,132	\$ 896	\$ 2,740	\$ 32,812	\$ 253,644	\$ 1,546,919
Add - Cost	1,086,372	928,787	8,901	570	4,294	7,524	123,585	2,160,033
Disposals - Cost	-	(89)	(661)	-	-	(8,952)	-	(9,702)
Disposal - Accumulated depreciation	-	27	661	-	-	8,397	-	9,085
Depreciation	(37,015)	(269,307)	(4,929)	(412)	(3,430)	(13,731)	-	(328,824)
Reclassification - Cost	(262,122)	229,016	-	-	-	-	(242,057)	(275,163)
Consolidated transfer in	3,972	5,682	-	-	397	2,353	-	12,404
Consolidated entities decrease Transfer out - cost	-	-	(1,215)	-	-	(13,160)	-	(14,375)
Consolidated entities decrease Transfer out - accumulated depreciation	-	-	645	-	-	7,074	-	7,719
Net exchange differences - Cost	-	-	6	15	-	-	-	21
Net exchange differences - Accumulated depreciation	-	-	(4)	(14)	-	-	-	()
December 31	<u>\$ 1,274,646</u>	<u>\$ 1,657,372</u>	<u>\$ 13,536</u>	<u>\$ 1,055</u>	<u>\$ 4,001</u>	<u>\$ 22,317</u>	<u>\$ 135,172</u>	<u>\$ 3,108,099</u>

December 31, 2020								
Cost	\$ 1,841,566	\$ 2,931,096	\$ 28,540	\$ 3,675	\$ 10,391	\$ 39,856	\$ 135,172	\$ 4,990,296
Accumulated depreciation	(566,920)	(1,273,724)	(15,004)	(2,620)	(6,390)	(17,539)	-	(1,882,197)
	<u>\$ 1,274,646</u>	<u>\$ 1,657,372</u>	<u>\$ 13,536</u>	<u>\$ 1,055</u>	<u>\$ 4,001</u>	<u>\$ 22,317</u>	<u>\$ 135,172</u>	<u>\$ 3,108,099</u>

1. The capitalized borrowing costs for property, plant and equipment and their interest rates are as follows:

	2021	2020
Capitalized amount	\$ -	\$ 2,364
Range of capitalized interest	-	1.797%

2. The major components of the Group's houses and buildings include land, buildings and factory renovation projects. Except for land, they are depreciated for 3 to 56 years.

3. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.

4. The abovementioned property, plant and equipment of the Group are for self-use.

8. Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings, machine equipment and company vehicles. Leasing contracts are typically made for periods of 3 to 20 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collaterals.

2. The lease periods of other equipment leased by the Group did not exceed 12 months and the leased underlying assets were other equipment of low value.

3. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2021	December 31, 2020
	Book value	Book value
Land	\$ 536,478	\$ 390,879
Buildings and structures	70,758	107,547
Machinery and equipment	-	6,060
Transportation equipment (company vehicles)	18,683	3,981
Other equipment	26,733	-
	<u>\$ 652,652</u>	<u>\$ 508,467</u>
	2021	2020
	Depreciation	Depreciation
Land	\$ 18,545	\$ 12,341
Buildings and structures	12,894	33,598
Machinery and equipment	6,060	-
Transportation equipment (company vehicles)	6,470	4,118
	<u>\$ 43,969</u>	<u>\$ 50,057</u>

4. The increase in the right-of-use assets was \$188,920 and \$135,138 for 2021 and 2020, respectively.

5. The information on profit or loss items related to lease contracts is as follows:

	2021	2020
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 5,784	\$ 4,913
Expenses for short-term lease contracts	3,491	7,088
Lease of low-value assets	266	220

6. The Group's total cash outflow on leases for 2021 and 2020 was \$73,523 and \$72,603, respectively.

7. Options to extend or terminate leases

In determining lease terms, the Corporate Group takes into consideration all facts and circumstances that create economic incentives to exercise an option to extend or terminate leases. The assessment of lease period is reviewed if a significant event occurs which affects the assessment of options to extend or options not to terminate.

9. Leasing arrangements - lessor

1. The Corporate Group leases out assets such buildings. The lease contracts are typically made for periods of 1 to 2 years. The terms of lease contracts are negotiated separately and include various terms and conditions. In order to preserve the condition of leased assets, the Group usually requires lessees not to pledge the underlying leased assets.

2. The Group recognized rental income of \$29,933 and \$17,485 based on operating lease contracts in 2021 and 2020, respectively, and none of the lease contracts were variable lease payments.

3. The maturity analysis of the undiscounted lease payments under the operating leases is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
2021	-	46,446
2022	13,613	32,833
2023	2,043	24,900
	<u>\$ 15,656</u>	<u>\$ 104,179</u>

10. Real estate investment

	<u>Buildings and structures</u>
January 1, 2021	
Cost	\$ 319,557
Accumulated depreciation	(6,458)
	<u>\$ 313,099</u>
<u>2021</u>	
January 1	\$ 313,099
Business merger and transfer out	(273,713)
Reclassification - Cost	129,526
Reclassification - Accumulated depreciation	(1,056)
Depreciation	(4,814)
December 31	<u>\$ 163,042</u>
December 31, 2021	
Cost	\$ 175,370
Accumulated depreciation	(12,328)
	<u>\$ 163,042</u>

	<u>Buildings and structures</u>
January 1, 2020	
Cost	\$ 44,007
Accumulated depreciation	(5,320)
	<u>\$ 38,687</u>
<u>2020</u>	
January 1	\$ 38,687
Reclassification - Cost	275,550
Reclassification - Accumulated depreciation	(459)
Depreciation	(679)
December 31	<u>\$ 313,099</u>
December 31, 2020	
Cost	\$ 319,557
Accumulated depreciation	(6,458)
	<u>\$ 313,099</u>

1. Rental income and direct operating expenses of investment real estate:

	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 16,268	\$ 2,229
Direct operating expenses incurred by investment properties that generate rent income in the period	\$ 5,311	\$ 758

2. The fair value of the investment property held by the Group as of December 31, 2021 and 2020 were \$168,813 and \$314,845, respectively. They were valued using the income method and were of Level 3 fair value, and the major assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	4.49%	5.03%
Annual rent (net income)	\$ 16,286	\$ 31,778
Number of years	2~20	2~20

3. No capitalization of interest for investment property in 2021 and 2020.

4. As of December 31, 2021 and 2020, the investment properties had been used as collaterals.

11. Short Term Loans

Type of borrowings	<u>December 31, 2021</u>	<u>Range of interest rate</u>	<u>Collateral</u>
Bank borrowings			
Credit loan	\$ 1,685,766	0.90%~2.60%	None
Secured borrowings	2,691,000	1.04%~2.45%	Certificates of deposit, reserve accounts, stocks of listed and OTC companies, treasury stock and investment properties.
	<u>\$ 4,376,766</u>		

Type of borrowings	December 31, 2020	Range of interest rate	Collateral
Bank borrowings			
Credit loan	\$ 1,660,118	0.90%~2.60%	None
Secured borrowings	571,000	1.05%~2.25%	Certificates of deposit, reserve accounts, stocks of listed and OTC companies and investment properties.
Funds borrowed to purchase materials	67,600	0.89%~1.06%	None
	<u>\$ 2,298,718</u>		

The interest expenses recognized in profit and loss in 2021 and 2020 were \$27,734 and \$15,849, respectively.

12. Other Payables

	December 31, 2021	December 31, 2020
Payroll and bonus payable	\$ 78,558	\$ 42,582
Remunerations payable to employees and directors	196,679	113,311
Payable on equipment	85,822	53,809
Machine maintenance payable	29,411	31,851
Others	351,538	195,427
	<u>\$ 742,008</u>	<u>\$ 436,980</u>

13. Corporate bonds payable

	December 31, 2021	December 31, 2020
Corporate bonds payable	\$ 2,000,000	\$ -
Less: Amount of exercised conversion options	(258,700)	-
Less: discount on corporate bonds payable	(84,251)	-
	1,657,049	-
Less: Bonds due or exercised within one year or one business cycle	-	-
	<u>\$ 1,657,049</u>	<u>\$ -</u>

1. The terms of issuance for the Group's 3rd domestic unsecured convertible bonds are as follows:

- (1) The Group has been approved by the competent authority to raise and issue \$2,000,000 of the 3rd domestic unsecured convertible bonds, with a coupon rate of 0% and an issuance period of 5 years from August 3, 2021 to August 3, 2026. The convertible bonds are repayable in cash at par value on maturity. The convertible bonds were listed for trading on August 3, 2021
- (2) The bondholders may request the conversion of the convertible bonds into the Group's common shares at any time from the day after the expiration of three months from the date of issuance of the corporate bonds to the maturity date, except during the period when the transfer of the corporate bonds is suspended in accordance with the

regulations or laws, and the rights and obligations of the converted common shares are the same as those of the original issued common shares.

- (3) The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in the Measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the Conversion Measures in the event that the Group is subject to anti-dilution provisions. The conversion price will be reset on the base date set by the Regulations in accordance with the pricing model stipulated in the Conversion Measures. As of December 31, 2021, the conversion price was NT\$87.4 per share.
 - (5) If the closing price of the Company's common stock exceeds 30% of the then conversion price for 30 consecutive business days from the day following the third month of the issuance of the convertible bonds to the 40th business day prior to the expiration of the issuance period, the Company may redeem the outstanding corporate bonds within the next 30 business days at the par value of the corporate bonds in cash.
 - (6) If the outstanding balance of the convertible bonds is less than 10% of the total par value of the corporate bonds issued, the Company may redeem the convertible bonds at any time thereafter for cash at the par value of the corporate bonds, from the day following the third month of the issuance of the corporate bonds to the 40th business day prior to the expiration of the issuance period.
2. Upon issuance of convertible bonds, the Group separated the conversion options from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation," and recorded "capital surplus - stock options" at \$406,616. The embedded repurchase and repurchase rights are separated from the principal contractual debt instruments in accordance with IFRS 9, "Financial Instruments", because they are not closely related to the economic characteristics and risks of the principal contractual debt instruments, and are recorded as "financial assets or liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the master contract debt after the separation was 0.0902%.

14. Long-term Loans

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/28 and 2027/01/28.	1.800%	Houses and buildings, machinery equipment and investment property	\$ 1,250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/27 and 2024/12/27.	1.580%	Buildings and structures	250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2021/12/27 and	1.300%	Machinery and equipment	300,000

Secured borrowings	2026/12/15. Repaid in instalments and different amounts according to the agreed period between November 9, 2020 and November 9, 2023	1.440%	Buildings and structures and investment properties	850,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between September 27, 2017 and December 29, 2026	1.000%~3.730%	Machinery, equipment and reserve account (Note)	72,199
				2,722,199
Less: Long-term borrowings (including current portion) (recognized in other current liabilities)				(70,391)
				\$ 2,651,808

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2017/09/27 and 2022/09/27.	1.797%~2.640%	Houses and buildings, machine and other equipment and reserve account (Note)	\$ 882,083
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between 2020/11/09 and 2022/08/14.	1.070%	Buildings and structures	850,000
				1,732,083
Less: Long-term borrowings (including current portion) (recognized in other current liabilities)				(96,211)
				\$ 1,635,872

With respect to the long-term loan contracts of the Group that expire between December 20, 2019 to August 12, 2022, the Group had already settled the loan in advance in March 2022 due to financial planning considerations.

Note: According to the loan contract provisions of some banks, the Group shall maintain a specific debt-to-equity ratio and interest solvency every six months during the loan duration.

15. Pensions

- (1) The Company and its domestic subsidiaries operate a defined benefit pension plan in accordance with the Labor Standards Act, which cover all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages

of the last six months prior to retirement. The Company and its domestic subsidiaries contribute a monthly amount equal to 2% of employees' monthly salaries and wages to a retirement fund at the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by the end of next March.

(2) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	(\$ 22,899)	(\$ 23,846)
Fair value of plan assets	7,990	5,723
Defined Benefit Liabilities	<u>(\$ 14,909)</u>	<u>(\$ 18,123)</u>

(3) Changes in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Defined Benefit Liabilities</u>
2021			
Balance on January 1	(\$ 23,846)	\$ 5,723	(\$ 18,123)
Current service cost	(61)	-	(61)
Interest (expense) income	82 ()	22	60 ()
	<u>(23,989)</u>	<u>5,745</u>	<u>(18,244)</u>
Re-measurements:			
Return on plan assets (excluding amounts included in interest income or expense)	321	99	420
Change in financial assumptions	1,068	-	1,068
Change in demographic assumptions	(1,286)	-	(1,286)
Experience adjustments	987	-	987
	<u>1,090</u>	<u>99</u>	<u>1,189</u>
Pension fund contribution	-	2,146	2,146
Paid pension	-	-	-
Balance on December 31	<u>(\$ 22,899)</u>	<u>\$ 7,990</u>	<u>(\$ 14,909)</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Defined Benefit Liabilities</u>
2020			

Balance on January 1	(\$	26,873)	\$	6,562	(\$	20,311)
Current service cost	(	123)		-	(	123)
Interest (expense) income	(	215)		62	(	153)
	(	27,211)		6,624	(	20,587)
Re-measurements:						
Return on plan assets (excluding amounts included in interest income or expense)		-		240		240
Change in financial assumptions	(	1,387)		-	(	1,387)
Change in demographic assumptions	(	277)		-	(	277)
Experience adjustments		1,848		-		1,848
		184		240		424
Pension fund contribution		-		2,040		2,040
Paid pension		3,181	(	3,181)		-
Balance on December 31	(\$	23,846)	\$	5,723	(\$	18,123)

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than the aforementioned rates, government shall make payments for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of fair value of plan asset in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	<u>0.75%</u>	<u>0.35%</u>
Future salary increases	<u>2.125%~2.50%</u>	<u>2.125%~2.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience of various countries.

Because the main actuarial assumption changes, the present value of defined benefit obligation is affected. The analysis is as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
	<u>increase</u>	<u>decrease</u>	<u>increase</u>	<u>decrease</u>
December 31, 2021				
Effect on present value of defined benefit obligation	(\$ <u>697</u>)	<u>\$ 725</u>	<u>\$ 698</u>	(\$ <u>675</u>)
December 31, 2020				
Effect on present value of defined benefit obligation	(\$ <u>778</u>)	<u>\$ 811</u>	<u>\$ 779</u>	(\$ <u>751</u>)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, more than one assumption may change all at once. The sensitivity analysis is the same with the method used to calculate the net pension liabilities of the balance sheet.

(6) The expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 are \$2,133

(7) As of December 31, 2021, the weighted average duration of the retirement plan is 14 years.

2. (1) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (hereinafter referred to as the "New Plan") under the Labor Pension Act (hereinafter referred to as the "Act"), covering all regular employees with domestic citizenship. Under the New Plan, the Company and its

domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (2) For 2021 and 2020, the pension costs recognized by the Corporate Group in accordance with the abovementioned pension measures were \$28,606 and \$18,833, respectively.

16. Capital

1. As of December 31, 2021, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares (including 20,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was \$2,556,735 with a par value of NT\$10. All proceeds from shares issued have been collected.

The movements in the number of the Company's common stocks outstanding are as follows:

	Unit: Thousand shares	
	2021	2020
January 1	205,632	198,400
Conversion of convertible bonds	2,960	-
Treasury stocks transfer to employees	20,000	17,232
Treasury Stock Buyback	(14,485)	(10,000)
December 31	<u>214,107</u>	<u>205,632</u>

2. Treasury stock

- (1) Reasons for repurchase of shares and changes in the quantity:

Company name of the shareholding	Reasons for buyback	December 31, 2021	
		Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	37,081	\$ 527,678
The Company	Transfer shares to employees	4,485	413,745
		<u>41,566</u>	<u>\$ 941,423</u>
		December 31, 2020	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	37,081	\$ 527,678
The Company	Transfer shares to employees	10,000	306,920
		<u>47,081</u>	<u>\$ 834,598</u>

- (2) Remuneration costs related to the transfer of treasury stocks of the Group in 2021 and 2020 were \$176,980 and \$88,273, respectively

- (3) The Securities and Exchange Act stipulates that the percentage of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total value of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.
- (4) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, shareholders are not entitled to the shareholders' rights.
- (5) According to the provisions of the Securities and Exchange Act, the share repurchased to be transferred to employees shall be transferred within 5 years from the date of the purchase. If the transfer is not made within the time limit, the shares are deemed as unissued shares, and change of registration shall be made to cancel the shares. In order to maintain the Company's credit and shareholders equity, the shares bought back should have the registration changed to cancel the shares within six months from the date of the purchase.
- (6) The Company's stock held by the subsidiary Youe Chung Capital is treated as treasury stock. As of December 31, 2021 and 2020, Youe Chung Capital held 37,081 thousand shares of the Company. The average book value per share was NT\$14.23, and the fair value per share was NT\$108.00 and NT\$40.35, respectively. The cost of transferring treasury stocks is calculated based on the book value of the Company's stock held by Youe Chung Capital and the Company's indirect shareholding during each period.
- (7) The Company was approved by the Board of Directors on August 5, 2020, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between August 6 and September 30, 2020.
- (8) The Company was approved by the Board of Directors on February 3, 2021, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between February 4, 2021 and April 3, 2021
- (9) The Company was approved by the Board of Directors on November 3, 2021, to buy back 6,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 2.37% of the total issued shares. The buy-back of 4,485 thousand shares was completed and executed between November 4, 2021 and January 3, 2022

17. Capital surplus

In accordance with the Company Act, any capital surplus arising from paid-in capital in excess of the par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient. The following is a breakdown of the capital reserve:

Issue premiums	Trading of treasury stock	Changes in ownership interests in subsidiaries	stock option	Equity changes in affiliates	Others	Total
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			recognized				
January 1, 2021	\$ -	\$ 411,379	\$ 6,097	\$ -	\$ 18,540	\$ 3,882	\$ 439,898
Adjustment of capital reserve by dividends paid to subsidiaries	-	55,622	-	-	-	-	55,622
Changes in shares of affiliates recognized under the equity method	-	(76)	(1,178)	-	28,780	-	27,526
Share-based payment transaction	-	228,121	-	(58,947)	-	-	169,174
Convertible bond stock options	-	-	-	406,616	-	-	406,616
Conversion of convertible bonds	269,010	-	-	(52,595)	-	-	216,415
Acceptance of gifts from shareholders	-	-	-	-	-	586	586
Payment of overdue unclaimed dividends to shareholders	-	-	-	-	-	(9)	(9)
December 31, 2021	<u>\$ 269,010</u>	<u>\$ 695,046</u>	<u>\$ 4,919</u>	<u>\$ 295,074</u>	<u>\$ 47,320</u>	<u>\$ 4,459</u>	<u>\$ 1,315,828</u>

	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	Employee stock options	Equity changes in affiliates	Others	Total
January 1, 2020	\$ 187,873	\$ 27,255	\$ 98,152	\$ 9,181	\$ 316	\$ 322,777
Adjustment of capital reserve by dividends paid to subsidiaries	37,081	-	-	-	-	37,081
Changes in shares of affiliates recognized under the equity method	-	(21,158)	-	9,359	-	(11,799)
Share-based payment transaction	186,425	-	(98,152)	-	-	88,273
Unclaimed dividends of shareholders	-	-	-	-	3,566	3,566
December 31, 2020	<u>\$ 411,379</u>	<u>\$ 6,097</u>	<u>\$ -</u>	<u>\$ 18,540</u>	<u>\$ 3,882</u>	<u>\$ 439,898</u>

18. Retained earnings

1. According to the Articles of Incorporation, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
2. The Company takes into account the overall business environment, industrial growth, and the Company's long-term financial planning for stable operation and development to adopt a residual dividend policy, which is mainly based on the Company's future capital budgeting plan to measure the annual capital needs. After using the retained earnings for funding, the remaining surplus will be distributed in the form of dividends, and the distribution steps are shown as follows:
 - (1) Decide on the best capital budgeting.
 - (2) Decide on the financing required for one of the capital budgeting items.
 - (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
 - (4) After retaining the portion required for operation needs out of the earnings remainder,

the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.

3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The Company's Board meeting resolved on March 4, 2022 to distribute a cash dividend of NT\$1.00 per common share from the 2021 earnings, with a total dividend of \$255,674. In addition, a cash distribution of NT\$1.00 per share was made from capital surplus for a total of NT\$255,674. The above motions are subject to the resolution of the shareholders' meeting.
6. The Company's shareholders' meeting resolved on July 5, 2021 to distribute a cash dividend of NT\$1.50 per common share from the 2020 earnings, with a total dividend of \$379,071.
7. The Company's shareholders meeting resolved on June 10, 2020 to distribute a cash dividend of NT\$1.07 per common shares from the 2019 earnings, with a total dividend of \$252,714.

19. Other equity interests

	2021		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 3,555	\$ 889
Difference in foreign currency translation:			
- Group	-	3,143	3,143
December 31	(\$ 2,666)	\$ 6,698	\$ 4,032

	2020		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 794	(\$ 1,872)
Difference in foreign currency translation:			
- Group	-	2,761	2,761
December 31	(\$ 2,666)	\$ 3,555	\$ 889

20. Operating revenue

	2021	2020
Revenue from contracts with customers	\$ 6,077,362	\$ 4,666,756

1. Segmentation of revenue from contracts with customers

The Corporate Group derives its revenue from the transfer of goods and services either over time or at a point in time. The revenue can be divided into the following main product lines:

2021	Photomask and semiconductor segment	Medical segment	Total
Revenue from contracts with external customers	\$ 6,068,709	\$ 8,653	\$ 6,077,362
Cut-off point of income recognition			
Income recognized at a particular point in time	\$ 5,354,576	\$ 8,653	\$ 5,363,229
Income recognized gradually over time	714,133	-	614,133
	\$ 6,068,709	\$ 8,653	\$ 6,077,362
			Photomask and semiconductor segment
2020			
Revenue from contracts with external customers			\$ 4,666,756
Cut-off point of income recognition			
Income recognized at a particular point in time			\$ 4,289,007
Income recognized gradually over time			377,749

\$ 4,666,756

2. Contract Liabilities

(1) Contract liabilities related to contracts with customers recognized by the Corporate Group:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract Assets	\$ 155,763	\$ 93,809	\$ 18,121
Contract Liabilities	\$ 179,315	\$ 99,418	\$ 39,856

(2) Contract liabilities at the beginning of the period recognized as revenue of the period

	<u>2021</u>	<u>2020</u>
Opening balance of contract liabilities recognized in the current period (Including transfer of other income)	\$ 55,000	\$ 38,619

21. Interest income

	<u>2021</u>	<u>2020</u>
Interest from bank deposits	\$ 4,678	\$ 3,304
Interest income from financial assets measured at amortized cost	147	157
Other interest incomes	33	1,365
	<u>\$ 4,858</u>	<u>\$ 4,826</u>

22. Other Incomes

	<u>2021</u>	<u>2020</u>
Rental income	\$ 21,170	\$ 25,925
Dividend income	85,104	25,128
Subsidy income	4,668	-
Other income -- Others	4,352	7,705
	<u>\$ 115,294</u>	<u>\$ 58,758</u>

23. Other Gains and Losses

	<u>2021</u>	<u>2020</u>
Gain (loss) on disposal of property, plant and equipment	(\$ 1,927)	\$ 1
Gain (loss) on disposal of investments	326,927	74,561
Gain on lease modifications	7	2,486
Losses on foreign currency exchange	1,057 (	9,801)
Gains or losses of financial assets at fair value through profit or loss	559,714	450,106
Impairment Loss of Financial Assets	(11,737)	(165,253)
Other miscellaneous expenses	(4,814)	(679)
Other Gains and Losses	(64,384)	9,415
	<u>\$ 804,843</u>	<u>\$ 360,836</u>

24. Financial Costs

	<u>2021</u>	<u>2020</u>
Bank borrowings	\$ 94,740	\$ 28,113
Lease liabilities	5,784	4,913
	<u>\$ 100,524</u>	<u>\$ 33,026</u>

25. Expenses by nature

	2021	2020
Employee benefits expenditure	\$ 1,200,299	\$ 640,326
Depreciation	483,274	379,560
Amortization	18,236	7,395

26. Employee benefits expenditure

	2021	2020
Payroll expenses	\$ 899,267	\$ 477,522
Employee stock options	176,980	88,273
Labor and health insurance fees	61,958	35,185
Pension expense	28,727	19,106
Other personnel expenses	33,367	20,240
	<u>\$ 1,200,299</u>	<u>\$ 640,326</u>

1. According to the Articles of Incorporation, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any.

2. For 2021 and 2020, employees' remuneration was accrued at \$158,000 and \$85,723, respectively, and director remunerations was accrued at \$30,800 and \$16,969, respectively. The abovementioned amounts were listed as payroll expenses.

The remuneration to employees and directors were estimated at 10.18% and 1.98%, respectively, based on the profitability for the year ended December 31, 2021; the remuneration to employees and directors were estimated at 10.09% and 1.90%, respectively, based on the profitability for the year ended December 31, 2020.

The employee remuneration and director remuneration resolved by the Board of Directors for 2020 were \$86,000 and \$16,000, respectively, which were different from \$85,723 and \$16,969 recognized in the 2020 financial statements by \$277 and (\$969). This is mainly due to changes in estimates which have been adjusted to the profit or loss of 2021.

Information about employees remuneration and director remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System".

27. Income tax

1. Income tax expense

Components of income tax expense:

	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the year	\$ 271,221	\$ 120,400
Total current tax	<u>271,221</u>	<u>120,400</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>20,316</u>	<u>23,834</u>
Deferred income tax:	<u>20,316</u>	<u>23,834</u>
Income Tax Expense	<u>\$ 291,537</u>	<u>\$ 144,234</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2021</u>	<u>2020</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 909,863	\$ 314,691
Expenses (benefits) to be excluded according to the tax law	(759,077)	(263,499)
Temporary difference of unrecognized deferred income tax assets	(1,830)	2,070
Tax loss of unrecognized deferred income tax assets	58,331	59,331
Income tax effects of the alternative minimum tax system	35,538	-
Changes in assessment of realizability of deferred income tax assets	48,712	31,641
Income Tax Expense	<u>\$ 291,537</u>	<u>\$ 144,234</u>

3. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	<u>2021</u>		
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Deferred income tax assets:			
- Temporary differences:			
Loss on inventory	\$ 394	\$ 3,368	\$ 3,762
Unrealized exchange loss	<u>1,938</u>	<u>(2,459)</u>	<u>(521)</u>
Subtotal	<u>\$ 2,332</u>	<u>\$ 909</u>	<u>\$ 3,241</u>
Deferred income tax liabilities:			
- Temporary differences:			
Unrealized exchange gain	(287)	(122)	(409)

Long-term investments	(52,981)	(21,103)	(74,084)
Subtotal	(53,268)	(21,225)	(74,493)
Total	(\$ 50,936)	(\$ 20,316)	(\$ 71,252)

	2020		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Loss on inventory	\$ 3,746	(\$ 3,352)	\$ 394
Unrealized exchange loss	1,333	605	1,938
Subtotal	<u>\$ 5,079</u>	<u>(\$ 2,747)</u>	<u>\$ 2,332</u>
Deferred income tax liabilities:			
- Temporary differences:			
Unrealized exchange gain	(721)	434	(287)
Long-term investments	(31,460)	(21,521)	(52,981)
Subtotal	(32,181)	(21,087)	(53,268)
Total	<u>(\$ 27,102)</u>	<u>(\$ 23,834)</u>	<u>(\$ 50,936)</u>

4. The effective periods of unused tax losses and the related amounts of unrecognized deferred income tax assets are as follows:

December 31, 2021				
Year of occurrence	Reported amount/Assessed amount	Amount not yet deducted	Amount of unrecognized deferred income tax assets	Last year to be deducted
2012	\$ 425,658	\$ 425,658	\$ 425,658	2022
2013	478,805	478,805	478,805	2023
2014	355,046	355,046	355,046	2024
2015	634,004	634,004	634,004	2025
2016	286,259	286,259	286,259	2026
2017	487,732	481,938	481,938	2027
2018	494,824	490,060	490,060	2028
2019	254,007	239,627	239,627	2029
2020	358,721	358,721	358,721	2030
2021	291,658	291,658	291,658	2031
	<u>\$ 4,066,714</u>	<u>\$ 4,041,776</u>	<u>\$ 4,041,776</u>	

December 31, 2020

Year of occurrence	Reported amount/Assessed amount	Amount not yet deducted	Amount of unrecognized deferred income tax assets	Last year to be deducted
2011	\$ 263,803	\$ 263,803	\$ 263,803	2021
2012	427,308	427,308	427,308	2022
2013	482,303	482,303	482,303	2023
2014	355,728	355,728	355,728	2024
2015	634,004	634,004	634,004	2025
2016	286,259	286,259	286,259	2026
2017	487,732	487,732	487,732	2027
2018	507,025	507,025	507,025	2028
2019	329,774	329,774	329,774	2029
2020	333,298	333,298	333,298	2030
	<u>\$ 4,107,234</u>	<u>\$ 4,107,234</u>	<u>\$ 4,107,234</u>	

5. Deductible temporary difference not recognized as deferred income tax assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deductible temporary difference	\$ 340,585	\$ 349,735

6. The Company's income tax returns through 2019 have been assessed and approved by the tax authority.

28. Earnings per share

	2021		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NTD)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,185,777	209,770	\$ 5.65
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,185,777	209,770	
Effect of dilutive potential common shares on convertible bonds	6,713	3,220	
Employee remuneration	-	1,791	
Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,192,490</u>	<u>214,781</u>	<u>\$ 5.55</u>
	2020		
	Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NTD)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 683,897	204,801	\$ 3.34
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 683,897	204,801	
Effect of dilutive potential common shares on employee remuneration	-	2,599	
Profit attributable to ordinary shareholders of the parent company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 683,897</u>	<u>207,400</u>	<u>\$ 3.30</u>

The weighted average number of shares outstanding in 2021 and 2020 has deducted the number of shares held by the subordinate company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

29. Business combination

1. On August 2, 2021, the Group acquired 57.39% of the shares of DIGITAL-CAN TECH. CO., LTD. for \$139,072 in cash and gained control over DIGITAL-CAN TECH. CO., LTD.

(1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of DIGITAL-CAN TECH. CO., LTD. is shown as follows:

	<u>August 2, 2021</u>
Acquisition consideration	
Cash	\$ 139,072
Share of non-controlling interests in the identifiable net assets of the acquiree	39,266
	<u>178,338</u>
Fair value of acquired identifiable assets and assumed liabilities	
Cash	24,346
Financial assets measured at amortized cost	19,600
Notes Receivables	202
Accounts Receivables	3,251
Inventories	6,128
Prepayments	2,129
Other Current Assets	521
Property, plant and equipment	55,499
Other Non-Current Assets	6,520
Short Term Loans	(500)
Contract Liabilities	(1,187)
Notes Payable	(6)
Accounts Payable	(1,165)
Other Payables	(8,874)
Other Current Liabilities	(6,174)
Long-term Loans	(7,843)
Other Current Liabilities	(300)
Total identifiable net assets	<u>92,147</u>
Goodwill	<u>\$ 86,191</u>

(2) The assessment of the fair value of acquired identifiable assets and assumed liabilities is in progress. At present, it is recorded at the initial valuation, and the relevant acquisition price allocation will be completed within one year.

(3) Since the acquisition of DIGITAL-CAN TECH. CO., LTD. in August 2, 2021, the contribution to operating revenue and net loss before tax have both been \$18,282 and (\$10,265), respectively. Assuming that DIGITAL-CAN TECH. CO., LTD. has been included in the consolidated reports since January 1, 2021, the operating revenue and net profit before tax of the Group for 2021 are \$6,089,369 and \$1,161,815, respectively.

2. The Group owns 41.43% of Xsense Technology Corporation, and Xsense Technology Corporation and its subsidiary Xsense Technology Corporation (B.V.I.) held a Board of Directors' meeting on March 25, 2021 to re-elect the Chairperson of the Board of Directors, and the president of the Company was elected. The new management team in April 2021, led by the President of the Company, is involved in the operational decisions and business policies, including strategic decisions, of Xsense Technology Corporation and its subsidiary, Xsense Technology Corporation (B.V.I.), and therefore the firm is included in the consolidated financial statements.

(1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Xsense Technology Corporation is shown as follows:

	April 1, 2021
Fair value of previously held interests in Xsense Technology Corporation at the acquisition date	\$ 193,359
Share of non-controlling interests in the identifiable net assets of the acquiree	97,319
	<u>290,678</u>
Fair value of acquired identifiable assets and assumed liabilities	
Cash	22,508
Accounts Receivables	18,687
Other Receivables	6,690
Inventories	47,425
Prepayments	27,149
Other Current Assets	15,607
Property, plant and equipment	99,856
Intangible assets	8,574
Other Non-Current Assets	96,544
Short Term Loans	(40,000)
Contract Liabilities	(350)
Notes Payable	(4,257)
Accounts Payable	(14,617)
Other Payables	(63,602)
Other Current Liabilities	(12,085)
Other Current Liabilities	(41,974)
Total identifiable net assets	<u>166,155</u>
Goodwill	<u>\$ 124,523</u>

(2) The assessment of the fair value of acquired identifiable assets and assumed liabilities is in progress. At present, it is recorded at the initial valuation, and the relevant acquisition price allocation will be completed within one year.

(3) Since the Group merged Xsense Technology Corporation on April 1, 2021, Xsense Technology Corporation contributed operating revenue and net loss before tax of \$95,477 and (\$225,070), respectively. If Xsense Technology Corporation had been merged since January 1, 2021, the Group's operating revenue and net profit before tax would have been \$6,098,459 and \$1,075,603, respectively, for the year ended December 31, 2021.

3. The Group held 16.21% of Youe Chung Capital Corporation, a subsidiary of the Company. On December 15, 2020, Youe Chung Capital Corporation signed a share purchase with other original shareholders of Innova Vision to acquire another 8,795,795 shares, increasing the Group's shareholding to 60.02%. On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. Youe Chung Capital won all the director seats, obtaining substantial control of this firm. Therefore, it is included in consolidated financial statements as a consolidated entity from that date.

(1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Innova Vision is shown as follows:

	December 16, 2020
The fair value of the previously held equity of Innova Vision at the acquisition date	\$ 935
Payment to acquire the equity of Innova Vision again	1,759
Share of non-controlling interests in the identifiable net assets of the acquiree	(26,822)
	<u>(24,128)</u>
Fair value of acquired identifiable assets and assumed liabilities	
Cash	12,100
Accounts Receivables	21,082
Other Receivables	2,486
Inventories	3,011
Prepayments	1,804
Other Current Assets	1,586
Property, plant and equipment	12,402
Right-of-use Asset	6,060
Intangible assets	61
Intangible assets - permits	96,749
Other Non-Current Assets	8,805
Contract Liabilities	(5,235)
Accounts Payable	(23,183)
Other Payables	(191,573)
Provisions	(12,917)
Other Current Liabilities	(258)
Deferred Income Tax.	(289)
Other Current Liabilities	(67)
Total identifiable net assets	<u>(67,376)</u>
Goodwill	<u>\$ 43,248</u>

(2) Non-controlling interest is measured by the proportion of the acquiree's net identifiable assets to the non-controlling interest.

(3) Since the acquisition of Innova Vision in December 16, 2020, the contribution to operating revenue and profit before tax have both been \$0. Assuming that Innova Vision INC. has been included in the consolidated reports since January 1, 2020, the operating revenue and net profit before tax of the Group for 2020 are \$4,757,757 and \$361,021, respectively.

(4) The fair value of the identifiable net assets acquired as of December 16, 2020 was originally assessed at a provisional amount and the fair value of these net assets was determined after the end of the measurement period as described above.

30. Supplemental cash flow information

1. Investing activities with partial cash payments:

	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment	\$ 1,249,848	\$ 2,160,033
Add: Opening balance of payable on equipment	53,809	103,845
Prepayments for equipment at the end of the period	671,105	5,608
Less: Prepayments for equipment at the beginning of the period	(5,608)	()
Ending balance of payable on equipment	(85,822)	(53,809)
Cash paid during the year	<u>\$ 1,883,332</u>	<u>\$ 2,029,071</u>

2. The Group's subsidiary Weida Hi-Tech Company conducted cash capital increase separately on April 10, 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which caused the shareholding to drop to 36.70%. Weida Hi-Tech Company then held an extraordinary general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one seat of director and lost the control of the Weida (Please see Note 4, (3) 2 and Note 1) for the relevant assets and liabilities of the subsidiary:

	<u>June 2, 2020</u>
Carrying amount of assets and liabilities of Weida Hi-Tech Company	
Cash	\$ 43,089
Accounts Receivables	41,607
Tax Assets	16
Inventories	33,705
Prepayments	10,783
Other Current Assets	1,856
Property, plant and equipment	6,656
Intangible assets	9,817
Refundable deposit	258
Contract Liabilities	(2,432)
Accounts Payable	(20,446)
Other Payables	(11,818)
Other Current Liabilities	(1,067)
Total net assets	<u>\$ 112,024</u>

31. Changes in liabilities arising from financing activities

	Short Term Loans	Corporate bonds payable	Long-term Loans (Including portion due within 1 year)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2021	\$ 2,298,718	\$ -	\$ 1,732,083	\$ 506,926	\$ 5,129	\$ 4,542,856
Change in cash flow from financing activities	2,037,548	2,297,099	982,273 (	63,982)	1,779	5,254,717
Interest Incomes	-	8,392	-	5,784	-	14,176
Interest Paid	-	-	- (	5,784)	- (	5,784)
Other non-cash transactions	40,500 (	648,442)	7,843	212,697	- (	387,402)
December 31, 2021	<u>\$ 4,376,766</u>	<u>\$ 1,657,049</u>	<u>\$ 2,722,199</u>	<u>\$ 655,641</u>	<u>\$ 6,908</u>	<u>\$ 9,418,563</u>

	Short Term Loans	Long-term Loans (Including portion due within 1 year)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2020	\$ 804,938	\$ 451,616	\$ 431,391	\$ 1,544	\$ 1,689,489
Change in cash flow from financing activities	1,493,780	1,280,467 (	60,382)	3,585	2,717,450
Interest Incomes	-	-	4,913	-	4,913
Interest Paid	-	- (	4,913)	- (	4,913)
Other non-cash transactions	-	-	135,917	-	135,917
December 31, 2020	<u>\$ 2,298,718</u>	<u>\$ 1,732,083</u>	<u>\$ 506,926</u>	<u>\$ 5,129</u>	<u>\$ 4,542,856</u>

(VII) Related Party Transactions

1. Related parties' names and relationship

<u>Name of the related parties</u>	<u>Relationship with the Group</u>
Innova Vision INC.	Subsidiary (Note 1)
Xsense Technology Corporation	Sub-subsidiary (Note 2)
Weida Hi-Tech Company	Affiliate (Note 3)
Advanced Silicon SA	Affiliate (Note 3)
Powerchip Technology Corporation	Other related party
IMAGE MATCH DESIGN INC.	Other related party
BKS Tec Corp.	Other related party
Taiwan Mask Charity Foundation	Other related party
Chao-Yi Wu	Other related party

Note 1: On June 18, 2020, the Company resigned from the position of corporate director of Innova Vision INC. and since then, the firm is no longer a related party of the Company.

On December 16, 2020, Innova Vision held elections for all directors at its extraordinary general meeting. The Company's subsidiary Youe Chung Capital Corporation won all the director seats, obtaining substantial control of this company. Therefore, it has been included as a consolidated entity from that date.

Note 2: In April 2021, the Group participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included

the firm in the consolidated financial statements as a consolidated entity as of that date.

Note 3: The Company's shareholding of Weida Hi-Tech has dropped to 36.70% in May 2020, and there are changes to the number of Board seats, thus losing control of the firm. Since then, Weida Hi-Tech is no longer a subsidiary of the Company, but is still the Group's related party.

2. Significant transactions with the related parties

1. Operating revenue

	<u>2021</u>	<u>2020</u>
Product sales:		
Affiliates	\$ 72	\$ 19,392
Other related party	39,099	12,634
	<u>\$ 39,171</u>	<u>\$ 32,026</u>

There are no major abnormalities in the transaction prices and payment terms of the related party compared to that of non-related parties.

2. Account receivable from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts Receivables:		
Other related party	\$ 16,812	\$ 6,599
Other receivables:		
Sub-subsidiary (Note 2)	-	3,068
Total	<u>\$ 16,812</u>	<u>\$ 9,667</u>

3. Loans to related parties (recognized as "Other accounts receivable -- related parties")

Loans to related parties

(1) Balance at the end of period:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Innova Vision INC.	\$ -	\$ -

(2) Income from interests

	<u>2021</u>	<u>2020</u>
Innova Vision INC.	\$ -	\$ 1,081

The loans to affiliated companies are to be repaid within one year. The interests in 2020 were charged at an annual interest rate of 2%~2.616%.

4. Acquisition of other assets

		<u>2021</u>	<u>2020</u>
	<u>Account item</u>	<u>Acquisition price</u>	<u>Acquisition price</u>
Other related party	Intangible assets	\$ 8,926	\$ -
Other related party	Fixed assets	1,750	-
Total		<u>\$ 10,676</u>	<u>\$ -</u>

5. Acquisition of financial assets

			<u>2021</u>
	<u>Account item</u>	<u>Number of shares traded</u>	<u>Acquisition price</u>
Sub-subsidiary (Note 2)	Investment under Equity Method	14,000,000	\$ <u>49,000</u>
2020: None			

6. Others

(1) Deposits Received: Other related party	<u>2021</u>	<u>2020</u>
	\$ <u>95</u>	\$ <u>-</u>
(2) Rent income: Affiliates	<u>2021</u>	<u>2020</u>
	\$ <u>-</u>	\$ <u>12,679</u>

(3) The Company donated \$31,801 in cash to the Taiwan Mask Charity Foundation in 2021.

3. Compensation of key management personnel

	<u>2021</u>	<u>2020</u>
Salary and short-term employee benefits	\$ 32,110	\$ 24,673
Post-employment benefits	185	3,301
Other long-term employee benefits	27,501	11,885
Share-based payment to employees	13,990	5,200
Total	\$ <u>73,786</u>	\$ <u>45,059</u>

(VIII) Pledged assets

Assets pledged by the Corporate Group as collateral are as follows:

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>	
	\$ 15,338	\$	Reserve
Demand deposit (Recognized as “Financial assets at amortized cost”)		11,111	accounts for long- and short- term borrowings
Time deposit (Recognized as “Financial assets at amortized cost”)	40,239	41,236	Short-term loans and guarantees for goods out of the free zone
Stocks of publicly traded and OTC companies (recognized as “Financial assets at fair value through profit or loss”)	3,681,951	1,249,775	Short Term Loans
Shares of the Company (recorded as “treasury stock” Note)	408,437	-	Short Term Loans
Buildings and structures (including land)	1,683,654	953,601	Long-term Loans
Machinery and equipment and equipment under acceptance	2,471,149	1,146,700	Long- and short- term borrowings
Real estate investment	163,042	313,099	Long- and short- term borrowings

Other equipment	3,610	1,615	Long- and short- term borrowings
	<u>\$ 8,467,420</u>	<u>\$ 3,717,137</u>	

Note: The cost of pledged treasury stock was \$408,437 and its fair value was \$3,099,816 as of December 31, 2021.

(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments

1. Contingencies

Not applicable.

2. Commitments

1. Machine equipment maintenance contracts that have been signed but not yet paid

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Machine maintenance	<u>\$ 29,411</u>	<u>\$ 31,851</u>

2. Capital expenditures that have been signed but not yet incurred

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Property, plant and equipment	<u>\$ 119,059</u>	<u>\$ 153,985</u>

3. Lease agreement

Please see Note 6 (8) and (9)

(X) Significant Disaster Loss

Not applicable.

(XI) Major Events after Financial Statement Date

1. The resolution of the Company's Board on March 4, 2022 passed the appropriation of earnings. The proposal has yet to be resolved by the shareholders meeting. Please refer to Note 6 (18) for details.
2. On March 4, 2022, the Board of Directors resolved to process the issuance of new shares by way of shelf registration and the initial issuance of new shares by way of cash capital increase for 2022.

(XII) Others

(I). Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

The Group's strategy in 2021 and 2020 was to borrow long-term loans to purchase new plants and obtain long-term working capital, unlike in 2019 For the years ended December 31, 2021 and 2020, the debt-to-capital ratios were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	\$ 7,098,965	\$ 4,030,801
Less: Cash and cash equivalents	(2,681,819)	(1,036,658)
Net debt	4,417,146	2,994,143
Total equity	4,870,179	3,448,433
Total capital	\$ 9,287,325	\$ 6,442,576
Debt-to-equity ratio	47.56%	46.47%

(II). Financial instruments

1. Types of financial instrument

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Mandatory financial assets at fair value through profit or loss	\$ 5,037,672	\$ 2,135,413
Financial assets measured at amortized cost		
Cash	\$ 2,681,819	\$ 1,036,658
Financial assets measured at amortized cost	78,263	75,134
Notes Receivables	63	879
Accounts receivable (Including related parties)	1,280,560	901,211
Other accounts receivable (Including related parties)	68,997	50,736
Refundable deposit	15,826	12,792
	\$ 4,125,528	\$ 2,077,410
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short Term Loans	\$ 4,376,766	\$ 2,298,718
Notes Payable	66	66
Accounts payable (Including related parties)	477,232	397,237
Other payables (Including related parties)	742,008	436,980
Corporate bonds payable	1,657,049	-
Long-term borrowings (including current portion)	2,722,199	1,732,083
Guarantee Deposits Received	6,908	5,129
	\$ 9,982,228	\$ 4,870,213
Lease liabilities	\$ 655,641	\$ 506,926

2. Risk management policies

- (1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.

(2) Risk management is carried out by a central finance department (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

A. Foreign exchange risk

The Group's operations involve certain non-functional currencies (the Company's and certain subsidiaries' functional currency is the New Taiwan dollar (NTD), and for other certain subsidiaries, the functional currency is the US Dollars, Japanese Yen and China's Renminbi (RMB)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values that would be materially affected by exchange rate fluctuations are as follows:

		December 31, 2021		
(Foreign currency: functional currency)	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD	45,460	27.680	\$ 1,258,333
RMB : NTD	CN	146,650	4.344	637,048
	Y			
JPY : NTD	JPY	92,077	0.241	22,191
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD	11,916	27.680	329,835
RMB : NTD	CN	28,431	4.344	123,504
	Y			
JPY : NTD	JPY	214,789	0.241	51,764
		December 31, 2020		
(Foreign currency: functional currency)	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD	27,563	28.480	\$ 784,994
RMB : NTD	CN	108,362	4.377	474,300
	Y			
JPY : NTD	JPY	83,532	0.276	23,055
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD	5,266	28.480	149,976

RMB : NTD	CN	34,457	4.377	150,818
	Y			
JPY : NTD	JPY	273,112	0.276	75,379

B. Total exchange gain, including realized and unrealized gains (losses) from significant foreign exchange variations on monetary items held by the Group amounted to \$1,057 and (\$9,801) for the years ended December 31, 2021 and 2020, respectively.

C. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

		2021		
		Sensitivity Analysis		
(Foreign currency: functional currency)		Effect on	Other comprehensive	
		profit or	profit and loss	
		loss	affected	
<u>Fluctuation</u>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 12,583	\$	-
RMB : NTD	1%	6,370		-
JPY : NTD	1%	222		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(3,298)		-
RMB : NTD	1%	(1,235)		-
JPY : NTD	1%	(518)		-
		2020		
		Sensitivity Analysis		
(Foreign currency: functional currency)		Effect on	Other comprehensive	
		profit or	profit and loss	
		loss	affected	
<u>Fluctuation</u>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	1%	\$ 7,850	\$	-
RMB : NTD	1%	4,743		-
JPY : NTD	1%	231		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(1,500)		-
RMB : NTD	1%	(1,508)		-
JPY : NTD	1%	(754)		-

Price risk

A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

B. The Group invests primarily in equity instruments and open-end funds issued by domestic and foreign companies. The price of such equity instrument is subject to

the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit after tax affected by equity instruments at fair value through profit or loss after tax for 2021 and 2020 is an increase or decrease of \$50,377 and \$21,354, respectively; as for the other comprehensive income classified as equity instruments at fair value through other comprehensive income, it is \$0 and \$0 for 2021 and 2020, respectively.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Group to cash flow interest rate risk. For 2021 and 2020, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars and US dollars.
- B. The Group's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Group to the risk of future market interest rate changes.
- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net profit after tax for 2021 and 2020 is a decrease or increase of \$14,198 and \$8,062, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.
- B. The management of credit risk is established with a Group perspective. Only the banks and financial institutionals with an independent credit rating of at least "A" can be accepted as transaction partners of the Group. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group considers a contract payment overdue in accordance with the agreed payment terms a breach of contract.
- D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:
 - (A) If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
 - (B) For bond investments in Taipei Exchange, if any external rating agency rates it as an investment grade on the balance sheet date, the credit risk of the financial asset is considered low.

- E. The Group uses the following indicators to determine the status of credit impairments of debt instruments:
- (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
 - (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
 - (C) The issuer delays or does not pay for the interest or principal.
 - (D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.
- F. The Group categorizes the accounts receivable from customers based on the characteristics of trade credit risks. The simplified approach is adopted for estimating the expected credit loss based on the provision matrix.
- G. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will continue the recourse to protect the rights of the claims.
- H. The Group has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2021 and 2020 are shown as follows:

	Not past due	Within 30 days	31-90 days	91-180 days	More than 181 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.0~1%	0.01~1.95%	1.99~6.29%	5.05~19.97%	57.18~100%	
Total book value	\$ 1,060,909	\$ 188,933	\$ 29,361	\$ 1,891	\$ 9,505	\$ 1,290,599
Loss allowance	-	(2)	(1,397)	(598)	(8,042)	(10,039)
<u>December 31, 2020</u>						
Expected loss rate	0.01~1%	0.01~1.95%	1.36~7.49%	3.62~23.67%	41.84~100%	
Total book value	\$ 723,020	\$ 149,311	\$ 32,507	\$ 2,169	\$ 5,603	\$ 912,610
Loss allowance	-	(2,191)	(2,725)	(957)	(5,526)	(11,399)

- I. The Group adopts a simplified method in which the loss allowance for the accounts receivable is shown as follows:

	<u>2021</u>
	<u>Accounts Receivables</u>
January 1	\$ 11,399
Reversal of impairment loss	(1,340)
Impact from exchange rate	(20)
December 31	<u>\$ 10,039</u>
	<u>2020</u>
	<u>Accounts Receivables</u>
January 1	\$ 7,759
Consolidated transfer in	5,785
Reversal of impairment loss	(2,200)
Impact from exchange rate	55
December 31	<u>\$ 11,399</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Corporate Group and aggregated by the Group's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.
- B. The remaining cash held by each operating entity will be transferred back to the Group's finance department. B. The finance department of the Group invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and bond investment without an active market (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2021 and 2020, the position of money market held by the Corporate Group is at \$2,760,287 and \$1,071,061, respectively, and is expected to generate immediate cash flow to manage liquidity risk.
- C. The Group's unutilized borrowings are shown as follows:

	December 31, 2021	December 31, 2020
Floating rate		
Due within 1 year	\$ 953,880	\$ 873,400
Maturity of more than 1 year	20,000	363,851
	<u>\$ 973,880</u>	<u>\$ 1,237,251</u>

- D. The following table shows the Group's non-derivative financial liabilities and derivative financial liabilities settled on a net or total amount, grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2021				
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 4,376,766	\$ -	\$ -	\$ -
Notes Payable	66	-	-	-
Accounts Payable	477,232	-	-	-
Other payables (Including related parties)	742,008	-	-	-
Lease liabilities	159,795	135,884	443,025	-
Corporate bonds payable	-	-	1,657,049	-
Long-term borrowings (including portion due within 1 year)	71,855	792,803	1,861,513	-
Guarantee Deposits Received	-	6,908	-	-
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2020				
<u>Non-derivative financial liabilities:</u>				

Short Term Loans	\$ 2,298,718	\$ -	\$ -	\$ -
Notes Payable	66	-	-	-
Accounts Payable	397,237	-	-	-
Other payables (Including related parties)	436,980	-	-	-
Lease liabilities	107,380	106,921	375,907	-
Long-term borrowings (including portion due within 1 year)	100,647	1,698,976	-	-
Guarantee Deposits Received	-	5,129	-	-

(III). Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in stocks of publicly traded or OTC firms and beneficiary certificates is included in Level 1.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in stocks of non-publicly traded or non-OTC firms and private equity fund is included in Level 3.

2. Financial instruments not measured at fair value

Cash, notes receivable, accounts receivable, other receivable, short-term borrowings, notes payable, accounts payable and other payable as reasonable approximation of fair value.

3. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ 4,979,549	\$ -	\$ 52,622	\$ 5,032,171
Beneficiary certificates	500	-	-	500
Convertible bonds	5,000	-	-	5,000
Total	<u>\$ 4,985,049</u>	<u>\$ -</u>	<u>\$ 52,622</u>	<u>\$ 5,037,671</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				

Financial assets at fair value through profit and loss				
Equity securities	\$ 2,103,205	\$ -	\$ 31,708	\$ 2,134,913
Beneficiary certificates	500	-	-	500
Total	<u>\$ 2,103,705</u>	<u>\$ -</u>	<u>\$ 31,708</u>	<u>\$ 2,135,413</u>

4. The methods and assumptions adopted by the Group for assessing the fair value are as follows:

(1) The Group adopt market pricing as the input of fair value (i.e. Level 1), and the breakdown of the characteristics of the instrument is as follows:

	Shares of listed and OTC	
	company	Open-end funds
Market price	Closing price	Net Value

(2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the consolidated balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).

(3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.

(4) The Group incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Group, respectively.

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

6. The following table shows the changes in Level 3 in 2021 and 2020:

	Equity securities
January 1, 2021	\$ 31,708
Acquisition cost of the period	32,651
Recognized in profit or loss of the period	(11,737)
December 31, 2021	<u>\$ 52,622</u>
	Equity securities
January 1, 2020	\$ 92,803
Acquisition cost of the period	39,943
Recognize impairment loss	(92,831)
Return of capital by investee company	<u>(8,207)</u>

December 31, 2020

\$ 31,708

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2021

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 52,622	Net asset value method	Net asset value		- The higher the net asset value, the higher the fair value.

December 31, 2020

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 31,708	Net asset value Method	Net asset value		- The higher the net asset value, the higher the fair value.

8. The Corporate Group has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

December 31, 2021

		Change	<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>		
			<u>Inputs</u>	<u>s</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	Adverse changes
Financial assets	Equity instruments	Net asset value	±1%	\$ 526	(\$ 526)	\$ -	\$ -

December 31, 2020

		Change	<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>		
			<u>Inputs</u>	<u>s</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>
Financial assets	Equity instruments	Net asset value	±1%	\$ 271	(\$ 271)	\$ -	\$ -
	Equity	Long-term	±1%	468	(481)	-	-

(XIII) Supplementary Disclosure

(I). Significant transactions information

1. Loans to others: Please refer to Table I.
2. Provision of endorsements and guarantees to others: Please refer to Table II.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table III.

4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table IV.

5. Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivative trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table V.

(II). Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table VI.

(III). Information on investments in China

1. Basic information: Please refer to Table VIII.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(IV). Information on Major Shareholders

Information on major shareholders: Detailed in Table VIII.

(XIV) Segments information

(I). General information

Management has determined the reportable operating segments based on reports reviewed by the president and used to make strategic decisions.

The Group's corporate structure, the basis for division of segments, and the basis for measurement of segment information have not changed significantly during the current period.

(II). Measurement of segment information

The Group evaluates the performance of the operating segments and allocates resources based on the adjusted net profit of each segment.

(III). Segments information

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2021:

	Photomask and semiconductor segment	Medical segment	Total
Revenue from external clients	\$ 6,068,709	\$ 8,653	\$ 6,077,362
Segment revenue	(\$ 155,571)	\$ -	(\$ 155,571)
Segment margin	\$ 1,294,573	(\$ 116,475)	\$ 1,178,098
Segment margin include:			
Depreciation	\$ 434,569	\$ 48,705	\$ 483,274
Amortization expense	\$ 18,102	\$ 134	\$ 18,236
Financial Costs	(\$ 99,775)	(\$ 749)	(\$ 100,524)
Interest income	\$ 4,837	\$ 21	\$ 4,858
Investments income recognized by using equity method	(\$ 80,385)	-	(\$ 80,385)
Segment assets	\$ 15,751,644	\$ 362,583	\$ 16,114,227

2020:

	Photomask and semiconductor segment
Revenue from external clients	\$ 4,666,756
Segment revenue	\$ 118,768
Segment margin	\$ 630,541
Segment margin include:	
Depreciation	(\$ 379,560)
Amortization expense	(\$ 7,395)
Financial Costs	(\$ 33,026)
Interest income	\$ 4,826
Investments income recognized by using equity method	(\$ 105,006)
Segment assets	\$ 9,101,708

(IV). Reconciliation for segment income

Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is measured in a manner consistent with that in the income statement.

The consolidated income, assets and liabilities of related segments are consistent with the consolidated income, consolidated assets and consolidated liabilities, so there is no reconciliation information.

(V). Information on products and services

The revenue from external customers mainly come from the sales revenue of photomasks and semiconductors and sales revenue of medical equipment, and the performance of related products is the same as that shown in Note 14 (3).

(VI). Geographical information

Information by region for the Group in 2021 and 2020:

	2021		2020	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	\$ 2,986,379	\$ 4,956,488	\$ 2,116,492	\$ 3,936,274
Asia	3,084,232	1,430	2,532,492	1,379
Others	6,751	-	17,772	-
Total	<u>\$ 6,077,362</u>	<u>\$ 4,957,918</u>	<u>\$ 4,666,756</u>	<u>\$ 3,937,653</u>

(VII). Major customer information

For the year ended December 31, 2021, \$942,399 of the Group's total revenue was derived from a customer.