

MPI CORPORATION and Subsidiaries
Consolidated Financial Statements
Nine Months Ended September 30, 2021 and 2020 and
Independent Accountants' Review Report

MPI CORPORATION and Subsidiaries

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors and Stockholders of MPI Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of **MPI CORPORATION** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the nine months then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Managements is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except for those described in the following paragraph of basis on qualified conclusion, we conducted our reviews in accordance with Statements of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of marking inquiries, primarily of persons responsible of financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

As described in Note 4(3), the financial statements of certain non-significant subsidiaries and measured based on their unreviewed financial statements as of and for the nine months ended September 30, 2021 and 2020. Total assets of these subsidiaries and investments amounted to NT\$1,528,223 thousand and NT\$1,343,783 thousand, representing 16% and 16% of the related consolidated totals, and total liabilities amounted to NT\$534,241 thousand and NT\$469,599 thousand, representing 14% and 16% of the related consolidated totals, as of September 30, 2021

and 2020, respectively. Total comprehensive income of these subsidiaries including share of profit of associates are NT\$(58,408) thousand and NT\$25,299 thousand, constituting (12) % and 4% of the consolidated totals for the nine months then ended respectively.

And these investment amounts as well as additional disclosures in Note 13 “Information about Investees” were based on these non-significant subsidiaries’ unreviewed financial statements for the same reporting periods as those of the Company.

Qualified conclusion

Based on our reviews, except for the effects of adjustments, if any, as might have been required had the financial statements of these non-significant subsidiaries mentioned described in the preceding paragraph been reviewed, we are not aware of any material modifications at September 30, 2021 and 2020 that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “Interim Financial Reporting “ endorsed by the Financial Supervisory Commission of the Republic of China.



NEXIA SUN RISE CPAs & COMPANY

日正聯合會計師事務所

Certified Public Accountants

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

November 10, 2021

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

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (ASSETS)

September 30, 2021, December 31, 2020 AND September 30, 2020

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

(UNAUDITED)

ASSETS	Note	September 30, 2021		December 31, 2020		September 30, 2020	
		Amounts	%	Amounts	%	Amounts	%
CURRENT ASSETS							
Cash and cash equivalents	6(1)	\$ 1,172,110	12	\$ 1,445,267	16	\$ 1,114,604	13
Financial assets at fair value through Profit or Loss-current	6(12)	80	-	1,289	-	1,637	-
Notes receivable, net	6(2)	153,966	2	80,316	1	51,643	1
Accounts receivable, net	6(3)	1,209,420	13	1,075,050	12	1,117,932	13
Other receivables		6,486	-	16,901	-	18,828	-
Income tax receivable		28	-	40	-	38	-
Inventories, net	6(4)	2,617,549	27	2,468,575	28	2,388,441	29
Prepayments		170,159	2	131,312	1	142,044	2
Other current assets	8	27,867	-	21,946	-	25,909	-
Total Current Assets		<u>5,357,665</u>	<u>56</u>	<u>5,240,696</u>	<u>58</u>	<u>4,861,076</u>	<u>58</u>
NONCURRENT ASSETS							
Property, plant and equipment	6(5).8	3,446,290	36	3,203,429	36	3,040,404	37
Right-of-use assets	6(6)	107,694	1	111,428	1	126,573	2
Intangible assets	6(7)	242,830	3	42,546	1	22,208	-
Deferred income tax assets	6(18)	117,001	1	118,180	1	114,232	1
Other noncurrent assets	6(8).8	251,320	3	260,313	3	161,838	2
Total Noncurrent Assets		<u>4,165,135</u>	<u>44</u>	<u>3,735,896</u>	<u>42</u>	<u>3,465,255</u>	<u>42</u>
TOTAL ASSETS		<u>\$ 9,522,800</u>	<u>100</u>	<u>\$ 8,976,592</u>	<u>100</u>	<u>\$ 8,326,331</u>	<u>100</u>

(The accompanying notes are an integral part of these consolidated financial statements)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

September 30, 2021, December 31, 2020 AND September 30, 2020

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

(UNAUDITED)

LIABILITIES AND EQUITY	Note	September 30, 2021		December 31, 2020		September 30, 2020	
		Amounts	%	Amounts	%	Amounts	%
CURRENT LIABILITIES							
Short-term loans	6(9)	\$ 508,210	5	\$ -	-	\$ -	-
Contract liabilities – current	6(16)	759,684	8	677,524	8	654,918	8
Notes payable		6,500	-	16,523	-	14,790	-
Accounts payable		626,600	7	524,672	6	476,816	6
Payables on equipment		65,758	1	133,660	1	17,336	-
Other payables	6(10)	685,033	7	795,751	9	593,805	7
Income tax payable		85,849	1	112,332	1	92,146	1
Provisions – current	6(11)	13,634	-	10,493	-	6,991	-
Lease liabilities – current	6(6)	49,389	1	54,879	1	64,851	1
Current portion of bonds payable	6(12)	9,496	-	135,576	2	199,983	2
Current portion of long-term loans	6(13)	2,087	-	-	-	-	-
Other current liabilities		30,061	-	16,138	-	21,175	-
Total Current Liabilities		<u>2,842,301</u>	<u>30</u>	<u>2,477,548</u>	<u>28</u>	<u>2,142,811</u>	<u>25</u>
NONCURRENT LIABILITIES							
Long-term loans	6(13)	764,686	8	763,797	8	629,280	8
Deferred income tax liabilities	6(18)	12,218	-	12,194	-	7,644	-
Lease liabilities – non-current	6(6)	59,500	1	58,018	1	64,885	1
Accrued pension cost	6(14)	15,316	-	16,021	-	30,271	-
Other noncurrent liabilities		96	-	96	-	97	-
Total Noncurrent Liabilities		<u>851,816</u>	<u>9</u>	<u>850,126</u>	<u>9</u>	<u>732,177</u>	<u>9</u>
TOTAL LIABILITIES		<u>3,694,117</u>	<u>39</u>	<u>3,327,674</u>	<u>37</u>	<u>2,874,988</u>	<u>34</u>
EQUITY							
6(15)							
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Capital common stock		940,738	10	920,802	10	910,684	11
Capital surplus		1,736,500	18	1,630,283	18	1,575,864	19
Retained earnings							
Appropriated as legal capital reserve		710,848	7	639,975	7	639,975	8
Appropriated as special capital reserve		79,234	1	68,477	1	68,477	1
Unappropriated earnings		2,435,061	26	2,459,642	28	2,337,811	28
Total Retained Earnings		<u>3,225,143</u>	<u>34</u>	<u>3,168,094</u>	<u>36</u>	<u>3,046,263</u>	<u>37</u>
Others							
Foreign currency translation adjustments		(82,916)	(1)	(79,234)	(1)	(90,108)	(1)
Total others		<u>(82,916)</u>	<u>(1)</u>	<u>(79,234)</u>	<u>(1)</u>	<u>(90,108)</u>	<u>(1)</u>
Equity attributable to shareholders of the parent		<u>5,819,465</u>	<u>61</u>	<u>5,639,945</u>	<u>63</u>	<u>5,442,703</u>	<u>66</u>
NONCONTROLLING INTERESTS		9,218	-	8,973	-	8,640	-
TOTAL EQUITY		<u>5,828,683</u>	<u>61</u>	<u>5,648,918</u>	<u>63</u>	<u>5,451,343</u>	<u>66</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 9,522,800</u>	<u>100</u>	<u>\$ 8,976,592</u>	<u>100</u>	<u>\$ 8,326,331</u>	<u>100</u>

(The accompanying notes are an integral part of these consolidated financial statements)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months and nine months ended September 30, 2021 and 2020
(All amounts are expressed in thousand of New Taiwan Dollars unless otherwise stated)
(UNAUDITED)

Items	Note	July 1-September 30, 2021		July 1-September 30, 2020		January 1 - September 30, 2021		January 1 - September 30, 2020	
		Amounts	%	Amounts	%	Amounts	%	Amounts	%
OPERATING REVENUE, NET	6(16)								
Sales revenue		\$ 1,559,096	95	\$ 1,448,826	96	\$ 4,421,247	95	\$ 4,263,912	96
Less: sales returns		(897)	-	(63)	-	(1,708)	-	(505)	-
sales discounts and allowances		(7,616)	-	(860)	-	(13,858)	-	(3,848)	-
Commission revenue		1,237	-	201	-	1,995	-	2,458	-
Processing Fees revenue		90,851	5	57,336	4	235,799	5	157,873	4
Operating Revenue, net		1,642,671	100	1,505,440	100	4,643,475	100	4,419,890	100
OPERATING COSTS	6(4)	(960,405)	(58)	(823,911)	(55)	(2,694,490)	(58)	(2,474,040)	(56)
GROSS PROFIT, NET		682,266	42	681,529	45	1,948,985	42	1,945,850	44
OPERATING EXPENSES									
Selling expenses		(176,694)	(11)	(156,350)	(10)	(511,818)	(11)	(458,865)	(10)
General & administrative expenses		(123,233)	(8)	(107,804)	(7)	(333,723)	(7)	(301,119)	(7)
Research and development expenses	6(7)	(182,721)	(11)	(174,226)	(12)	(540,285)	(12)	(496,436)	(11)
Expected Credit (losses)gains	6(3)	(191)	-	3,710	-	5,579	-	6,388	-
Operating expenses, net		(482,839)	(30)	(434,670)	(29)	(1,380,247)	(30)	(1,250,032)	(28)
OPERATING INCOME		199,427	12	246,859	16	568,738	12	695,818	16
NON-OPERATING INCOME AND EXPENSES									
Other gains and losses, net	6(17)	(54)	-	7,667	1	(27,845)	(1)	(22,308)	(1)
Finance costs	6(17)	(2,226)	-	(4,495)	-	(4,655)	-	(17,088)	-
Interest income	6(17)	341	-	994	-	1,776	-	3,611	-
Rent income	6(6)	2,227	-	2,420	-	6,824	-	7,180	-
Other non-operating revenue-other items		10,525	1	6,232	-	23,500	1	23,746	1
Total Non-operating Income and Expenses		10,813	1	12,818	1	(400)	-	(4,859)	-
INCOME BEFORE INCOME TAX		210,240	13	259,677	17	568,338	12	690,959	16
INCOME TAX EXPENSE	6(18)	(32,521)	(2)	(38,514)	(2)	(94,341)	(2)	(104,198)	(2)
NET INCOME		177,719	11	221,163	15	473,997	10	586,761	14
OTHER COMPREHENSIVE INCOME (LOSS)									
Items that may be reclassified subsequently to profit or loss									
Exchange differences arising on translation of foreign operations		(2,455)	-	11,218	1	(4,669)	-	(22,002)	(1)
Other comprehensive income for the period, net of income tax		(2,455)	-	11,218	1	(4,669)	-	(22,002)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		\$ 175,264	11	\$ 232,381	16	\$ 469,328	10	\$ 564,759	13
NET INCOME/(LOSS) ATTRIBUTABLE TO :									
Shareholders of the parent		\$ 176,905	11	\$ 221,138	15	\$ 472,765	10	\$ 586,891	14
Non-controlling interests		814	-	25	-	1,232	-	(130)	-
		\$ 177,719	11	\$ 221,163	15	\$ 473,997	10	\$ 586,761	14
TOTAL COMPREHENSIVE INCOME/(LOSS)									
Shareholders of the parent		\$ 174,909	11	\$ 232,277	16	\$ 469,083	10	\$ 565,260	13
Non-controlling interests		355	-	104	-	245	-	(501)	-
		\$ 175,264	11	\$ 232,381	16	\$ 469,328	10	\$ 564,759	13
EARNINGS PER COMMON SHARE(NTD)	6(19)								
Basic earnings per share		\$ 1.88		\$ 2.50		\$ 5.08		\$ 7.09	
Diluted earnings per share		\$ 1.88		\$ 2.41		\$ 5.05		\$ 6.79	

(The accompanying notes are an integral part of these consolidated financial statements)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

From January 1 to September 30, 2021 and 2020

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

(UNAUDITED)

Item	Capital		Retained Earnings			Others	Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve			
BALANCE, JANUARY, 1, 2020	\$ 799,587	\$ 980,325	\$ 596,549	\$ 54,229	\$ 2,008,491	\$ (68,477)	\$ 4,370,704	\$ 9,141	\$ 4,379,845
Legal capital reserve			43,426		(43,426)		-		-
Special capital reserve				14,248	(14,248)		-		-
Cash Dividends of Common Stock					(199,897)		(199,897)		(199,897)
Capital Reserve From Stock Warrants		648,090					648,090		648,090
Other changes in capital surplus		(52,551)					(52,551)		(52,551)
Net Income for the nine months ended September 30, 2020					586,891		586,891	(130)	586,761
Other comprehensive income for the nine months ended September 30, 2020						(21,631)	(21,631)	(371)	(22,002)
Total comprehensive income	-	-	-	-	586,891	(21,631)	565,260	(501)	564,759
Convertible Bonds Transferred To Common Stock	111,097	-					111,097		111,097
BALANCE, SEPTEMBER, 30, 2020	\$ 910,684	\$ 1,575,864	\$ 639,975	\$ 68,477	\$ 2,337,811	\$ (90,108)	\$ 5,442,703	\$ 8,640	\$ 5,451,343
BALANCE, JANUARY, 1, 2021	\$ 920,802	\$ 1,630,283	\$ 639,975	\$ 68,477	\$ 2,459,642	\$ (79,234)	\$ 5,639,945	\$ 8,973	\$ 5,648,918
Legal capital reserve			70,873		(70,873)		-		-
Special capital reserve				10,757	(10,757)		-		-
Cash Dividends of Common Stock					(415,716)		(415,716)		(415,716)
Capital reserve from stock warrants		115,466					115,466		115,466
Other changes in capital surplus		(9,249)					(9,249)		(9,249)
Net Income for the nine months ended September 30, 2021					472,765		472,765	1,232	473,997
Other comprehensive income for the nine months ended September 30, 2021						(3,682)	(3,682)	(987)	(4,669)
Total comprehensive income	-	-	-	-	472,765	(3,682)	469,083	245	469,328
Convertible Bonds Transferred To Common Stock	19,936						19,936		19,936
BALANCE, SEPTEMBER, 30, 2021	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,435,061	\$ (82,916)	\$ 5,819,465	\$ 9,218	\$ 5,828,683

(The accompanying notes are an integral part of these consolidated financial statements)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to September 30, 2021 and 2020

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

(UNAUDITED)

Items	Jan 1 ~ Sep 30, 2021	Jan 1 ~ Sep 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 568,338	\$ 690,959
Adjustments to reconcile net income to net cash		
Depreciation	318,737	365,074
Amortization	47,889	44,017
Expected Credit loss (gain)	(5,579)	(6,388)
(Gain) loss on Financial Assets (Liabilities) at Fair Value through Profit or Loss	228	(7,595)
Interest expense	4,655	17,088
Interest revenue	(1,776)	(3,611)
(Gain) loss on disposal of property, plant and equipment	12,924	(696)
(Gain) loss on lease modification	(411)	(158)
Rent concessions	-	(485)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	(73,649)	44,432
Decrease (Increase) in accounts receivable	(102,394)	122,798
Decrease (Increase) in other receivables	10,527	(16,209)
Decrease (Increase) in inventories	(129,648)	(133,925)
Decrease (Increase) in prepayments	(37,184)	(38,534)
Decrease (Increase) in other current assets	(2,066)	572
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	80,367	(156,313)
(Decrease) Increase in notes payable	(10,023)	2,001
(Decrease) Increase in accounts payable	98,056	96,839
(Decrease) Increase in other accounts payable	(117,506)	(114,927)
(Decrease) Increase in provision for liabilities	3,140	419
(Decrease) Increase in other current liabilities	13,922	1,155
(Decrease) Increase in net defined benefit liability	(705)	(2,497)
Cash generated from operations	677,842	904,016
Interest received	1,664	3,456
Interest paid	(1,671)	(4,634)
Cash dividend paid	(415,716)	(199,897)
Income taxes paid	(119,609)	(58,370)
Net cash Provided By (Used In) Operating Activities	142,510	644,571

(Continue)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to September 30, 2021 and 2020

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

(UNAUDITED)

Items	Jan 1 ~ Sep 30, 2021	Jan 1 ~ Sep 30, 2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow arising from acquisition of subsidiaries	(272,560)	-
Acquisition of property, plant and equipment	(569,985)	(453,555)
Proceeds from disposal of property, plant and equipment	1,191	814
Acquisition of intangible assets	(4,110)	(13,087)
Increase in other financial assets	(4,343)	(4,523)
Increase in other non-current assets	(3,308)	(57,509)
Net cash Provided By (Used In) Investing Activities	<u>(853,115)</u>	<u>(527,860)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	497,913	-
Decrease in short-term loans	-	(500,000)
Issuance of long-term loans	1,912	487,072
Cash payments for the principal portion of the lease liability	(57,760)	(77,833)
Increase (decrease) in non-controlling interests	(987)	(371)
Net cash Provided By (Used In) Financing Activities	<u>441,078</u>	<u>(91,132)</u>
Effects of exchange rate change on cash	<u>(3,630)</u>	<u>(14,286)</u>
Net increase (decrease) in cash and cash equivalents	(273,157)	11,293
Cash and cash equivalents at beginning of the period	<u>1,445,267</u>	<u>1,103,311</u>
Cash and cash equivalents at end of the period	<u>\$ 1,172,110</u>	<u>\$ 1,114,604</u>

(The accompanying notes are an integral part of these consolidated financial statements)

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED September 30, 2021 AND 2020

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

(UNAUDITED)

1. Company profile

- (1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT\$940,738 thousand and outstanding stock has been 94,073,772 shares until September 30, 2021. Upon resolution of the general shareholders' meeting on June 12, 2018, the Company raised the authorized capital as NT\$1,200,000,000, divided into 120,000,000 shares at par value of NT\$10 per share. The board of directors is authorized to issue the stock in lots. NT\$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT\$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.
- (2) The Company and its subsidiaries (hereinafter referred to as the "Group" collectively) primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.
- (3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

2. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on November 10, 2021.

3. Application of new standards, amendments and interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform—Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021(Note)

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

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018—2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023

Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendment to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	January 1, 2023

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

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standards 34, 'Interim financial reporting' endorsed by the FSC.

(2) Basis for preparation

A. Basis for measurement

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

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

B. Functional currency and presentation of currency

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

(3) Basis for consolidation

A. Principles for preparation of consolidated financial statements

- (a) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the

consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date when the Group forfeits the controlling power.

- (b) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group's interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.
 - (d) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly.
 - (e) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be re-measured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliates or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed of, the gain or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.
- B. Subsidiaries included into the consolidated financial statements and status of change thereof:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December, 31, 2020	September 30, 2020	
MPI	Chain-Logic International Corp.	Professional equipment agent and provides technologic service for the manufacturing of high-tech industry such as LED, LCD, Semiconductor, and etc.	100%	100%	100%	Established on March 1, 1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	100%	Established on December 22, 2000.
MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	100%	Established on August 7, 2002.
MPI	MEGTAS CO., LTD	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	80%	80%	80%	Established on September 1, 2010.
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	100%	Established on March 31, 2006. The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	100%	100%	Established on April 12, 2017.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading business	100%	100%	100%	Established on November 19, 2001.(Note 1)
MMI HOLDING CO., LTD.	Lumitek (ChangZhou) Co.,Ltd.	Selling and manufacturing of high-tech industry such as LED.	100%	100%	100%	Established on January 10, 2014.
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	100%	100%	Established on July 11, 2017.
MPA TRADING CORP.	MPI AMERICA INC.	Selling Probe Card and Test Equipment	100%	100%	100%	Established on March 29, 2017.
MPI AMERICA INC.	Celadon Systems, Inc.	Selling and manufacturing of Probe Card , Test Equipment and High-performance cables	100%	-	-	Established on May 17, 1996. The Company started on September 9, 2021 as the acquisition date, acquiring 100% of the shares. (Note2)

(Note1) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Rest of the investment amount US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by the reduction of capital CHAIN-LOGIC TRADING CORP. in January, 2020 and was use to deduct the accumulated amount of investment in China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

(Note2) For the business development strategy, the Group has acquired 100% of the share capital of Celadon Systems Inc. for US\$10,200,000(equivalent to NT\$283,471 thousand) and obtained the control over Celadon.

The financial statements of the entity as of and for the nine months ended September 30, 2021 and 2020 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary except MMI HOLDING CO., LTD. and Lumitek (ChangZhou) Co., Ltd.

- C. Subsidiaries not included into the consolidated financial statements: N/A.
- D. Different adjustment and treatment by subsidiaries in the accounting period: N/A.
- E. Nature and scope of the important restrictions on enterprise's acquisition or use of the group's assets and solvency: N/A.
- F. Subsidiaries over which the Group holds important non-controlling equity: N/A.

(4) Foreign currency

A. Foreign currency transactions

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

B. Foreign operations

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

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

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

(5) Current and non-current assets and liabilities

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

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

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

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

(6) Cash and cash equivalent

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

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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

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

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

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

(13) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

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

(14) Convertible bonds payable

Convertible bonds or issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by

exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

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

(15) Derecognition of financial liabilities

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

ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(16) Inventory

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

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

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

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

(18) Investments accounted for using equity method / associates

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

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

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

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

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

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

(19) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. After cost

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

C. Depreciation

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

different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

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

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	3-13
Transportation equipment	4-6
Furniture and fixtures	2-10
Research equipment	2-13
Other equipments	3-9

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

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

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as ‘lease receivables’ at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as ‘unearned finance income of finance lease’.

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.

(c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(21) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

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

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

(22) Intangible assets

A. Goodwill

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

B. Computer Software

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

C. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognized as intangible assets when the following criteria are met:

Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;

Ⓑ An entity intends to complete the intangible asset and use or sell it;

Ⓒ An entity has the ability to use or sell the intangible asset;

Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;

Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And

Ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

(23) Impairment of non-financial assets

A. The Group will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.

C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit group expected to benefit from the merger of businesses generating the goodwill.

(24) Reserve for liabilities

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

The Group's reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(25) Treasury stock

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

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

(26) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the

wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- (b) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

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

C. Financing components

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

D. Incremental costs of obtaining a contract

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

(27) Borrowings

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

(28) Government subsidies

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

(29) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plan

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

(b) Defined benefit plan

- Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.
- Ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.
- Ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.
- Ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

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

D. Remuneration to employee and directors/supervisors

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

(30) Employee share-based payment

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

(31) Income tax

A. The income tax expenses consist of current income tax and deferred income tax.

The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.

B. The Group calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. Income tax expenses for undistributed

earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.

- C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized; insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Group and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.
- D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.
- G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit

or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(32) Business combination

- A. The Group adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.
- B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(33) EPS

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

(34) Information by department

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

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

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

A. Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

- (1) The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognizes revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Group recognizes revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.
- (2) Indicators that the Group controls the good or service before it is provided to a customer include the following:
 - (a) The Group is primarily responsible for the provision of goods or services;
 - (b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.
 - (c) The Group has discretion in establishing prices for the goods or services.

B. Critical accounting estimates and assumptions

(1) Allowance for uncollectible of receivable accounts

The Group evaluates and estimates the collectible receivable accounts and allowance for uncollectible accounts according to the loan quality and collection of debt from customers and based on the past experience in collecting allowance for uncollectible accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is

changed. Until September 30, 2021, the book value of receivable accounts has been NT\$1,363,386 thousand (exclusive of the allowance for uncollectible accounts, NT\$15,438 thousand).

(2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the rapid transformation of technology, the Group evaluates the value of inventories after excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until September 30, 2021, the book value of the Group's inventories has been NT\$2,617,549 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$359,766 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. Until September 30, 2021, the deferred income tax assets recognized by the Group have been NT\$117,001 thousand.

(4) Recognition of revenue

In principle, sales revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. Until September 30, 2021, the reserve for liabilities recognized by the Group have been NT\$13,634 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any changes in the actuarial hypotheses might affect the value of the Group's defined benefit obligation materially. As of September 30, 2021, the book value of accrual pension liabilities of the Group amounted to NT\$15,316 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash:			
Cash on hand	\$ 3,055	\$ 2,569	\$ 3,979
Cash in banks:			
Checking deposits	10	10	10
Demand deposits	927,535	1,406,410	1,075,173
Time deposits	241,510	36,278	35,442
Total	<u>\$ 1,172,110</u>	<u>\$ 1,445,267</u>	<u>\$ 1,114,604</u>

The bank deposits provided by the Group as collateral have been re-stated as other current assets and non-current assets. Please refer to Note 8.

(2) Notes receivable, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 153,966	\$ 80,316	\$ 51,643
Less: Allowance for doubtful accounts	—	—	—
Notes receivable, net	<u>\$ 153,966</u>	<u>\$ 80,316</u>	<u>\$ 51,643</u>

A. The Group's receivable notes were issued for business and never been provided as collateral.

B. The ageing analysis of notes receivable is stated as follows:

	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	Total	Impairment	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$153,966	\$ —	\$ 80,316	\$ —	\$ 51,643	\$ —
1~90 days	—	—	—	—	—	—
91 to 180 days	—	—	—	—	—	—
181 to 360 days	—	—	—	—	—	—
361 to 720 days	—	—	—	—	—	—
Over721 days	—	—	—	—	—	—
Total	<u>\$153,966</u>	<u>\$ —</u>	<u>\$ 80,316</u>	<u>\$ —</u>	<u>\$ 51,643</u>	<u>\$ —</u>

The above ageing analysis was based on account day.

C. As of September 30, 2021, December 31, 2020 and September 30, 2020, notes receivable were all from contracts with customers.

(3) Accounts receivable, net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$ 1,221,539	\$ 1,091,904	\$ 1,133,386
Less: Allowance for uncollectible accounts	(12,119)	(16,854)	(15,454)
Accounts receivable, net	<u>\$ 1,209,420</u>	<u>\$ 1,075,050</u>	<u>\$ 1,117,932</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Overdue receivable (stated as other non-current assets)	\$ 3,319	\$ 4,212	\$ 207
Less: Allowance for uncollectible accounts	(3,319)	(4,212)	(207)
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

A. The Group's receivable accounts were incurred for business and never been provided as collateral.

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

	Group provision	Individual provision	Total
At January 1,2021	\$ 21,066	\$ —	\$ 21,066
Provision for impairment	—	—	—
Reversal of impairment	(5,579)	—	(5,579)
Write-offs during the period	—	—	—
Unwinding of discount and premium	(49)	—	(49)
At September 30, 2021	<u>\$ 15,438</u>	<u>\$ —</u>	<u>\$ 15,438</u>
At January 1,2020	\$ 23,100	\$ —	\$ 23,100
Provision for impairment	—	—	—
Reversal of impairment	(6,388)	—	(6,388)
Write-offs during the period	(801)	—	(801)
Unwinding of discount and premium	(250)	—	(250)
At September 30,2020	<u>\$ 15,661</u>	<u>\$ —</u>	<u>\$ 15,661</u>

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

	September 30, 2021		December 31, 2020		September 30, 2020	
	Total	Impairment	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 1,077,812	\$ —	\$ 903,878	\$ —	\$ 970,371	\$ —
1~90 days	126,502	8,855	157,121	10,999	136,996	9,590
91 to 180 days	10,428	1,564	24,170	3,625	15,403	2,310
181 to 360 days	6,794	1,698	4,550	1,138	7,016	1,754
361 to 720 days	3	2	2,185	1,092	3,600	1,800
Over721 days	3,319	3,319	4,212	4,212	207	207
Total	<u>\$ 1,224,858</u>	<u>\$ 15,438</u>	<u>\$ 1,096,116</u>	<u>\$ 21,066</u>	<u>\$ 1,133,593</u>	<u>\$ 15,661</u>

The above ageing analysis was based on past due date.

D. As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable were all from contracts with customers.

(4) Inventories

September 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 761,129	\$ (191,149)	\$ 569,980
Supplies	159,743	(38,770)	120,973
Work in progress	519,418	(38,356)	481,062
Semi-finished goods	461,648	(71,729)	389,919
Finished goods	995,528	(17,497)	978,031
Commodity	79,837	(2,265)	77,572
Materials and supplies in transit	12	—	12
Inventory, net	<u>\$ 2,977,315</u>	<u>\$ (359,766)</u>	<u>\$ 2,617,549</u>

December 31, 2020			
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 744,954	\$ (152,026)	\$ 592,928
Supplies	129,057	(31,589)	97,468
Work in progress	477,198	(32,264)	444,934
Semi-finished goods	430,709	(61,802)	368,907
Finished goods	927,586	(29,304)	898,282
Commodity	57,270	(1,796)	55,474
Materials and supplies in transit	10,582	—	10,582
Inventory, net	<u>\$ 2,777,356</u>	<u>\$ (308,781)</u>	<u>\$ 2,468,575</u>

September 30, 2020			
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 744,893	\$ (144,801)	\$ 600,092
Supplies	138,038	(30,167)	107,871
Work in progress	480,754	(30,564)	450,190
Semi-finished goods	398,794	(56,776)	342,018
Finished goods	840,303	(25,108)	815,195
Commodity	76,679	(3,649)	73,030
Materials and supplies in transit	45	—	45
Inventory, net	<u>\$ 2,679,506</u>	<u>\$ (291,065)</u>	<u>\$ 2,388,441</u>

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

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Cost of inventories sold	\$ 926,656	\$ 799,984	\$ 2,592,961	\$ 2,448,841
Loss on market price decline inventories (gain from price recovery)	6,035	8,501	(50,483)	(19,712)
Loss on obsolescence of inventory	14,390	657	14,441	1,528
Other operating costs-employees' bonus	10,693	13,347	28,219	35,611
Estimated warranty liabilities	2,634	1,422	8,391	7,772
Exchange difference, net	(3)	—	(5)	—
Operating Cost	<u>\$ 960,405</u>	<u>\$ 823,911</u>	<u>\$ 2,694,490</u>	<u>\$ 2,474,040</u>

B. As of September 30, 2021, December 31, 2020 and September 30, 2020, inventories of the Group were not pledged as collateral.

(5) Property, plant and equipment

A. The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Transportation	Office equipment	Research equipment	Other equipment	Construction in progress	Total
Cost:									
At January 1, 2021	\$ 770,963	\$ 1,570,122	\$ 1,596,777	\$ 1,766	\$ 63,425	\$ 635,006	\$ 44,769	\$ 646,556	\$ 5,329,384
Acquisition through business combination	-	-	51,504	-	1,542	-	6,430	-	59,476
Additions	-	208,661	81,454	-	10,428	17,316	2,667	36,326	356,852
Disposals	-	(28,106)	(38,689)	-	(3,895)	(93,642)	(3,205)	-	(167,537)
Reclassifications	-	644,270	114,607	-	1,746	33,467	-	(649,562)	144,528
Effect of movements in exchange rate	-	(60)	(4,004)	(4)	(325)	396	(882)	-	(4,879)
At September 30, 2021	<u>\$ 770,963</u>	<u>\$ 2,394,887</u>	<u>\$ 1,801,649</u>	<u>\$ 1,762</u>	<u>\$ 72,921</u>	<u>\$ 592,543</u>	<u>\$ 49,779</u>	<u>\$ 33,320</u>	<u>\$ 5,717,824</u>
Cost:									
At January 1, 2020	\$ 770,963	\$ 1,569,824	\$ 1,484,847	\$ 1,818	\$ 63,119	\$ 709,680	\$ 46,326	\$ 233,416	\$ 4,879,993
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	-	36,914	-	3,495	10,519	222	240,021	291,171
Disposals	-	-	(38,338)	-	(9,530)	(137,145)	(1,552)	-	(186,565)
Reclassifications	-	-	66,983	-	111	47,132	-	(227)	113,999
Effect of movements in exchange rate	-	(1,128)	(27,176)	(75)	(441)	-	(1,553)	(13)	(30,386)
At September 30, 2020	<u>\$ 770,963</u>	<u>\$ 1,568,696</u>	<u>\$ 1,523,230</u>	<u>\$ 1,743</u>	<u>\$ 56,754</u>	<u>\$ 630,186</u>	<u>\$ 43,443</u>	<u>\$ 473,197</u>	<u>\$ 5,068,212</u>
Accumulated depreciation and impairment :									
At January 1, 2021	\$ -	\$ 491,064	\$ 1,120,336	\$ 457	\$ 38,839	\$ 433,167	\$ 42,092	\$ -	\$ 2,125,955
Acquisition through business combination	-	-	35,291	-	1,393	-	4,513	-	41,197
Additions	-	55,409	139,228	252	9,679	57,462	724	-	262,754
Disposals	-	(15,190)	(38,689)	-	(3,895)	(92,451)	(3,197)	-	(153,422)
Reclassifications	-	-	(701)	-	-	-	-	-	(701)
Effect of movements in exchange rate	-	(13)	(3,054)	(1)	(331)	-	(850)	-	(4,249)
At September 30, 2021	<u>\$ -</u>	<u>\$ 531,270</u>	<u>\$ 1,252,411</u>	<u>\$ 708</u>	<u>\$ 45,685</u>	<u>\$ 398,178</u>	<u>\$ 43,282</u>	<u>\$ -</u>	<u>\$ 2,271,534</u>
Accumulated depreciation and impairment :									
At January 1, 2020	\$ -	\$ 421,928	\$ 969,447	\$ 124	\$ 35,263	\$ 477,630	\$ 41,658	\$ -	\$ 1,946,050
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	51,923	156,451	255	10,243	70,103	2,450	-	291,425
Disposals	-	-	(38,275)	-	(9,475)	(137,145)	(1,552)	-	(186,447)
Reclassifications	-	-	-	-	(24)	-	24	-	-
Effect of movements in exchange rate	-	(186)	(21,246)	(10)	(331)	-	(1,447)	-	(23,220)
At September 30, 2020	<u>\$ -</u>	<u>\$ 473,665</u>	<u>\$ 1,066,377</u>	<u>\$ 369</u>	<u>\$ 35,676</u>	<u>\$ 410,588</u>	<u>\$ 41,133</u>	<u>\$ -</u>	<u>\$ 2,027,808</u>
Book value									
At September 30, 2021	<u>\$ 770,963</u>	<u>\$ 1,863,617</u>	<u>\$ 549,238</u>	<u>\$ 1,054</u>	<u>\$ 27,236</u>	<u>\$ 194,365</u>	<u>\$ 6,497</u>	<u>\$ 33,320</u>	<u>\$ 3,446,290</u>
At December 31, 2020	<u>\$ 770,963</u>	<u>\$ 1,079,058</u>	<u>\$ 476,441</u>	<u>\$ 1,309</u>	<u>\$ 24,586</u>	<u>\$ 201,839</u>	<u>\$ 2,677</u>	<u>\$ 646,556</u>	<u>\$ 3,203,429</u>
At September 30, 2020	<u>\$ 770,963</u>	<u>\$ 1,095,031</u>	<u>\$ 456,853</u>	<u>\$ 1,374</u>	<u>\$ 21,078</u>	<u>\$ 219,598</u>	<u>\$ 2,310</u>	<u>\$ 473,197</u>	<u>\$ 3,040,404</u>

B. The Company signed the contract with the non-related party about the new construction of Zhubei third factory at Zhubei City Tai Ho Section, in September and October 2019. The total contract amount was NT\$724,000 thousand. The building ownership certificate has been obtained in 2021 for the new plant, and various projects which recognized to “Buildings” have been accepted after completion.

C. Guarantee

For details about the secured bank loan and facility and account receivable as for September 30, 2021, December 31, 2020 and September 30, 2020, please see Note 8.

D. Total capitalized interest see note 6 (17) B for details.

(6) Right-of-use assets and Lease liabilities

A. Leasing arrangements – lessee

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

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

	<u>September 30, 2021</u>	<u>Jan 1~Sep 30, 2021</u>	<u>September 30, 2020</u>	<u>Jan 1~Sep 30, 2020</u>
	Book value	Depreciation charge	Book value	Depreciation charge
Land	\$ 24,718	\$ 6,655	\$ 34,151	\$ 7,375
Buildings	29,184	27,671	31,307	35,561
Machinery and equipment	-	-	3,783	11,592
Transportation(Business vehicles)	53,792	21,657	57,332	19,121
Total	<u>\$ 107,694</u>	<u>\$ 55,983</u>	<u>\$ 126,573</u>	<u>\$ 73,649</u>

(c) For the nine months ended September 30, 2021 and September 30, 2020, the additions to right-of-use assets were NT\$57,359 thousand and NT\$57,309 thousand respectively.

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

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~ Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~ Sep 30, 2020</u>
<u>Items affecting profit or loss</u>				
Interest expense on lease liabilities	\$ 570	\$ 958	\$ 1,915	\$ 2,848
Expense on short-term lease contracts	\$ 893	\$ 1,798	\$ 4,097	\$ 5,790
Gains(losses) on lease modification	\$ 242	\$ —	\$ 411	\$ 158

- (e) For the nine months ended September 30, 2021 and September 30, 2020, the Group's total cash outflow for leases were NT\$57,760 thousand and NT\$77,833 thousand respectively.
- (f) The Group adopts the practical expedient of "Covid-19-related rent concessions", and recognized the profit of changes in lease payments as other gains resulting from the rent concessions for the nine months ended September 30, 2021 and 2020 are NT\$0 and NT\$485 thousand respectively.

B. Lease liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	\$ 49,389	\$ 54,879	\$ 64,851
Noncurrent	59,500	58,018	64,885
Total	<u>\$ 108,889</u>	<u>\$ 112,897</u>	<u>\$ 129,736</u>

- (a) Please refer to Note 6(17) B. for the interest expense of lease liabilities.
- (b) The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 1.38%~4.5% and 1.38%~4.5% as of nine months ended September 30, 2021 and September 30, 2020 respectively.

C. Leasing arrangements – lessor

- (a) The Group leases various assets including part of office buildings. Rental contracts are typically made for periods within one year. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- (b) For the three months and nine months ended September 30, 2021 and 2020, the Group recognized rent income in the amount of NT\$2,227 thousand, NT\$2,420 thousand, NT\$6,824 thousand and NT\$7,180 thousand respectively, based on the operating lease agreement, which does not include variable lease payments.

(7) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the nine months ended of September 30, 2021 and 2020 were as follows:

2021	Goodwill	Computer software	Total
January 1, 2021	\$ —	\$ 42,546	\$ 2,546
Additions-acquired separately	—	4,110	4,110
Additions-acquired through business combinations	228,204	2,540	230,744
Reclassification	—	—	—
Amortization expenses	—	(35,114)	(35,114)
Impairment	—	—	—
Exchange difference, net	545	(1)	544
September 30, 2021	<u>\$ 228,749</u>	<u>\$ 14,081</u>	<u>\$ 242,830</u>

2020	Goodwill	Computer software	Total
January 1, 2020	\$ —	\$ 34,803	\$ 34,803
Additions-acquired separately	—	13,087	13,087
Additions-acquired through business combinations	—	—	—
Reclassification	—	—	—
Amortization expenses	—	(25,670)	(25,670)
Impairment	—	—	—
Exchange difference, net	—	(12)	(12)
September 30, 2020	<u>\$ —</u>	<u>\$ 22,208</u>	<u>\$ 22,208</u>

	Goodwill		
	September 30, 2021	December 31, 2020	September 30, 2020
Cost	\$ 274,282	\$ 45,533	\$ 45,533
Accumulated impairment	(45,533)	(45,533)	(45,533)
Net book value	<u>\$ 228,749</u>	<u>\$ —</u>	<u>\$ —</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other non-current assets) for the three months and nine months ended September 30, 2021 and 2020, respectively, were stated as the following items in the comprehensive income statement:

	Jul 1~Sep 30, 2021	Jul 1~Sep 30, 2020	Jan 1~Sep 30, 2021	Jan 1~Sep 30, 2020
Operating cost	\$ 3,884	\$ 5,920	\$ 11,871	\$ 18,687
Operating expense	10,898	7,516	36,018	25,330
Total amortization expenses	<u>\$ 14,782</u>	<u>\$ 13,436</u>	<u>\$ 47,889</u>	<u>\$ 44,017</u>

B. R&D expenditure

Research and development expenditures are recognized as Operating-Research and development, which represented NT\$182,721 thousand, NT\$174,226 thousand, NT\$ 540,285 thousand and NT\$496,436 thousand for the three months and nine months ended September 30, 2021 and 2020, respectively.

C. Goodwill Impairment Charges

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

D. Please refer Note 6(20) for details of the mergers and acquisitions.

(8) Other non-current assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Prepayments for equipment	\$ 139,580	\$ 160,420	\$ 60,641
Refundable deposit	80,228	77,984	77,269
Deferred Charges	31,023	21,909	23,928
Other non-current financial assets	489	—	—
Total	<u>\$ 251,320</u>	<u>\$ 260,313</u>	<u>\$ 161,838</u>

A. About the refundable deposit for 2021 as follows:

Some of the former employees of the group were being prosecuted for stealing the trade secret of the group to WinWay Technology Co., Ltd. They were prosecuted by the Hsinchu District Prosecutors Office and the criminal justices were currently judged by Taiwan Hsinchu District Court.

The group was asking for civil compensation from the defendants. For the case, the group applied for provisional seizure and deposited the guarantee amount of NT\$57,550 thousand to Intellectual Property and Commercial Court and Taiwan Hsinchu District Court. After the preliminary investigation, there were still a large number of exhibits waiting for identification. The civil justices were currently judged by Taiwan High Court and the Supreme Court.

The above cases have no significant impact on the group's financial condition and operating result. On the position of protecting fair competition and intellectual property rights, the group had engaged the attorney to prosecute the civil and criminal legal liability.

Till September 30, 2021, December 31, 2020 and September 30, 2020, the Group has deposited the guarantee of processing fee NT\$57,550 thousand, NT\$53,500 thousand and NT\$53,500 thousand.

B. The costs of deferred charges, amortization, and the impairment loss of the Group for the nine months ended September 30, 2021 and 2020 were as follows:

	Deferred Charges			Deferred Charges	
January 1, 2021	\$	21,909	January 1, 2020	\$	39,165
Addition		18,670	Addition		3,659
Reclassification		—	Reclassification		—
Amortization expenses		(12,775)	Amortization expenses		(18,347)
Reclassifications		3,234	Reclassifications		—
Impairment		—	Impairment		—
Exchange difference, net		(15)	Exchange difference, net		(549)
September 30, 2021	\$	<u>31,023</u>	September 30, 2020	\$	<u>23,928</u>

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

(9) Short-term loan

Nature	September 30, 2021		December 31, 2020		September 30, 2020	
	Amounts	Interest rates	Amounts	Interest rates	Amounts	Interest rates
Credit loan	\$ —	—	\$ —	—	\$ —	—
Secured loan (note)	508,210	0.78% ~3.8%	—	—	—	—
Total	<u>\$ 508,210</u>		<u>\$ —</u>		<u>\$ —</u>	

(Note) The subsidiary of the Group – Celadon Systems Inc., obtained a line of credit for maximum borrowings of US\$1,000,000. The line of credit is secured by company assets. As of September 30 2021, the amount of line of credit was US\$294,857.84(equivalent to NT\$8,210 thousand).

- A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).
- B. Pledged assets for bank loan
For bank loans secured by the Group's assets, please refer to Note 8.

(10) Other accounts payable

	September 30, 2021	December 31, 2020	September 30, 2020
Expenses payable	\$ 552,180	\$ 672,772	\$ 483,086
Employees' remuneration payable	48,422	76,677	63,299
Short-term employee benefits	54,462	20,745	22,799
Others (less than 5%)	29,969	25,557	24,621
Total	<u>\$ 685,033</u>	<u>\$ 795,751</u>	<u>\$ 593,805</u>

(11) Reserve for liabilities

	<u>Warranty</u>		<u>Warranty</u>		<u>Warranty</u>
At January 1, 2021	\$ 10,493	At January 1, 2020	\$ 6,572	At January 1, 2020	\$ 6,572
Provision made/(Payment)	3,141	Provision made/(Payment)	3,921	Provision made/(Payment)	419
At September 30, 2021	<u>\$ 13,634</u>	At December 31, 2020	<u>\$ 10,493</u>	At September 30, 2020	<u>\$ 6,991</u>
Current	\$ 13,634	Current	\$ 10,493	Current	\$ 6,991
Non-current	—	Non-current	—	Non-current	—
At September 30, 2021	<u>\$ 13,634</u>	At December 31, 2020	<u>\$ 10,493</u>	At September 30, 2020	<u>\$ 6,991</u>

The Group's reserve for warranty and liabilities for the nine months ended September 30, 2021 and 2020 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sale.

(12) Corporate bonds-payable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
4th domestic unsecured convertible bonds	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Bonds transferred to common stock	(953,500)	(821,600)	(753,400)
Less : Convertible corporate bonds repayment due	—	—	—
Less : Buy back from open market	(36,700)	(36,700)	(36,700)
Less : Discount of bonds payable	(304)	(6,124)	(9,917)
Corporate bonds-payable, net	<u>\$ 9,496</u>	<u>\$ 135,576</u>	<u>\$ 199,983</u>
Current	\$ 9,496	\$ 135,576	\$ 199,983
Non-current	—	—	—
Total	<u>\$ 9,496</u>	<u>\$ 135,576</u>	<u>\$ 199,983</u>
Embedded derivative-Financial (Assets) liabilities	\$ (80)	\$ (1,289)	\$ (1,637)
Equity element	<u>\$ 687</u>	<u>\$ 9,936</u>	<u>\$ 14,718</u>

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1070325999 dated July 26, 2018. The issuance conditions are stated as following:

- (a) Total issued amount: The Company issued NT\$1,000,000 thousand of convertible bonds, each bond had a face value of NT\$100 thousand; issued at 100.1% of the face value, a total of 10 thousand copies were issued.

- (b) Duration: 5 years (August 15, 2018~ August 15, 2023)
- (c) Coupon rate: 0%
- (d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).
- (e) Conversion price and adjustment thereof:
 - Ⓐ The conversion price at the time of issuance shall be NT\$71.50 per share.
 - Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.
 - Ⓒ The Company's board of directors resolved on August 7, 2019 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 10, 2019, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$69.2 per share.
 - Ⓓ The Company's board of directors reported on July 10, 2020 about the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.40 per share
 - Ⓔ The Company's board of directors reported on July 14, 2021 about the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 18, 2021, the Company's

4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$65.10 per share.

(f) Bondholders' put option:

The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal:

Except those converted to the Company's common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

- B. (a) For January 1, 2020 to September 30, 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 11,109,624 shares with face value of NT\$749,400 thousand, and recognized NT\$648,090 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion

Till the September 30, 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 11,166,962 shares with face value of NT\$753,400 thousand, and recognized NT\$651,555 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

(b) For the whole 2020, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 12,121,471 shares with face value of NT\$817,600 thousand, and recognized NT\$707,291 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

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

(c) For January 1, 2021 to September 30, 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 1,993,575 shares with face value of NT\$131,900 thousand, and recognized NT\$115,467 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

Till the September 30, 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,172,384 shares with face value of NT\$953,500 thousand, and recognized NT\$826,223 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

C. The Company analyzed the 4th domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	August 15, 2018 <u>(Issuing date)</u>
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	<u>(6,400)</u>
Corporate bond payable, net on the issuing date	<u>\$ 919,095</u>

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the “from financial assets and liabilities at fair value through profit or loss ”.

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

D. (a) Financial assets and liabilities profit(loss) measured at fair value through profit or loss of the Group for the nine months ended September 30, 2021 and 2020 were NT\$(228) thousand and NT\$7,595 thousand respectively.

- (b) The Group recognized interest expense of convertible bonds for the nine months ended September 30, 2021 and 2020 were NT\$1,054 thousand and NT\$9,708 thousand respectively.
- E. For the ended September 30, 2021, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.

(13) Long-term Loans

<u>Lender</u>	<u>Nature</u>	<u>Amount</u>	<u>Period</u>	<u>September 30, 2021</u>
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 443,797
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
BMO Harris Bank	Secured bank borrowings (note)	USD 365,000	2017/01/13~2022/10/13	2,976
Less: Long-term Loans payable-current portion				(2,087)
Long-term Loans, net				<u>\$ 764,686</u>
Interest rates for long-term loans				<u>0.63%~4.5948%</u>

<u>Lender</u>	<u>Nature</u>	<u>Amount</u>	<u>Period</u>	<u>December 31, 2020</u>
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 443,797
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Less: Long-term Loans payable-current portion				—
Long-term Loans, net				<u>\$ 763,797</u>
Interest rates for long-term loans				<u>0.63%~0.88%</u>

<u>Lender</u>	<u>Nature</u>	<u>Amount</u>	<u>Period</u>	<u>September 30, 2020</u>
Chang Hwa Bank –Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019.11.08~2029.10.15	\$ 629,280
Less: Long-term Loans payable-current portion				—
Long-term Loans, net				<u>\$ 629,280</u>
Interest rates for long-term loans				<u>0.63%~0.88%</u>

(Note) The subsidiary of the Group – Celadon Systems Inc., obtained a long-term loan and the loan is secured by company assets.

- A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).
- B. Pledged assets for bank loan
For bank loans secured by the Group's assets, please refer to Note 8.

(14) Pension Benefits

- A. Defined benefit plan
 - (a) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the "Labor Standards Law" applicable to the years of services of employees before July 1, 2005, which is the day that the new "Labor Pension Act" came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last nine (9) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of September 30, 2021, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$94,358 thousand.
 - (b) For the aforementioned pension plan, the Group recognized pension costs of NT\$1,898 thousand and NT\$384 thousand for the nine months ended September 30, 2021 and 2020, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at September 30, 2021 is NT\$3,648 thousand.
- B. Defined contribution plans
 - (a) As of July 1, 2005, the Group instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status

of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

- (b) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.
- (c) The pension expenses recognized under the Group's defined contributed pension regulations were NT\$56,345 thousand and NT\$44,532 thousand for the nine months ended September 30, 2021 and 2020 respectively.

(15) EQUITY

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

	Jan 1~Sep 30, 2021	2020	Unit : Share Jan 1~Sep 30, 2020
At January 1	92,080,197	79,958,726	79,958,726
Convertible Bonds Transferred To Common Stock	1,993,575	12,121,471	11,109,624
At September 30	<u>94,073,772</u>	<u>92,080,197</u>	<u>91,068,350</u>

B. Capital surplus

- (a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

- (b) The balance of the Company's capital surplus:

	September 30, 2021	December 31, 2020	September 30, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)</u>			
Common stock premium	\$ 210,163	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,420,163	1,304,697	1,245,496
Treasury Stock Transactions	58,623	58,623	58,623

<u>May be used to offset a deficit only (Note2)</u>			
Donation from shareholders	1	1	1
Invalidated employee shareholding pledging	27,005	27,005	27,005
<u>Such capital surplus may not be used for any purpose</u>			
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	687	9,936	14,718
Total	<u>\$ 1,736,500</u>	<u>\$ 1,630,283</u>	<u>\$ 1,575,864</u>

(Note1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

Ⓐ The company issued the first, second and third Domestic unsecured convertible corporate bonds; The company recognized NT\$593,941 thousand as paid-in capital in excess of par-common stock and treasury stock transaction NT\$8,477 thousand.

Ⓑ The 3rd domestic unsecured conversion of corporate bonds pay off convertible corporate bonds at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified “capital reserve – shareholding pledging” balance at NT\$27,005 thousand is reclassified as “capital reserve – invalidated shareholding pledging” item.

Ⓒ The group issued last time Domestic unsecured convertible corporate bonds; The company recognized NT\$49,759 thousand as paid-in capital in excess of par-common stock.

Ⓓ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT\$1 thousand.

Ⓔ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net

worth of the acquired equity was NT\$19,858 thousand on the date of investment, stated as capital surplus-others.

C. Retained earnings

- (a) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.
- (b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.
- (c) Legal reserve
According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(d) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

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

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

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

D. Treasury stock : None.

E. Share-based payment — employee compensation plan

As of September 30, 2021, information on outstanding ESO is shown below: None.

(16) OPERATING INCOME

A. Operating income

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>
Revenue from contracts with customers				
Sales revenue	\$ 1,550,583	\$ 1,447,903	\$ 4,405,681	\$ 4,259,559
Processing Fees revenue	90,851	57,336	235,799	157,873
Others				
Commission revenue	1,237	201	1,995	2,458
Total	<u>\$ 1,642,671</u>	<u>\$ 1,505,440</u>	<u>\$ 4,643,475</u>	<u>\$ 4,419,890</u>

B. Contract assets and contract liability

The Group recognized the contract assets and contract liability of the revenue from contracts with customers as following:

- (a) Contract assets: None.

(b) Contract liability as following:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Contract liability-current			
Sales revenue received in advance	\$ 759,684	\$ 677,524	\$ 654,918
Total	<u>\$ 759,684</u>	<u>\$ 677,524</u>	<u>\$ 654,918</u>

Revenue of the contract liability recognized in the beginning:

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Revenue recognized in this period				
Sales revenue received in advance transfer to revenue	\$ 89,664	\$ 159,929	\$ 379,515	\$ 657,980
Total	<u>\$ 89,664</u>	<u>\$ 159,929</u>	<u>\$ 379,515</u>	<u>\$ 657,980</u>

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Gains (losses) on disposal of property, plant and equipment	\$ —	\$ 696	\$ —	\$ 696
Loss on obsolescence of property, plant and equipment	(1)	—	(12,924)	—
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(276)	3,086	(228)	7,595
Net currency exchange gains (losses)	53	4,292	(14,999)	(30,276)
Gains (losses) arising from lease modifications	242	—	411	158
Others	(72)	(407)	(105)	(481)
Total	<u>\$ (54)</u>	<u>\$ 7,667</u>	<u>\$ (27,845)</u>	<u>\$ (22,308)</u>

B. Financial cost

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Interest expense				
Bank borrowings	\$ 1,779	\$ 1,475	\$ 4,460	\$ 4,532
The convertible bonds	141	2,062	1,054	9,708
Interest of Financial Leasing	570	958	1,915	2,848
subtotal	<u>2,490</u>	<u>4,495</u>	<u>7,429</u>	<u>17,088</u>
Less: capitalization of qualifying assets	(264)	—	(2,774)	—
Total	<u>\$ 2,226</u>	<u>\$ 4,495</u>	<u>\$ 4,655</u>	<u>\$ 17,088</u>
Capitalized interest rate	<u>0.64%~0.88%</u>	<u>0.63%~1.45%</u>	<u>0.60%~0.88%</u>	<u>0.63%~1.45%</u>

C. Interest income

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Interest income from bank deposits	\$ 333	\$ 979	\$ 1,707	\$ 3,529
Imputed interest from rent	8	15	69	82
Total	<u>\$ 341</u>	<u>\$ 994</u>	<u>\$ 1,776</u>	<u>\$ 3,611</u>

(18) Income Tax

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

	<u>Jul 1~Sep 30, 2021</u>	<u>Jul 1~Sep 30, 2020</u>	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Current tax:				
Current tax on profits for the period	\$ 34,261	\$ 35,141	\$ 94,033	\$ 95,248
Adjustments in respect of prior years	1	(9)	(869)	(981)
Total current tax	<u>34,262</u>	<u>35,132</u>	<u>93,164</u>	<u>94,267</u>
Deferred tax:				
Origination and reversal of temporary differences	(1,741)	3,382	1,177	9,931
Impact of change in tax rate	—	—	—	—
Total deferred tax	<u>(1,741)</u>	<u>3,382</u>	<u>1,177</u>	<u>9,931</u>
Income tax expense	<u>\$ 32,521</u>	<u>\$ 38,514</u>	<u>\$ 94,341</u>	<u>\$ 104,198</u>

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

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

D. The investment credit tax on deferred income tax assets which has been recognized by the Company before September 30, 2021 shall be credited by the following deadline:

<u>Item</u>	<u>Total credit</u>	<u>Deducted amount</u>	<u>Credited balance in current period</u>	<u>Balance to be credited</u>	<u>Last year of credit</u>
R&D expenditure (projected) in 2021	\$ 43,104	\$ —	\$ 36,625	\$ —	(non-deferred)
	<u>\$ 43,104</u>	<u>\$ —</u>	<u>\$ 36,625</u>	<u>\$ —</u>	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

E. Authorization of income tax:

	<u>Year</u>
MPI Corporation	2019
Chain-Logic International Corp.	2019
Allstron Corp	2019

F. Under the amendments to the Income Tax Act which was promulgated in February 7, 2018, the Company's applicable income tax rate was 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate. Besides, the tax rate of undistributed earnings from 2018 was 5%.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	<u>Jul 1~ Sep 30, 2021</u>			<u>Jul 1~ Sep 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding common stock (thousand shares)</u>	<u>EPS (NT\$)</u>	<u>Amount after tax</u>	<u>Weighted average number of outstanding common stock (thousand shares)</u>	<u>EPS (NT\$)</u>
Basic EPS						
Net profit attributed to the Company's common stock shareholders	\$ 176,905	93,870	\$ 1.88	\$ 221,138	88,345	\$ 2.50
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$ 176,905	93,870		\$ 221,138	88,345	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	—	151		—	3,114	
Employee stock bonus	—	150		—	221	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$ 176,905	94,171	\$ 1.88	\$ 221,138	91,680	\$ 2.41

	Jan 1~ Sep 30, 2021			Jan 1~ Sep 30, 2020		
	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT\$)
Basic EPS						
Net profit attributed to the Company's common stock shareholders	\$472,765	93,015	\$ 5.08	\$586,891	82,773	\$ 7.09
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$472,765	93,015		\$586,891	82,773	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	—	151		—	3,114	
Employee stock bonus	—	400		—	590	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$472,765	93,566	\$ 5.05	\$586,891	86,477	\$ 6.79

For the details about capital increase, please see Note 6(15).

(20) Business combinations - acquisition of subsidiaries

A. On September 2021, for the business development strategy, the Group has acquired 100% of the share capital of Celadon Systems Inc. (hereinafter referred to as the "Celadon") for US\$10,200,000 (equivalent to NT\$283,471 thousand) and obtained the control over Celadon. The main operating activities of Celadon are selling and manufacturing the Probe Cards, Test systems and High-Performance Cables and its main customers are semiconductor manufacturers and semiconductor equipment distributors. The Group has expected the acquisition will enhance the competitive advantages of the Group's engineering probe cards and equipment, and expand the market business scale.

B. The following table summarizes the consideration paid for Celadon and the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the acquisition date:

	<u>September 9, 2021</u>
Purchase consideration	
Cash paid	<u>\$ 283,471</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash and cash equivalent	\$ 10,911
Notes Receivables	26,347
Inventories	19,326
Prepayments	1,664
Property , plant and equipment	18,279
Right-of-use asset	16,512
Identifiable intangible assets	2,540
Notes payable	3,873
Other payables	6,774
Short-term loans	10,297
Contracts liabilities	1,792
Lease liability	16,512
Long-term loans	1,064
Total identifiable net assets	<u>\$ 55,267</u>
Goodwill	<u>\$ 228,204</u>

As of September 30, 2021, the allocation of the purchase price of the acquisition is still in process, and the Company has hired experts to assess the fair value of the identifiable assets.

The Group will continue to review the above matters during the measurement period. The fair value of the identifiable assets acquired and liabilities assumed is provisional pending receipt of the final valuations for those assets and liabilities. If obtained new information that the adjustment of the above provisional amount or additional provision on acquisition date within one year of the acquisition date, would revise the accounting program of acquisition.

The goodwill is attributable mainly from expanding the U.S market and the business scope and creating momentum for operational growth to the Group by merging Celadon. It will enhance the competitive advantage of the Group's products, provide completing solution services to the customers and expand the scale of the U.S market etc, as well as the synergies expected to be achieved from integrating business.

C. The operating revenue included in the consolidated statement of comprehensive income since September 9, 2021, contributed by Celadon was NT\$10,318 thousand. Celadon also contributed profit before income tax of NT\$1,620 thousand over the same period. Had Celadon been consolidated from January 1, 2021, the consolidated statement of comprehensive income would show operating revenue of NT\$122,102 thousand and profit before income tax of NT\$(34,516) thousand.

(21) Employee benefits, depreciation, depletion and amortization expenses are summarized as follow

Function Nature	Jul 1~ Sep 30, 2021			Jul 1~ Sep 30, 2020		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Wages and salaries	290,627	244,554	535,181	269,756	229,162	498,918
Labor and health insurance expense (Note 1)	19,232	16,569	35,801	15,764	14,259	30,023
Pension costs (Note 1)	10,387	13,336	23,723	8,775	6,801	15,576
Director remuneration	—	4,553	4,553	—	5,700	5,700
Other personnel expense (Note 2)	31,048	8,241	39,289	25,187	7,890	33,077
Depreciation	73,775	34,114	107,889	87,830	32,218	120,048
Depletion	—	—	—	—	—	—
Amortization	3,884	10,898	14,782	5,920	7,516	13,436
Function Nature	Jan 1~ Sep 30, 2021			Jan 1~ Sep 30, 2020		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Wages and salaries	854,597	707,688	1,562,285	763,804	644,793	1,408,597
Labor and health insurance expense (Note 1)	53,341	46,633	99,974	45,673	41,112	86,785
Pension costs (Note 1)	29,535	28,708	58,243	24,851	20,065	44,916
Director remuneration	—	12,105	12,105	—	15,200	15,200
Other personnel expense (Note 2)	93,975	24,519	118,494	77,176	22,072	99,248
Depreciation	221,894	96,843	318,737	270,853	94,221	365,074
Depletion	—	—	—	—	—	—
Amortization	11,871	36,018	47,889	18,687	25,330	44,017

(Note1) In response to Covid-19, the government of mainland China has implemented to reduce the social insurance. Pension costs were be exempted from February to December 2020, and Labor and health insurance expense were be halved from February to June 2020.

(Note2) The other personnel expenses including food stipend, overtime pay and employee benefits.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings.

- B. The Company has approved the motion for amendments to the Articles of Incorporation on June 15, 2020:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors on a pro rata basis as referred to in the preceding paragraph.

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

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

- C. The Company has approved the motion for amendments to the Articles of Incorporation on June 12, 2018:

If the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and not be higher than 3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.

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

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

- D. For the three months and nine months ended September 30, 2021 and 2020, employees remuneration(bonus) was accrued at NT\$18,215 thousand, NT\$22,797 thousand, NT\$48,422 thousand and NT\$60,798 thousand, respectively, and directors' remuneration was accrued at NT\$4,553 thousand, NT\$5,700 thousand, NT\$12,105 thousand and NT\$15,200 thousand, respectively. The aforementioned amounts were recognized as salary expenses. The recognized expenses were accrued based on the earnings of current year.

- E. The remuneration to employees and directors 2020 resolved to be allocated at the Board of Directors meeting on March 24, 2021 were NT\$73,877 thousand and NT\$18,469 thousand, respectively, identical with that recognized in the financial statement 2020, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2021.
- F. The remuneration to employees and directors/supervisors 2019 resolved to be allocated at the shareholders' meeting on June 15, 2020 by the Board of Directors meeting were NT\$43,950 thousand and NT\$9,920 thousand, respectively, identical with that recognized in the financial statement 2019, and the remuneration to employees will be paid in cash. The remuneration will be paid after the general shareholders' meeting 2020.
- G. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(22) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Purchase of property, plant and equipment	\$ 502,083	\$ 405,171
Add: opening balance of payable on equipment	133,660	65,720
Less: ending balance of payable on equipment	(65,758)	(17,336)
Cash paid during the period	<u>\$ 569,985</u>	<u>\$ 453,555</u>

B. Financing activities not affecting cash flow:

	<u>Jan 1~Sep 30, 2021</u>	<u>Jan 1~Sep 30, 2020</u>
Convertible bonds being converted to capital stocks	<u>\$ 19,936</u>	<u>\$ 111,097</u>

7. Transactions with related parties

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(2) The names and relationship of related parties: None.

(3) Important transactions with related parties

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. There was no transaction between the Group and other related parties for the nine months ended September 30, 2021 and 2020.

(4) **Information about remuneration to the management**

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

	<u>Jul 1-Sep 30, 2021</u>	<u>Jul 1-Sep 30, 2020</u>	<u>Jan 1-Sep 30, 2021</u>	<u>Jan 1-Sep 30, 2020</u>
Salary and other short-term employee benefits	\$ 2,683	\$ 3,799	\$ 8,251	\$ 9,278
Resignation benefits	—	—	—	—
Retirement benefits	—	—	—	—
Other long-term benefits	—	—	—	—
Share-based payments	—	—	—	—
Total	<u>\$ 2,683</u>	<u>\$ 3,799</u>	<u>\$ 8,251</u>	<u>\$ 9,278</u>

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Group to pledge for bank loans, import business tax, sale commitment, notes payable, payment commitment and repatriated offshore funds. The book value thereof is stated as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Land	\$ 770,963	\$ 770,963	\$ 770,963
Buildings	1,558,835	823,491	830,140
Pledged demand deposit (stated as other current assets)	12,914	16,523	19,520
Pledged time deposit (stated as other current assets)	2,557	5,023	5,015
Other non-current financial assets (stated as other non-current assets)	7,054	—	—
Total	<u>\$ 2,352,323</u>	<u>\$ 1,616,000</u>	<u>\$ 1,625,638</u>

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: None.

(2) Commitment:

A. Balance of unused letter of credit issued by the Group, guarantee money paid and service charges: None.

B. The outstanding amount under the purchase orders signed for the Group's purchase of equipment is stated as following:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Purchases of property, plant and equipment	<u>\$ 71,971</u>	<u>\$ 130,976</u>	<u>\$ 265,081</u>

10. Significant disaster loss: N/A.

11. Significant subsequent events: N/A.

12. Others

(1) Capital management

The Group's capital management objective is intended to protect the Group's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Group manages and adjusts the capital structure subject to the economic condition. The Group might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group maintained the same strategy in 2021 as that in 2020, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on September 30, 2021, December 31, 2020 and September 30, 2020 are stated as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Total liabilities	\$ 3,694,117	\$ 3,327,674	\$ 2,874,998
Total net worth	5,828,683	5,648,918	5,451,343
Debt/equity ratio	63%	59%	53%

(2) Financial instruments by category

A. The financial instruments of the group are stated as follows:

- (a) Financial assets: Including financial assets measured at fair value through profit or loss, financial assets at amortized cost, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.
- (b) Financial liabilities: Including financial liabilities measured at fair value through profit or loss, short-term loans, notes payable, accounts payable, other payables, corporate bonds payable (including current portion), long-term borrowings (including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

- (a) The Group's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.
- (b) The Group has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of

directors according to the related regulations and internal control system. In the duration of financial management activities, the Group shall strictly comply with the requirements related to financial risk management defined by the Company.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currencies, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Group's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Group did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or WON). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

September 30, 2021				
Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)	
Financial assets	NTD/USD	\$ 27,107	27.812	\$ 753,892
	NTD/JPY	\$ 1,220	0.24701	\$ 301
	NTD/EUR	\$ 13,208	32.314	\$ 426,809
	NTD/RMB	\$ 116,369	4.2816	\$ 498,243
	NTD/KRW	\$ 5,188	0.02373	\$ 123
	NTD/HKD	\$ 12	3.523	\$ 42
	NTD/MYR	\$ 9	6.38	\$ 60
	NTD/SGD	\$ 213	20.45	\$ 4,366
	NTD/PHP	\$ 91	0.5377	\$ 49
	NTD/GBP	\$ 143	37.42596	\$ 5,359
	NTD/INR	\$ 10	0.3694	\$ 4
Financial liabilities	NTD/USD	\$ 2,290	27.912	\$ 63,909
	NTD/JPY	\$ 74,575	0.2506	\$ 18,688
	NTD/EUR	\$ 684	32.495	\$ 22,217
	NTD/RMB	\$ 443	4.311	\$ 1,920
	NTD/GBP	\$ 2	37.6267	\$ 82

December 31, 2020				
Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)	
Financial assets	NTD/USD	\$ 25,995	28.078	\$ 729,897
	NTD/JPY	\$ 1,025	0.27314	\$ 280
	NTD/EUR	\$ 1,619	34.512	\$ 55,890
	NTD/RMB	\$ 98,459	4.2947	\$ 422,854
	NTD/KRW	\$ 5,188	0.02644	\$ 137
	NTD/HKD	\$ 12	3.619	\$ 43
	NTD/SGD	\$ 6	21.409	\$ 135
	NTD/MYR	\$ 16	6.7895	\$ 108
	NTD/GBP	\$ 91	38.34776	\$ 3,478
	NTD/INR	\$ 10	0.3807	\$ 4
	NTD/PHP	\$ 91	0.5861	\$ 53

Financial liabilities	NTD/USD	\$ 5,345	28.257	\$ 151,028
	NTD/JPY	\$ 30,875	0.2745	\$ 8,474
	NTD/EUR	\$ 627	34.738	\$ 21,791
	NTD/RMB	\$ 1,721	4.341	\$ 7,471
	NTD/GBP	\$ 1	38.54	\$ 8

September 30, 2020				
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 29,372	28.992	\$ 851,543
	NTD/JPY	\$ 7,862	0.27471	\$ 2,160
	NTD/EUR	\$ 1,535	34.02	\$ 52,205
	NTD/RMB	\$,104,352	4.2423	\$ 442,690
	NTD/KRW	\$ 5,188	0.0251	\$ 130
	NTD/HKD	\$ 12	3.7	\$ 44
	NTD/MYR	\$ 16	6.7035	\$ 107
	NTD/SGD	\$ 14	21.135	\$ 293
	NTD/PHP	\$ 91	0.5934	\$ 54
	NTD/GBP	\$ 54	37.1726	\$,2,026
	NTD/INR	\$ 10	0.3884	\$ 4
Financial liabilities	NTD/USD	\$ 8,239	29.154	\$ 240,208
	NTD/JPY	\$ 24,614	0.277	\$ 6,817
	NTD/EUR	\$,239	34.268	\$ 8,205
	NTD/RMB	\$ 5,847	4.285	\$ 25,051

In consideration of the Group's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) was NT\$(14,999) thousand and NT\$(30,276) thousand until September 30, 2021 and 2020.

ⓑ Cash flow and fair value interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Group's interest rate risk arises primarily from the loan with floating interest rate.

The Group maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

© Pricing risk

Due to the fact that in the investment held by the Group indicated in the individual balance sheet, the Group did not hold the financial assets including equity instruments. Therefore, the Group did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Group did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2020, September 30, 2021 and 2020 are stated as following:

September 30, 2021

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-47,473 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-3,187 thousand

December 31, 2020

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-30,723 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,909 thousand

September 30, 2020

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-32,129 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-1,573 thousand

(b) Credit risk

Ⓐ Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

Ⓑ The group set up the management of credit risk by group perspective. According to the loan policy expressly defined internally in the Group, each business dept. Within the Group shall conduct the management and

credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Group also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

- © On September 30, 2021 and 2020, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.
- Ⓓ The Group's Finance Dept. manages the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The Group's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.
- Ⓔ Guarantee
According to the Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. Before September 30, 2021, December 31, 2020 and September 30, 2020, the Group has never made any endorsements/guarantees.
- Ⓕ The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- Ⓖ The Group in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural

disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.

- Ⓜ The Group classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- Ⓨ The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- Ⓩ The Group used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The group use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Group updated the observed historical default rates and analyzed changes. On September 30, 2021, December 31, 2020 and September 30 2020, the group expected credit loss rate during the lifetime is stated as follow:

	Notes Receivable	Accounts Receivable					
	Dishonored check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

- Ⓚ The Group grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of loss allowances provided for the Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(2) and 6(3).
- (c) Liquidity risk
- Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities

under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.

- Ⓑ The Group's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT\$1,990,290 thousand on September 30, 2021.
- Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

Non-derivative financial liabilities	September 30, 2021			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ 508,210	\$ -	\$ -	\$ 508,210
Payable accounts (including related party)	633,100	-	-	633,100
Other payable accounts (including related party)	750,791	-	-	750,791
Lease Liability (note)	49,389	29,121	30,379	108,889
Long-term loan (including the current portion)	2,087	54,358	710,328	766,773
Corporate bond payable	9,496	-	-	9,496
Total	<u>\$ 1,953,073</u>	<u>\$ 83,479</u>	<u>\$ 740,707</u>	<u>\$ 2,777,259</u>

Non-derivative financial liabilities	December 31, 2020			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	541,195	-	-	541,195
Other payable accounts (including related party)	929,411	-	-	929,411
Lease liabilities (note)	54,879	30,584	27,434	112,897
Long-term loan (including the current portion)	-	-	763,797	763,797
Corporate bond payable	135,576	-	-	135,576
Total	<u>\$ 1,661,061</u>	<u>\$ 30,584</u>	<u>\$ 791,231</u>	<u>\$ 2,482,876</u>

Non-derivative financial liabilities	September 30, 2020			Total
	Within 1 year	1~2 years	More than 2 years	
Short-term loan	\$ —	\$ —	\$ —	\$ —
Payable accounts (including related party)	491,606	—	—	491,606
Other payable accounts (including related party)	611,141	—	—	611,141
Lease Liability (note)	64,851	33,591	31,294	129,736
Long-term loan (including the current portion)	—	—	629,280	629,280
Corporate bond payable	199,983	—	—	199,983
Total	\$ 1,367,581	\$ 33,591	\$ 660,574	\$ 2,061,746

(Note) Lease payments are low-value asset leases or short-term leases that are exempt from recognition of lease liabilities. If lease payments are significant, it should be disclose the maturity analysis of the contractual cash flow amounts.

(3) Fair value information

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

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in corporate bonds is included in Level 2.
- Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

- Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, financial assets at amortized cost—current, notes receivable, accounts receivable, other receivables, pledged deposit, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	September 30, 2021		
	Book value	Fair value	
		Level 1	Level 2
Financial assets	—	—	—
Financial liabilities			
Bonds payable (including current portion)	\$ 9,496	—	\$ 9,496

	December 31, 2020			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	\$ 135,576	—	\$ 135,576	—

	September 30, 2020			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets	—	—	—	—
Financial liabilities				
Bonds payable (including current portion)	\$ 199,983	—	\$ 199,983	—

Ⓑ The methods and assumptions of fair value estimate are as follows:

Corporate bond payable: The cash flow expected to be paid is measured by the present value discounted of the market interest rate on the balance sheet date.

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

Ⓐ The Group measured at fair value by level on the basis of the assets and liabilities:

	September 30, 2021			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss — current convertible bonds option	\$ 80	—	\$ 80	—
<u>Non-recurring fair value measurements</u>	—	—	—	—
Liabilities				
<u>Recurring fair value measurements</u>	—	—	—	—

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

Liabilities				
<u>Recurring fair value measurements</u>	—	—	—	—
	September 30, 2020			
		<u>Fair value</u>		
	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss—current convertible bonds option	\$ 1,637	—	\$ 1,637	—
<u>Non-recurring fair value measurements</u>	—	—	—	—
Liabilities				
<u>Recurring fair value measurements</u>	—	—	—	—

ⓑ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
	Binomial tree valuation model :
Convertible bonds option	Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

D. There were no transfer between Level 1 and Level 2 for the nine months ended September 30, 2021 and 2020.

(4) Assessment of impact of COVID-19

The Group's business operation has taken the impact of COVID-19 into consideration. As a result, production of some of the Group's factories came to a halt. As of September 30, 2021, all factories have resumed operations, and do not cause any default risk. Additionally, although the Group's sales orders from certain areas have declined because of the said pandemic, the Group's overall business and financial position were not significantly impacted based on the Group's assessment

13. Supplementary Disclosures

(1) Significant transactions information

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall also disclose the information about important transactions:

No.	Contents	January ~ September 2021
1	Loans to others	N/A
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Attached table 1

Attached table 1 : Business relationship and important transactions between parent company and subsidiaries

a. For the nine months ended September 30, 2021

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 58,246	Note 4	1%
				Receivable accounts	\$ 25,502	Note 6	-
				Advance sale receipts	\$ 65,508	Note 4	1%
				Other receivable accounts	\$ 1,057	Note 8	-
				Rent revenue	\$ 2,894	Note 7	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 63,982	Note 4	1%
				Receivable accounts	\$ 73,492	Note 6	1%
				Other receivable accounts	\$ 13,862	Note 8	-
				Other gains	\$ 13,980	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 405,403	Note 4	9%
				Receivable accounts	\$ 391,442	Note 6	4%

				Advance sale receipts	\$ 67,921	Note 4	1%
				Other gains	\$ 3,410	Note 4	-
				Temporary payment	\$ 1,767	Note 6	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 341,242	Note 4	7%
				Receivable accounts	\$ 295,019	Note 6	.3%
				Other receivable accounts	\$ 22,874	Note 8	-
				Other gains	\$ 18,640	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Sales revenue	\$ 6,316	Note 4	-
				Receivable accounts	\$ 4,169	Note 6	-
				Other receivable accounts	\$ 417	Note 8	-
				Other gains	\$ 141	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 10,998	Note 4	-
				Receivable accounts	\$ 7,433	Note 6	-
				Revenue from commission	\$ 23,663	Note 5	-
				Receivable Commission	\$ 10,678	Note 6	-
				Other receivable accounts	\$ 146	Note 8	-
				Other gains	\$ 1,239	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 1,559	Note 4	-
				Receivable accounts	\$ 966	Note 6	-
				Advance sale receipts	\$ 222	Note 4	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sale revenue	\$ 5,517	Note 4	-
				Advance sale receipts	\$ 296	Note 4	-
				Receivable accounts	\$ 2,172	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 2,142	Note 5	-
				Receivable Commission	\$ 1,021	Note 6	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sale revenue	\$ 144	Note 4	-
				Receivable accounts	\$ 144	Note 6	-
2	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	\$ 5,799	Note 4	-
				Receivable accounts	\$ 3,622	Note 6	-
2	MEGTAS CO., LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 3,669	Note 4	-
				Receivable accounts	\$ 1,463	Note 6	-

3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 563	Note 4	-
				Receivable accounts	\$ 562	Note 6	-
				Revenue from commission	\$ 7,914	Note 5	-
				Receivable Commission	\$ 628	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 2,247	Note 4	-
				Receivable accounts	\$ 13	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 672	Note 4	-
				Receivable accounts	\$ 12	Note 6	-
				Other gains	\$ 299	Note 4	-
4	MPI AMERICA INC.	Chain-Logic International Corp	3	Sales revenue	\$ 420	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	Chain-Logic International Corp.	3	Other gains	\$ 735	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Maintenance revenue	\$ 44	Note 4	-
				Receivable accounts	\$ 7	Note 6	-

b. For the nine months ended September 30, 2020

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	\$ 32,363	Note 4	1%
				Receivable accounts	\$ 45,585	Note 6	1%
				Advance sale receipts	\$ 66,886	Note 4	1%
				Other receivable accounts	\$ 1,057	Note 8	-
				Rent revenue	\$ 2,894	Note 7	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 9,464	Note 4	-
				Receivable accounts	\$ 9,013	Note 6	-
				Other receivable accounts	\$ 12,195	Note 8	-
				Other gains	\$ 12,206	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 383,744	Note 4	9%
				Receivable accounts	\$ 350,715	Note 6	4%
				Advance sale receipts	\$ 18,891	Note 4	-
				Others gains	\$ 3,602	Note 4	-
				Temporary receipts	\$ 1,368	Note 6	-

0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 246,832	Note 4	6%
				Receivable accounts	\$ 354,989	Note 6	4%
				Other receivable accounts	\$ 16,957	Note 8	-
				Other gains	\$ 15,257	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 8,652	Note 4	-
				Receivable accounts	\$ 3,484	Note 6	-
				Revenue from commission	\$ 29,435	Note 5	1%
				Receivable Commission	\$ 13,726	Note 6	-
				Other receivable accounts	\$ 132	Note 8	-
				Other gains	\$ 1,488	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 1,211	Note 4	-
				Receivable accounts	\$ 893	Note 6	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sale revenue	\$ 6,721	Note 4	-
				Advance sale receipts	\$ 419	Note 4	-
				Receivable accounts	\$ 1,731	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 1,631	Note 5	-
				Receivable Commission	\$ 662	Note 6	-
2	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 3,524	Note 4	-
				Receivable accounts	\$ 587	Note 6	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 1,469	Note 4	-
				Receivable accounts	\$ 608	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Revenue from commission	\$ 13,819	Note 5	-
				Receivable Commission	\$ 29	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 819	Note 4	-
				Receivable accounts	\$ 12	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 253	Note 4	-
				Receivable accounts	\$ 249	Note 6	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 302	Note 4	-
				Receivable accounts	\$ 300	Note 6	-
				Other receivable accounts	\$ 839	Note 8	-

Note 1: Transactions between parent company and its subsidiaries are numbered as follows:

- (1) "0" for parent company.
- (2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related-party transactions are divided into the three categories as follows (If it refers to the same transaction between parent company and subsidiary or subsidiary and subsidiary, the transaction is not required to be disclosed repeatedly. For example, if the parent company has disclosed any transaction between it and its subsidiary, the subsidiary is not required to disclose the same transaction again. If either of the subsidiaries which trade with each other has disclosed the transaction, the other subsidiary is not required to disclose the same transaction again.)

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: For assets and liabilities, the proportion to the consolidated total income or total assets is shown as the Ratio of Shareholding to the consolidated total assets for the nine months ended September 30. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the nine months ended September 30.

Note 4: Processed under the general trading conditions and price.

Note 5: Based on the price agreed by both parties.

Note 6: O/A 30~180 days, same as that applicable to the general customers or suppliers.

Note 7: Based on the rent agreed by both parties.

Note 8: Out-of-pocket expenses of the general expenditure.

(2) Information on investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) for the nine months ended September 30, 2021 is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	\$ 32	\$ 32	1,000	100%	\$ 56,743	\$ (1,419)	\$ (1,419)	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	\$ 573,502	\$ 573,502	18,267,987	100%	\$ 586,424	\$ 59,026	\$ 57,730	Subsidiary of MPI Corporation

MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	\$ 53,767	\$ 53,767	400,000	80%	\$ 36,475	\$ 6,159	\$ 4,554	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 192,797	\$ 3,996	\$ 4,000	Subsidiary of MPI Corporation
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	\$ 50,000	\$ 50,000	1,550,000	100%	\$ 1,536	—	—	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	\$ 321,352 (Note 5)	\$ 37,881	11,450,000	100%	\$ 71,078	\$ (58,916)	\$ (58,916)	Subsidiary of MPI Corporation
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	\$ 3,724	\$ 3,724 (Note 4)	100	100%	\$ 3	\$ (43)	—	Subsidiary of Chain-Logic International Corp.
MPA TRADING CORP.	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 319,837 (Note5)	\$ 36,366	6,300,000	100%	\$ 69,854	\$ (58,875)	—	Subsidiary of MPA TRADING CORP.
MPI AMERICA INC.	Celadon Systems Inc.	13795 Frontier Ct Burnsville, Minnesota 55337, USA	Selling and manufacturing of Probe Card, Test Equipment and High-performance cables	\$ 283,471 (Note5)	\$ —	1,000	100%	\$ 56,881	\$ 1,620	—	Subsidiary of MPI AMERICA INC.

Note 1: Except MMI HOLDING CO., LTD. which recognized the investment income based on the financial statements reviewed by other external auditors, the investment income of the others were recognized based on the financial statements reviewed by the parent company's external auditors.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. So far, the

Group has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

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

(3) Information on investments in Mainland China

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income(losses) recognized in the current period (Note 2)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 (\$ 502,470)	(Note 1)	USD 16,000,000 (\$ 502,470)	—	—	USD 16,000,000 (\$ 502,470)	\$ 64,002	100 %	\$ 64,002	\$ 548,595	—
MPI (Suzhou) Corporation	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 2,000,000 (\$60,180) Registered Capital USD 3,000,000 (\$ 90,270)	(Note 1)	USD 2,000,000 (\$60,180)	—	—	USD 2,000,000 (\$60,180)	\$ (4,873)	100 %	\$ (4,873)	\$ 58,762	—

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

Note 2: Except the financial statement of Lumitek (Changchou) Co. Ltd., which was reviewed by company's external auditors, the investment income not recognized based on the financial statements reviewed by the parent company's external auditors was recognized under the equity method.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note 1)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 3,497,210

Note 1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note 2: (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written down in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000 (equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42 (equivalent to NT\$49,434 thousand) that could not be offset the investment amount.

(b) MJC Microelectronics (Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US\$2,857,000 (equivalent to NT\$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.

(c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US\$936,870 (equivalent to NT\$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.

(d) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting. The amount of cash capital reduction has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in July, 2019 and was used to deduct the accumulated amount of investment in Mainland China.

(e) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2020. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, for the nine months ended September 30, 2021 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries”.

(4) Major shareholders information

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

Note1: The table is based on the information provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of MPI Corporation stocks completed the process of registration and book-entry delivery in dematerialized from on the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company’s consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decision on trust property. Information on insider equity declaration is available on the Market Observation Post System website.

Note3: The principle of this table is based on the list of securities owners at the book closure date announced by the interim shareholders meeting without margin trading-short.

Note4: Ownership Percentage (%) = total number of shares holding by the shareholder / total number of shares delivered in dematerialized form

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were 94,073,772 shares = 94,073,772 (common stock) + 0 (preferred stock).

14. Information by department

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments. In accordance with IFRS 8 “Operating segments”, the Group has only one operating segment.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.